Application Proof of

Soft International Group Ltd
舒寶國際集團有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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Soft International Group Ltd
(舒寶國際集團有限公司)

(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 [REDACTED] and the [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] Shares (subject to [REDACTED])**
[REDACTED]	:	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, 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$0.0001 per Share**
[REDACTED]	:	**[●]**

Sole Sponsor and **[REDACTED]**

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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.

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This summary aims to give you an overview of the information contained in this document and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this document. As it is a summary, it does not contain all the information that may be important to you and we urge you to read the entire document carefully before making your investment decision. Various expressions used in this summary are defined in the section headed "Definition" and "Glossary of Technical Terms" in this document. 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**]. *You should read the entire document before you decide to invest in the* [**REDACTED**].

OVERVIEW

We are principally engaged in the development, manufacture and sale of personal hygienic disposables based in China, specialising in babycare category for emerging markets in Eurasia. Since inception in 2010, we have predominantly marketed and sold our branded babycare products in China. Our flagship babycare brand "Insoftb" (嬰舒寶) was recognised by the Government of Fujian Province as a "2016 Fujian Famous Brand Products" (2016年度福建名牌產品). We were also recognised as a "2018 China Diaper Industry Top 10 Enterprise" (2018年度中國嬰兒紙尿褲行業十強企業) by the Household Paper Professional Committee of the China Paper Association (中國造紙協會生活用紙專業委員會). In addition, we were shortlisted as one of the major drafters of the formulation of the currently applicable national standard for baby disposable diapers revised in 2021. With the younger generation of Chinese consumers embracing digital platforms and their shifts toward affordable premium brands over the last several years, we were focused on "Direct-to-Consumer" (D2C) sales model where we market and sell our branded products direct to end consumers extensively through multiple third-party pureplay digital platforms in China. We expanded our branded product range into our current core product categories, namely babycare, feminine care and adult incontinence.

Whilst expanding our D2C branded products business in the PRC, we grew our contract manufacturing business abroad and exported our core babycare products for foreign brand owners carrying their respective brands to emerging markets in Eurasia, such as Russia, Southeast Asia and Kazakhstan, during the Track Record Period. Benefited from the explosive growth of e-commerce and the booming of private label in Russia in recent years, as confirmed by Frost & Sullivan, we have expanded into the manufacture and supply of our babycare products and solutions primarily to several top-tier Russian children's goods retailers, helping them to establish or enhance their private-label brands in the region. We were ranked as the second largest exporter of baby disposable hygienic products in China to Russia in terms of export value in 2022, according to the Frost & Sullivan Report.

Alongside the rising consumer awareness about hygiene and eco-sustainability worldwide, we manufacture nonwoven fabrics, a raw material critical to the manufacture of most hygienic disposables, at our own Nonwoven Fabric Facilities for our own use, and to a lesser extent, to independent raw material suppliers and manufacturers of hygiene and personal care products in China. Our Directors believe that manufacturing our own nonwoven fabrics allows us to ensure stable supply as well as giving us greater control and thus assurance over the quality of this key raw material, enhancing our overall recognition and competitiveness in the industry.

MARKET POTENTIAL AND COMPETITIVE LANDSCAPE

Market dynamics and potential

Hygienic disposables are non-discretionary consumer staples that benefit from a relative inelasticity of demand, which contributes to stable demand regardless of general economic trends. Our babycare products can be viewed as medical supplies in accordance with applicable International Sanctions, and thus are subject to less restrictive set of export control restrictions due to the humanitarian nature of our products, as advised by our International Sanctions Legal Advisers. According to the Frost & Sullivan Report, the hygienic disposable industry keeps growing in Eurasia, but it has undergone a remarkable transformation in recent years, mainly driven by a combination of digitalisation and evolving consumer preferences of the younger generation. Traditionally, consumers were known for their preference for established international brands. However, the younger generation of consumers, in particular Millennials and Gen Z consumers, desire affordable premium brands that offer personalisation and inclusivity, giving rise to the fast growth of D2C brands and private labels across many emerging markets in Eurasia.

As many consumers search for more affordable options, private labels readily seized this opportunity, rapidly capturing market share of various emerging markets in Eurasia, especially in Russia. The most popular baby diaper brands among Russians are private labels of local retailers. Many Russian retailers have seen a rapid increase in demand for private-label babycare products, further propelled by a shortage of raw materials for production, as well as an increase in logistics costs because of the sanctions imposed against Russia since spring 2022. In 2023, most of the private label baby diapers that were supplied to Russian retailers were made in China and Turkey. According to the Frost & Sullivan Report, the export value of babycare hygienic disposables to Russia from China were approximately RMB1,087.3 million in 2022 and is forecasted to continue to increase to approximately RMB2,406.4 million in 2027, representing a CAGR of approximately 17.2% from 2022 to 2027.

In China, Chinese consumers now have higher disposable incomes, leading to an increased focus on quality and brand experience rather than just price. Also thanks to the rise of Guochao, meaning "national wave", homegrown Chinese D2C brands of affordable and personalised babycare hygienic disposables have gained immense popularity among consumers. Feminine care and adult incontinence sectors are also on the rise in China mainly due to rising living standards, improved consumer awareness in addition to the continually ageing population. According to the Frost & Sullivan Report, the babycare hygienic disposables, feminine care hygienic disposables and adult incontinence disposables markets in China were approximately RMB50.5 billion, RMB63.1 billion and RMB12.1 billion in 2022, respectively, and are forecasted to grow to approximately RMB58.1 billion, RMB72.1 billion and RMB16.8 billion in 2027, respectively, representing a CAGR of approximately 2.8%, 2.7% and 6.8%, respectively, from 2022 to 2027.

As competition is heating up in China, Chinese hygienic disposable manufacturers are looking abroad to vie for customers in Southeast Asia. These countries register an increasing population well above the global average, representing the third largest global market for babycare hygienic disposables. According to the Frost & Sullivan Report, the hygienic disposables market in Asia was approximately US$88.0 billion in 2022 and is projected to grow to approximately US$106.8 billion by 2027 at a CAGR of approximately 3.9% from 2022 to 2027.

Competitive landscape

The markets in which we operate are highly competitive and rapidly evolving, with many new brands and product offerings emerging in the marketplace. According to the Frost & Sullivan report, the hygienic disposable market in China has polarised into luxury premium segment dominated by international and established brands. Certain of our competitors are multinational corporations that may have greater financial, marketing, research and development or other resources than we do, as well as greater market share within certain of our categories or geographic markets. We also face significant competition from smaller players, especially, emerging D2C brands which have benefited from the substantial growth in e-commerce and focus extensively on D2C or other non-traditional, digital business models. In addition, competition is likely to intensify in the overseas markets as we may be required to compete with other contract manufacturers in the areas of product innovation, manufacturing capabilities and operational efficiency. Our Directors consider that our consumer-centric and products on-demand capability with proven track record can differentiate ourselves and tap into growth opportunities in the industry.

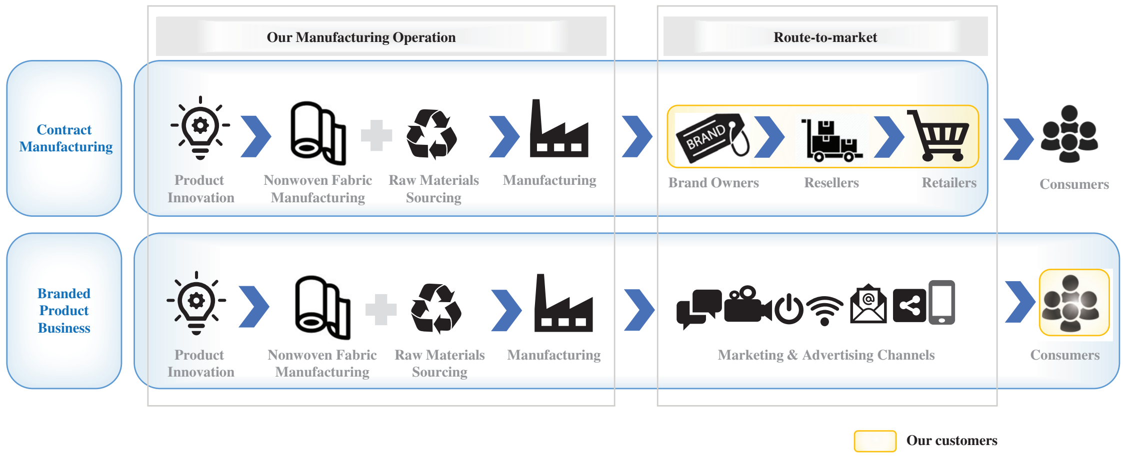
OUR BUSINESS

Our Business Model

Throughout over 13 years of operation, we have established a vertically integrated manufacturing operation from product development, nonwoven fabric manufacturing, raw material sourcing, manufacturing, quality control, warehousing to logistics management across all our core product categories. With one-stop supply chain management solution and supported by our fully automated production and warehousing facilities, we can respond faster to customers' needs, providing higher output and uniform quality and continuously optimising operational efficiency.

The rapid development of e-commerce all over the world in recent years has assisted us to not only overcome our lack of physical establishments, but also build an omnichannel presence through multiple digital online and social media platforms. To cope with this trend, we strive to develop "Direct-to-Consumer" (D2C) model where we directly market and sell our branded products to end consumers extensively through third-party pureplay digital platforms. We build direct connections with consumers and can interact with them along the entire consumer journey from customer acquisition to delivery to service. Leveraging on D2C channels, we gain an almost instant feedback loop from consumers, allowing us to understand consumers' aspirations; and by integrating our fully automated production facilities to turn ideas into tangible products quickly and at scale.

The diagram below illustrates our business model as at the Latest Practicable Date:



Our Business Activities

Our business activities can be broadly categorised into the following segments by sales modes, the type of our customers and the nature of our commercial relationships:

(i) ***Contract Manufacturing***, which primarily manufacture and sell our babycare products as an ODM to business customers, primarily to independent retailers and diaper brand owners, carrying on their brands or private labels exported from China into countries in Eurasia. We have dedicated ourselves to manufacturing quality products on our business customers' behalf that compete with comparable products, customising products to their specifications and incorporating the latest product features and innovations. We focus primarily on building, retaining and solidifying strong relationships with our business customers that drive our long-term business; and

(ii) ***Branded Product Business***, which primarily manufacture, market and sell products for all categories under our own brands direct to end consumers primarily based on a D2C sales model through multiple third-party pureplay digital platforms extensively in China such as (i) traditional e-commerce platforms such as Pinduoduo, Tmall and JD.com; and (ii) social media, live streaming and short video channels such as Douyin and Kuaishou. We have applied various tactics of influencer marketing, live streaming, content marketing, peer recommendation and group purchases. Based on direct interaction with consumers, we obtain data, gain insights into user needs, drive product innovation or discover upcoming product categories, and continue to strengthen consumer engagement.

Set forth below is a breakdown of our revenue by major business segments, for the periods indicated:

	FY2021		FY2022		FY2023	
	RMB'000 (approx.)	*%*	*RMB'000 (approx.)*	*%*	*RMB'000 (approx.)*	*%*
Contract manufacturing	170,434	64.8	267,878	65.6	448,383	68.5
Branded product business	90,630	34.4	73,332	18.0	154,009	23.5
Nonwoven fabric and others	2,162	0.8	66,856	16.4	52,168	8.0
Total	263,226	100.0	408,066	100.0	654,560	100.0

OUR PRODUCTS AND BRANDS

We offer a multi-category assortment of nonwoven hygienic disposables that is intentionally designed to serve consumers every day, at every age and through every life stage from infancy to old age. Our core product categories broadly include: –

(i) ***Babycare products***, our primary product category principally consisted of baby pants and baby diapers and, to a lesser extent, baby wipes. We offer a wide spectrum of affordable premium to luxury premium baby diapers for use by premature babies to older infants. Our baby pants are absorbent materials resembling underwear used for toilet, swimming and other training purposes for toddler age. As at 31 December 2023, we had approximately six assortments, consisting of over approximately 140 SKUs incorporating over various vibrant character designs available in seven key sizes from newborn to XXXL. Our branded babycare products are primarily marketed and sold under our own brand "Insoftb" (嬰舒寶) ;

(ii) ***Feminine care products***, such as sanitary pants and wipes, primarily marketed and sold under our own brand "Misecr" (五月私語) in China, with over approximately 20 SKUs as at 31 December 2023; and

(iii) ***Adult incontinence products***, specifically designed for elderly adults to manage light, moderate and heavy incontinence, such as diapers, pull-ups and wipes, primarily marketed and sold under our own brand "Cosoftb" (康舒寶) in China, with over approximately 15 SKUs as at 31 December 2023.

Set forth below is a breakdown of our revenue by our product category, price range, gross profit and gross profit margin for the periods indicated:

	FY2021			FY2022			FY2023		
	Revenue		ASP	Revenue		ASP	Revenue		ASP
	RMB'000 (approx.)	*%*	*RMB*	*RMB'000 (approx.)*	*%*	*RMB*	*RMB'000 (approx.)*	*%*	*RMB*
Babycare	228,498	86.8	0.72	322,077	78.9	0.78	467,960	71.5	0.75
Feminine care	1,057	0.4	1.17	1,994	0.5	1.17	113,744	17.4	0.93
Adult incontinence	12,313	4.7	1.44	6,714	1.6	1.58	13,419	2.1	1.58
Others(Note)	19,196	7.3	0.41	10,425	2.6	1.28	7,269	1.0	1.02
Subtotal	261,064	99.2		341,210	83.6		602,392	92.0	
Nonwoven fabric and others	2,162	0.8	12.55	66,856	16.4	10.58	52,168	8.0	11.09
Total	263,226	100.0		408,066	100.0		654,560	100.0	

Note: Includes the sale of masks, toilet paper, tissue, pet care products and cleaning wipes.

	FY2021		FY2022		FY2023	
	Gross profit (RMB'000) (approx.)	*Gross profit margin (%)*	*Gross profit (RMB'000) (approx.)*	*Gross profit margin (%)*	*Gross profit (RMB'000) (approx.)*	*Gross profit margin (%)*
Babycare	47,409	20.7	99,895	31.0	138,264	29.5
Feminine care	472	44.6	880	44.1	50,905	44.8
Adult incontinence	3,244	26.3	1,959	29.2	4,276	31.9
Others	5,537	28.8	4,868	46.7	1,810	24.9
Subtotal	56,662		107,602		195,255	
Nonwoven fabric and others	72	3.3	3,624	5.4	2,012	3.9
Total	56,734		111,226		197,267	

OUR SALES AND CUSTOMERS

Our customers vary by our business activities and geographies which can be broadly categorised into two main types: (i) business customers including several top-tier children's good retailers and established diaper brand owners primarily in Russia, China and Southeast Asia, resellers primarily in China, as well as personal hygiene raw materials suppliers and product manufacturers in China; and (ii) end consumers of our branded products primarily in China.

Set forth below is a breakdown of our revenue by types of our customers for the periods indicated: –

	FY2021		FY2022		FY2023	
	RMB'000 (approx.)	*%*	*RMB'000 (approx.)*	*%*	*RMB'000 (approx.)*	*%*
Business customers						
– Retailers	39,439	15.0	130,564	32.0	319,980	48.9
– Brand owners	107,051	40.7	102,306	25.1	89,350	13.7
– Resellers and others[(1)]	57,459	21.8	122,882	30.1	150,132	22.9
Subtotal	203,949	77.5	355,752	87.2	559,462	85.5
End consumers	59,277	22.5	52,314	12.8	95,098	14.5
Total	263,226	100.0	408,066	100.0	654,560	100.0

Note:

(1) Other business customers comprised personal hygiene raw materials suppliers and product manufacturers.

Sales to our five largest customers, all of which being business customers, during each year of the Track Record Period accounted for approximately 45.6%, 54.1% and 64.1% of our total revenue. Apart from Jinjiang Libaida, all of our five largest customers during the Track Record Period were Independent Third Parties. Our five largest customers during the Track Record Period generally had not less than three years of business relationship with us as at the Latest Practicable Date.

Russian Top-tier Retailer, our second largest customer in FY2021 and our largest customer during FY2022 and FY2023, accounted for approximately 12.0%, 31.5% and 48.7%, respectively of our total revenue for the corresponding period. Based on public information, Russian Top-tier Retailer is the largest children's goods retailer in Russia operating over approximately 1,100 stores in Russia and Kazakhstan as at June 2022 with approximately 450 million users in Russia in 2021. It has been operating for more than approximately 75 years with its annual revenue of approximately US$1.8 billion in 2021 according to its audited financial statements for the year ended 31 December 2021. During the Track Record Period and up to the Latest Practicable Date, we had been engaged by Russian Top-tier Retailer as the only contract manufacturer to manufacture and supply its private label babycare products. During the Track Record Period, we entered into four consecutive supplemental agreements with Russian Top-tier Retailer for incremental sales volume increases. In December 2023, we renewed a supply agreement with Russian Top-tier Retailer with a term up to 31 December 2030.

Our Directors believe we have developed a mutually beneficial and complimentary relationship with Russian Top-tier Retailer because we are the single source supplier of babycare products for its private label for over three years; and it relies on us as a stable source of supply for babycare products in terms of quality, quantity, price and delivery to avoid any unforeseen disruption to its operations. During the Track Record Period and up to the Latest Practicable Date, we had no material product return, disruption in delivery of our products or complaint as to product quality or late delivery alongside the increasing amount of orders we received from Russian Top-tier Retailer. Our success in meeting Russian Top-tier Retailer's quality requirements enable it to build its private label over time, driving its sales growth. Russian Top-tier Retailer is subject to risks and costs for switching to other contract manufacturers in China. For the risks relating to our business dealings with Russian Top-tier Retailer, see "Risk Factors — Risks Related to Our Industry and Business — We generated a significant portion of our revenue during the Track Record Period from Russian Top-tier Retailer" for details.

Business activities in countries subject to International Sanctions

As advised by our International Sanctions Legal Advisers, our babycare products and feminine sanitary pads can be viewed as medical supplies in accordance with applicable International Sanctions, and thus are subject to less restrictive set of export control restrictions due to the humanitarian nature of our products. In this regard, consistent with the humanitarian nature of our products, we sold our babycare products to customers located in the Relevant Regions for the Track Record Period. Set forth below is a breakdown of our revenue by geographical locations for the periods indicated.

	FY2021		FY2022		FY2023	
	RMB'000 (approx.)	*%*	*RMB'000 (approx.)*	*%*	*RMB'000 (approx.)*	*%*
Russia	105,371	40.0	205,506	50.4	377,452	57.7
The PRC	92,683	35.2	140,188	34.4	205,759	31.4
Southeast Asia	31,771	12.1	27,940	6.8	34,423	5.3
Kazakhstan	5,237	2.0	12,232	3.0	6,890	1.0
Others	28,164	10.7	22,200	5.4	30,036	4.6
Total	263,226	100.0	408,066	100.0	654,560	100.0

As advised by our International Sanctions Legal Advisers after performing the procedures they consider necessary, our sales to the Relevant Regions during the Track Record Period did not represent a violation of International Sanctions because (i) our sales to the Relevant Regions during the Track Record Period were limited to our sales of our babycare products, and did not involve export-controlled products in accordance with applicable International Sanctions; and (ii) we have not engaged in Primary Sanctioned Activity as we had no business activities in the Relevant Jurisdictions or (a) with; or (b) directly or indirectly benefiting, or involving the property or interests in property of, a Sanctioned Target, save for certain business activities with the Sanctioned Russian Counterparties where our sales attributable to the Sanctioned Russian Customer amounted to nil, approximately RMB1.9 million and RMB1.8

million, respectively. To identify and monitor our exposure to risks associated with sanctions laws relating to these sales, we will implement relevant internal control measures to protect the interests of our Group and our Shareholders. See "Risk Factors — Risks Related to Our Industry and Business — We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the United Kingdom, the European Union, the United Nations, Australia and other relevant sanctions authorities" and "Business — Our Sales and Customers — Business activities in countries subject to International Sanctions" for details.

Contracting and pricing

We typically enter into framework agreements with our major business customers, generally for a term from one to three years. These agreements are generally on a non-exclusive basis and contain no minimum purchase obligations. We typically receive purchase orders from our business customers that set out the specific terms for each order on a regular basis according to the terms of the framework agreements, including pricing terms, product specifications, quantity and date of delivery. We generally set prices of our products on a cost-plus basis after taking into account a combination of factors, among other things, production factors such as cost of raw materials and other manufacturing costs, product features, and extent of customisation (if any); as well as market factors such as market trends and demand, business relationship with our business customers, and comparable product prices set by our competitors.

We do not sign any contract with end consumers directly with respect to our D2C e-commerce of our branded products. In addition to the aforementioned factors (where applicable), we take into account other considerations such as brand and product positioning of each product, and our marketing strategy for each third-party pureplay digital platform on which we offer our branded products. We seek to price our branded products appropriately to attract and retain consumer customers on the one hand and to protect our profit margin on the other hand. We believe we are able to focus on competing on quality, and not solely on price, to meet the needs of our stable and loyal consumer base.

OUR PRODUCTION AND WAREHOUSING FACILITIES

We have technologically advanced and highly automated production facilities. Our production facilities are situated in Jinjiang, Fujian Province with a total production capacity of over approximately 1,000 million pieces per annum as at 31 December 2023. Our Jinjiang Production Facilities had a total of 16 production lines producing our core products, each primarily comprising a full-servo machine, as at 31 December 2023. We have been awarded with a number of certifications, including but not limited to Categories I and II medical device production licences. Our average utilisation rate for our babycare products were approximately 51.0%, 68.9% and 84.1% for each of the Track Record Period, respectively, while our average utilisation rate for our feminine care products were approximately 1.5%, 34.9% and 138.3%, respectively, and our average utilisation rate for our adult incontinence products were approximately 13.7%, 7.4% and 14.7%, respectively, for the same periods.

We also possess our own nonwoven fabric production facilities strategically located in Shishi, Fujian Province in close proximity to our production facilities, enabling us to continuously optimise our production costs and uniform product quality. Our Nonwoven Fabric Facilities offers in a wide range of hygiene nonwoven manufacturing technologies, such as web forming and finishing including air-through, spunlace and bicomponent. As at 31 December 2023, our Nonwoven Fabric Facilities had a total production capacity of over approximately 14,000 tonnes per annum, with five production lines at an average utilisation rate of approximately 51.3%, 71.1% and 96.3% during each year of the Track Record Period, respectively.

To support our sales across different business segments and demands from different customers, including our D2C e-commerce sales which require fast and accurate fulfilment of small-item, high-variability orders, we had built fully automated warehouse strategically located next to our production facilities for seven storeys with a total GFA of approximately 8,800 sq.m. and total storage capacity of over approximately 50 million pieces. It is equipped with fully automated material handling equipment, warehouse execution systems, and automatic inventory and shipment identification that allows autonomous and intelligent action that can pick, move, and pack packages, while conveying packages to loading docks and trucks. The highly-automated sorting technology is capable of sorting over approximately 900,000 pieces per hour. It requires minimal human workers to monitor the automation systems only.

OUR SUPPLIERS

We maintained a diverse base of over approximately 35 raw material suppliers as at 31 December 2023 to supply us with the principal raw materials we use, including fluff pulp, superabsorbent polymer, various kinds of chemicals such as polypropylene and high-density polyethylene, as well as packing materials. Our purchases from our five largest suppliers during each year of the Track Record Period accounted for approximately 45.1%, 44.4% and 42.7% of our total purchases, and our largest supplier accounted for approximately 21.2%, 18.7% and 13.4%, respectively of our total purchases for the corresponding period. All of our five largest suppliers during the Track Record Period were Independent Third Parties.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors: (i) focus on attractive product categories with favourable market dynamics; (ii) strong relationships with recognised retailers and brands; (iii) growing D2C presence to drive consumer engagement; (iv) operational efficiency driven by strong manufacturing capabilities; and (v) visionary, dedicated and experienced management team. See "Business — Competitive Strengths" for details.

OUR BUSINESS STRATEGIES

Our business mission is to provide essential and holistic hygiene solutions for consumer needs in various occasions of all life stages. We aim to achieve this by pursuing the following strategies: (i) reinforce the strength and scale of our babycare category and expand our feminine care category; (ii) grow brand awareness and accelerate D2C presence; (iii) expand in attractive categories; (iv) drive accretive product innovation; and (v) continuous improvements in operational efficiencies. See "Business — Our Business Strategies" for details.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Ngan beneficially owns approximately 90% of our Shares through companies 100% directly or indirectly owned by him, namely, Softo BVI, Wish BVI, and Galaxey BVI. These companies are Mr. Ngan's investment holding entities with no operation other than holding our Shares. Softo BVI, Wish BVI, and Galaxey BVI are respectively holding approximately 58.95%, 16.00% and 15.05% of our Shares as at the Latest Practicable Date. For the purpose of the [**REDACTED**] and under the Listing Rules, Softo BVI, Wish BVI and Galaxey BVI, as well as Mr. Ngan, are considered as our Controlling Shareholders. Immediately after completion of the [**REDACTED**], our Controlling Shareholders, namely, Mr. Ngan, Softo BVI, Wish BVI and Galaxey BVI will control, in aggregate, the exercise of voting rights of approximately [**REDACTED**]% of our Shares eligible to vote in the general meeting of our Company (assuming that the [**REDACTED**] is not exercised). None of our Controlling Shareholders or their respective associates has any interest in any company which may, directly or indirectly, compete with the business of our Group as at the Latest Practicable Date. For further details, please refer to the subsection headed "Relationship with our Controlling Shareholders" in this document.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Set forth below is the selected financial data derived from our combined financial statements for the period indicated, the details of which are set forth in the Accountants' Report in Appendix I to this document.

Selected Items of Combined Statements of Profit or Loss and Other Comprehensive Income

	FY2021	FY2022	FY2023
	RMB'000 (approx.)	*RMB'000 (approx.)*	*RMB'000 (approx.)*
Revenue	263,226	408,066	654,560
Gross profit	56,734	111,226	197,267
Profit for the year attributable to owners of the Company	10,006	41,860	58,900

Selected Items of Combined Statements of Financial Position

	As at 31 December		
	2021	*2022*	*2023*
	RMB'000	*RMB'000*	*RMB'000*
	(approx.)	*(approx.)*	*(approx.)*
Non-current assets	218,234	242,149	271,922
Current assets	216,988	281,743	247,516
Non-current liabilities	195,659	213,170	215,343
Current liabilities	255,828	285,671	221,104
Net current (liabilities)/assets	(38,840)	(3,928)	26,412
Net (liabilities)/assets	(16,265)	25,051	82,991

Selected Items of Combined Statements of Cash Flows

	FY2021	**FY2022**	**FY2023**
	RMB'000	*RMB'000*	*RMB'000*
	(approx.)	*(approx.)*	*(approx.)*
Net cash from operating activities	30,644	5,043	155,964
Net cash used in investing activities	(62,445)	(24,965)	(31,393)
Net cash from/(used in) financing activities	13,598	5,806	(68,035)
Net (decrease)/increase in cash and cash equivalents	(18,203)	(14,116)	56,536
Cash and cash equivalents at the beginning of the year	38,783	20,580	6,464
Cash and cash equivalents at the end of the year	20,580	6,464	63,000

Key Financial Ratios

Set forth below are the key financial ratios for the years and as at the dates indicated:

	For the year ended/As at 31 December		
	2021	**2022**	**2023**
Profitability			
Gross profit margin(1)	21.6%	27.3%	30.1%
Net profit margin(2)	3.8%	10.3%	8.8%
Return on equity(3)	N/A	170.6%	69.5%
Return on total assets(4)	2.3%	8.0%	11.1%
Liquidity			
Current ratio(5)	0.8 times	1.0 times	1.1 times
Quick ratio(6)	0.4 times	0.4 times	0.8 times
Capital sufficiency			
Gearing ratio(7)	N/A	71.9%	15.7%
Net debt to equity ratio(8)	N/A	46.1%	N/A
Interest coverage(9)	N/A	N/A	120.0 times

Note: For details of the calculation basis, see "Financial Information — Key Financial Ratios" in this document.

DIVIDENDS

No dividends were paid or declared to the then equity owners of the entities now comprising our Group during the Track Record Period. We do not have any predetermined dividend payout ratio. Our Board has absolute discretion as to whether to recommend any dividend payment for any financial year end and if any, the amount of dividend and the means of payment. The amount of any dividends to be declared and paid in the future will depend on, amongst other things, our general financial conditions, actual and future operations and liquidity positions, and future cash requirements and availability. See "Financial Information — Dividends" for details.

[REDACTED] STATISTICS

Market capitalisation of our Shares[1]	:	HK$[**REDACTED**] to HK$[**REDACTED**]
[**REDACTED**]	:	[**REDACTED**]% of the enlarged issued share capital of our Company
[**REDACTED**]	:	HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]
Number of [**REDACTED**]	:	[**REDACTED**] Shares (subject to the [**REDACTED**])
Number of [**REDACTED**]	:	[**REDACTED**] Shares (subject to [**REDACTED**])
Number of [**REDACTED**]	:	[**REDACTED**] Shares (subject to [**REDACTED**] and the [**REDACTED**])

	Based on the [REDACTED] of HK$[REDACTED] per [REDACTED] (low-end)	Based on the [REDACTED] of HK$[REDACTED] per [REDACTED] (high-end)
Unaudited pro forma adjusted combined net tangible assets attributable to owners of our Company per Share[2][3]	HK$[REDACTED]	HK$[REDACTED]

Notes:

1. The calculation of market capitalisation of the Shares is based on [**REDACTED**] Shares in issue immediately after completion of the Capitalisation Issue and the [**REDACTED**].
2. See Appendix II to this document for details.
3. All statistics in this table are based on the assumption that the [**REDACTED**] is not exercised.

FUTURE PLANS AND USE OF [REDACTED]

Based on the [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range of HK$[**REDACTED**] to HK$[**REDACTED**] per Share) and assuming that [**REDACTED**] is not exercised, the [**REDACTED**] of the [**REDACTED**], after deduction of [**REDACTED**] fees and other expenses payable by our Company in relation to the [**REDACTED**], are estimated to be approximately HK$[**REDACTED**]. Our Company currently intends to use the [**REDACTED**] from the [**REDACTED**] in the following manner:

	Approximate amount of [REDACTED]	Intended applications
1. .	Approximately HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) or [**REDACTED**]%	Acquiring machineries for establishing additional babycare and feminine care product production lines
2. .	Approximately HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) or [**REDACTED**]%	Acquiring machineries for establishing additional nonwoven fabric production lines
3. .	Approximately HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) or [**REDACTED**]%	Enhancing our branding, marketing and promotion activities
4. .	Approximately HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) or [**REDACTED**]%	Upgrading our warehouse and investment in IT infrastructure
5. .	Approximately HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) or [**REDACTED**]%	General working capital

See "Future Plans and Use of [**REDACTED**]" for details.

[REDACTED] EXPENSES

Our estimated [**REDACTED**] expenses primarily consisted of [**REDACTED**] fees and [**REDACTED**] as well as legal and professional fees in relation to the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range stated in this document, the [**REDACTED**] expenses to be borne by our Company are estimated to be approximately HK$[**REDACTED**] (representing approximately [**REDACTED**]% of the total gross [**REDACTED**] from the [**REDACTED**]), of which (i) approximately HK$[**REDACTED**] (approximately RMB[**REDACTED**]) is to be accounted for as a deduction from equity; (ii) approximately HK$[**REDACTED**] (approximately RMB[**REDACTED**]) was recognised in our combined statement of profit and loss and other comprehensive income for FY2023; and (iii) approximately HK$[**REDACTED**] (approximately RMB[**REDACTED**]) is expected to be recognised in our combined statement of profit or loss and other comprehensive income for FY2024. The aforementioned total estimated [**REDACTED**] expenses (based on the mid-point of the [**REDACTED**] range stated in this document and assuming that the [**REDACTED**] is not exercised) in relation to the

[**REDACTED**] includes (i) [**REDACTED**]-related expenses (including but not limited to [**REDACTED**] fees and [**REDACTED**]) of approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]); and (ii) non-[**REDACTED**]-related expenses of approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), which can be further categorised into (a) fees and expenses of legal advisers and reporting accountants of approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]); and (b) other fees and expenses of approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]). Prospective investors should note the financial performance of our Group for FY2024 will be materially and adversely affected by the aforementioned [**REDACTED**] expenses.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

In April 2024, we entered into a memorandum of understanding with a Vietnamese company for exploring business cooperation involving the distribution of our babycare and feminine care products in Vietnam, under which our business partner agrees to participate in the brand building and marketing of our products and introduce potential buyers to us with an expected sales of approximately two million pieces from 2024 to 2025.

Save as above, our Directors confirm that since 31 December 2023, being the date of the latest combined financial information of our Group, and up to the date of this document, there has been no material adverse change in our business model, financial or trading position and prospects of the overall baby and personal hygienic disposables industry. We also confirm that there have been no events since 31 December 2023 which would materially affect the financial information shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

SUMMARY OF MATERIAL RISK FACTORS

There are certain risks involved in our operations which may be beyond our control. These risks are further described in the section headed "Risk Factors" in this document. Major risks we face include (i) we generated a significant portion of our revenue during the Track Record Period from Russian Top-tier Retailer; (ii) we rely on the highly competitive babycare hygienic disposables market; (iii) our D2C business is subject to changing consumer preferences; (iv) we may face challenges in implementing our D2C sales strategy and such strategy may not yield the desired results; and (v) our business and financial performance could be materially affected by fluctuations in the price of raw materials.

DEFINITIONS

"Accountants' Report"	the accountants' report set out in Appendix I to this document
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Ambition BVI"	Ambition International Holding Ltd, a company incorporated in the BVI with limited liability on 27 December 2023, which is directly wholly owned by Aspiring BVI, and indirectly 100% owned by Mr. Zeng, our executive Director
"Articles" or "Articles of Association"	the second amended and restated articles of association of our Company conditionally adopted on [●] and will come into effect upon [**REDACTED**] (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix III to this document
"Aspiring BVI"	Aspiring International Holding Ltd, a company incorporated in the BVI with limited liability on 25 October 2023, which is 100% owned by Mr. Zeng, our executive Director
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BIS"	U.S. Department of Commerce, Bureau of Industry and Security
"Blue Giant E-commerce"	Fujian Blue Giant Network Technology Co., Ltd.* (福建藍色巨人網路科技有限公司), a company established under the laws of the PRC with limited liability on 26 October 2015 which was wholly owned by Insoftb China immediately prior to its deregistration on 8 October 2023

"Blue Giant Hygiene Products"	Fujian Blue Giant Hygiene Products Co., Ltd.*(福建藍色巨人衛生用品有限公司), a company established under the laws of the PRC with limited liability on 22 December 2016. It is wholly owned by Insoftb China and a wholly owned subsidiary of our Group
"Board"	our board of Directors
"Business Day(s)" or "business day(s)"	day(s) on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	British Virgin Islands
"Capitalisation Issue"	the capitalisation of an amount of HK$[**REDACTED**] standing to the credit of the share premium account of our Company by applying such sum in paying up in full [**REDACTED**] Shares for allotment and issue to holder(s) of our Shares as resolved by the written resolutions of our Shareholders passed on [●]
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"China" or "PRC"	the People's Republic of China, for the purpose of this document only, excluding Hong Kong, Macau and Taiwan
"Chuzhou Insoftb"	Insoftb (Chuzhou) Infant and Child Products Co., Ltd.* (嬰舒寶(滁州)嬰童用品有限公司), a company established under the laws of the PRC with limited liability on 6 March 2013 which is wholly owned by Insoftb China and a wholly owned subsidiary of our Group
"CMI(s)"	the capital market intermediaries participating in the [**REDACTED**] and has the meaning ascribed thereto under the Listing Rules

"Companies Act"	the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Company" or "our Company"	Soft International Group Ltd (舒寶國際集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 22 November 2023 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●], and holding company of all other companies in the Group
"Comprehensively Sanctioned Country"	any country or territory subject to a general and comprehensive export, import, financial or investment embargo under sanctions related law or regulation of the Relevant Jurisdiction, currently Cuba, Iran, North Korea, Syria, the Crimea Region of Russia/Ukraine, the self-proclaimed Luhansk People's Republic ("**LPR**") and Donetsk People's Republic ("**DPR**") regions and Zaporizhzhia and Kherson regions
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and, in the context of this document, refers to Mr. Ngan, Softo BVI, Wish BVI and Galaxey BVI
"Countries subject to International Sanctions"	any country or territory subject either to a general and comprehensive embargo or a more limited set of export, import, financial or investment restrictions under sanctions related laws or regulation of the Relevant Jurisdiction

"COVID-19"	a viral respiratory disease caused by the severe acute, respiratory syndrome coronavirus 2, which has been declared by World Health Organisation as a pandemic on 11 March 2020
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)" or "our Director(s)"	director(s) of our Company
"Eastern Europe"	includes Belarus, Bulgaria, Czech Republic, Hungary, Poland, Moldova, Romania, Russia, Slovakia, and Ukraine, in accordance with the United Nations Statistics Division
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得稅法), as amended, supplemented or otherwise modified from time to time
"ESG"	Environmental, social and governance
"Eurasia"	the region comprising the continents of Europe and Asia
"EU"	the European Union, including its member states
"Exchange Participant(s)"	a person: (a) who, in accordance with the Listing Rules, may trade on or through the Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
"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
"FINI" or "Faster Interface for New Issuance"	an online platform operated by HKSCC that is mandatory for admission to trading and, where applicable, the collection and processing of specified information on subscription in and settlement for all new listing of securities

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry research consultant commissioned to prepare the Frost & Sullivan Report
"Frost & Sullivan Report"	the market research report prepared by Frost & Sullivan
"Fujian Insoftb E-commerce"	Fujian Insoftb E-commerce Co., Ltd.* (福建嬰舒寶電子商務有限公司), a company established under the laws of the PRC with limited liability on 17 June 2014 which was wholly owned by Insoftb China immediately prior to its deregistration on 28 September 2023
"Fujian Shusen"	Fujian Shusen Network Technology Co., Ltd.* (福建舒森網路科技有限公司), a company established under the laws of the PRC with limited liability on 3 February 2021 which was owned as to 51% by Insoftb China, 40% by Jinjiang Xiwu Trading Co., Ltd.* (晉江市熹舞商貿有限公司) and 9% by Cai Yuanyang (蔡遠陽) immediately prior to its deregistration on 7 August 2023. Each of Jinjiang Xiwu Trading Co., Ltd.* and its beneficial owners and Cai Yuanyang are Independent Third Parties
"FY"	the financial year ended/ending 31 December
"Galaxey BVI"	Galaxey International Holdings Ltd, a company incorporated in the BVI with limited liability on 27 December 2023, which is directly wholly owned by Softo BVI, and indirectly 100% owned by Mr. Ngan. Galaxey BVI is one of our Controlling Shareholders
"General Rules of HKSCC"	General Rules of HKSCC published by the Stock Exchange and as amended from time to time

[**REDACTED**]

"Group", "our Group", "we" or "us"	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried out by them or their predecessors (as the case may be)

"Heynckes Trading"	Fujian Shubao Heynckes Trading Co., Ltd.* (福建舒寶亨克斯商貿有限公司), formerly known as Yixian Linghua Trading Co., Ltd.* (易縣靈華商貿有限公司), a company established under the laws of the PRC with limited liability on 23 May 2018. Heynckes Trading is wholly owned by Insoftb China and is a wholly owned subsidiary of our Group after the Reorganisation

[REDACTED]

"HK$" or "HK dollars"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

[REDACTED]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

"IFRSs"	International Financial Reporting Standards, which include standards, amendments and interpretations promulgated by the International Accounting Standards Board and the International Accounting Standards and interpretation issued by the International Accounting Standards Board
"Independent Third Party(ies)"	individual(s) or company(ies) who is (are) not a connected person(s) of our Company within the meaning ascribed under the Listing Rules

"Insoftb China" or "WFOE"	Insoftb (China) Co., Ltd.* (嬰舒寶(中國)有限公司), a company established under the laws of the PRC with limited liability on 30 November 2010 which is wholly owned by Soft HK and a wholly owned subsidiary of our Group
"Insoftb New Material"	Fujian Insoftb New Materials Technology Co., Ltd.* (福建嬰舒寶新材料科技有限公司), a company established under the laws of the PRC with limited liability on 7 August 2020 which is wholly owned by Insoftb China and a wholly owned subsidiary of our Group
"Insoftb Qinning"	Fujian Insoftb Qinning Hygiene Products Co., Ltd.* (福建嬰舒寶親甯衛生用品有限公司), a company established under the laws of the PRC with limited liability on 9 January 2020 which was owned as to 75% by Insoftb China, and 25% by Zhang Yu (張雨), an Independent Third Party, immediately prior to its deregistration on 7 October 2023

[**REDACTED**]

"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U.S., the EU, the UN or any other governmental authority having jurisdiction over our business

"International Sanctions Legal Advisers"	Hogan Lovells, our legal advisors as to International Sanctions laws in connection with the [**REDACTED**]

[**REDACTED**]

"Jiangxi Lantu"	Jiangxi Future Blueprint Hygiene Products Co., Ltd.* (江西未來藍圖衛生用品有限公司), a company established under the laws of the PRC with limited liability on 5 December 2022 and was owned as to 100% by Jinjiang Lantu, and was our subsidiary before Reorganisation
"Jiangxi Lishi"	Jiangxi Lishi Hygiene Products Co., Ltd.* (江西麗氏衛生用品有限公司), a company established under the laws of the PRC with limited liability on 5 December 2022 and was owned as to 100% by Jinjiang Lantu, and was our subsidiary before Reorganisation
"Jinjiang Foreign Trade"	Fujian Jinjiang Foreign Trade Co., Ltd.* (福建省晉江市對外貿易有限公司), a company established under the laws of the PRC with limited liability on 9 September 2002 which was owned as to 30% by Mr. Ngan, 14% by Chen Lituo (陳禮托), 16% by Cai Zongze (蔡宗澤), 30% by Yan Jin (顏錦) and 10% by Jinjiang State-owned Assets Investment and Management Co., Ltd.* (晉江市國有資產投資經營有限責任公司), each of whom is an Independent Third Party, immediately prior to the disposal on 24 April 2024

"Jinjiang Lantu"	Jinjiang Future Blue Journey Technology Co., Ltd.* (晉江未來藍途科技有限公司), a company established under the laws of the PRC with limited liability on 30 November 2022 and was owned as to 51% by Insoftb China and 49% by Nanchang Niu Le Ge Niu Enterprise Management Consultancy Centre (Limited Partnership)* (南昌牛了個牛企業管理諮詢中心(有限合夥)) immediately prior to the completion of disposal on 28 September 2023. Each of Nanchang Niu Le Ge Niu Enterprise Management Consultancy Centre (Limited Partnership)* and its beneficial owners, Wei Qiang (魏強) and Zheng Jianchun (鄭建春), are Independent Third Parties. As Jinjiang Lantu holds 100% equity interest in Jiangxi Lantu and Jiangxi Lishi respectively, after the completion of the disposal on 28 September 2023, Jiangxi Lantu and Jiangxi Lishi were divested out of our Group
"Jinjiang Libaida"	Jinjiang Libaida Trading Co., Ltd.* (晉江市利佰達貿易有限責任公司), a company established under the laws of the PRC with limited liability on 17 November 2011. After the Reorganisation, Jinjiang Libaida is wholly owned by Insoftb China and is a wholly owned subsidiary of our Group
"Jinjiang Production Facilities"	our existing production facilities located at Intersection of Zhizao Avenue and Wu'an Road, Jinjiang City, Quanzhou, Fujian Province (福建省泉州市晉江市智造大道與梧安路交叉口), which comprise production lines for substantially all our products under both our contract manufacturing business and branded product business

[**REDACTED**]

"Latest Practicable Date"	[6 May 2024,] being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

[**REDACTED**]

"Listing Division"	the Listing Division of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Macau"	the Macao Special Administrative Region of the PRC
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Gao"	Mr. Gao Yue (高躍), an executive Director, who is also nephew of Mr. Ngan, cousin of Mr. Zhou and Ms. Ngan
"Mr. Ngan"	Mr. Ngan Pui Kuan (顏培坤), an executive Director, our chair, and one of our Controlling Shareholders who is also father of Ms. Ngan, father-in-law of Mr. Zhou, and uncle of Mr. Gao
"Mr. Zeng"	Mr. Zeng Guodong (曾國棟), an executive Director
"Mr. Zhou"	Mr. Zhou Jiahao (周家豪), an executive Director, who is also son-in-law of Mr. Ngan, brother-in-law of Ms. Ngan, and cousin of Mr. Gao
"Ms. Ngan"	Ms. Ngan Ka Wai (顏嘉瑋), the vice president of our Group and one of our joint company secretaries, who is also daughter of Mr. Ngan, sister-in-law of Mr. Zhou, and cousin of Mr. Gao
"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)
"Nonwoven Fabric Facilities"	our existing production facilities located at No. 28 Caobing North District, Hongshan Road, Shishi City, Quanzhou, Fujian Province (福建省泉州市石獅市鴻山路草柄北區28號), which comprise production lines for our nonwoven fabrics

"OFAC"	the U.S. Department of Treasury's Office of Foreign Assets Control

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as adopted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) on 29 December 1993, and latest amended on 26 October 2018
"PRC government" or "State"	the Central People's Government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof, or where the context requires, any of them
"PRC Legal Advisers"	Tian Yuan Law Firm, the PRC legal advisers to our Company for the [**REDACTED**]

[**REDACTED**]

"Primary Sanctioned Activity"	any activities in a Comprehensively Sanctioned Country or (i) with; or (ii) directly or indirectly benefiting or involving the property or interests in property of, a Sanctioned Target by the Company incorporated or located in a Relevant Jurisdiction or which otherwise has a nexus with such jurisdiction with respect to the relevant activity, such that it is subject to the relevant sanctions law and regulation
"province"	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Jurisdiction"	any jurisdiction that is relevant to the Company and has sanctions related law or regulation restricting, among other things, its nationals and/or entities which are incorporated or located in that jurisdiction from directly or indirectly making assets or services available to or otherwise dealing in assess or certain countries, governments, person or entities targeted by such law or regulation. For the purpose of this document, includes the U.S., the UK, the EU, the UN and Australia
"Relevant Persons"	means our Company, together with our investors and Shareholders and persons who might directly or indirectly, be involved in permitting the [**REDACTED**], trading clearing and settlement of our Shares including the Stock Exchange and related group companies
"Relevant Regions"	Hong Kong, Myanmar, Ukraine (excluding Crimea, LPR, DPR, Kherson and Zaporizhzhia regions) and Russia (excluding Crimea, LPR, DPR, Kherson and Zaporizhzhia regions)
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reorganisation"	the Reorganisation of the group of companies now comprising our Group conducted in preparation for the [**REDACTED**], details of which are set out in the section headed "History, Reorganisation and Corporate Structure" in this document

DEFINITIONS

"Russian Top-tier Retailer"	one of the largest Russian children's goods retailer operating over 1,100 stores with approximately 450 million users in Russia in 2021. See "Business — Our Sales and Customers — Our relationship with Russian Top-Tier Retailer" in this document for details
"Sanctioned Persons"	certain person(s) and entity(ies) listed on OFAC's Specially Designated Nationals and Blocked Persons List or other restricted parties' lists, including those maintained by the U.S., the UK, the EU, the UN and Australia
"Sanctioned Target"	any person or entity (i) designated on any list of targeted persons or entities issued under the sanctions-related law or regulation of a Relevant Jurisdiction; (ii) that is, or is owned or controlled by, a government of a Comprehensively Sanctioned Country; or (iii) that is the target of sanctions under the law or regulation of a Relevant Jurisdiction because of a relationship of ownership, control, or agency with a person or entity described in (i) or (ii)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Secondary Sanctionable Activity"	certain activity by our Company that may result in the imposition of sanctions against the Relevant Person(s) by a Relevant Jurisdiction (including designation as a Sanctioned Target or the imposition of penalties), even though the Company is not incorporated or located in that Relevant Jurisdiction and does not otherwise have any nexus sutra to that Relevant Jurisdiction
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
"Share(s)"	the ordinary share(s) with par value of HK$0.0001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of Share(s)

"Soft BVI"	Soft International Group Holding Ltd, a company incorporated in the BVI with limited liability on 27 December 2023 and a wholly owned subsidiary of our Group
"Soft HK"	Hong Kong Super Infant International Group Company Limited (香港嬰舒寶國際集團有限公司), a limited liability company incorporated in Hong Kong on 17 August 2010 which is wholly owned by Soft BVI and is an indirect wholly owned subsidiary of our Company
"Softo BVI"	Softo Co., Ltd, a company incorporated in the BVI with limited liability on 25 October 2023, which is 100% owned by Mr. Ngan, our chair, executive Director and one of our Controlling Shareholders. Softo BVI is also one of our Controlling Shareholders
"Sole Sponsor" or "[**REDACTED**]"	Sunny Fortune Capital Limited, the sole sponsor for the [**REDACTED**] and a corporation licensed under the SFO to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

[**REDACTED**]

"State Council"	State Council of the People's Republic of China (中華人民共和國國務院)

[**REDACTED**]

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, modified and supplemented from time to time

"Taxation"	all forms of tax, duty, rate, levy, charge or other imposition or withholding whenever created, imposed or arising and whether of Hong Kong or elsewhere, including all forms of profit tax, provisional profit tax, interest tax, salaries tax, property tax, tax on capital gains, sales and value added tax, estate duty, death duty, inheritance tax, capital duty, stamp duty, payroll tax, withholding tax, rates, customs and other import and exercise duties, and generally any tax, duty, impost, levy or rate or any amount payable to the revenue, customs of fiscal authorities whether in Hong Kong or elsewhere
"Track Record Period"	FY2021, FY2022 and FY2023
"UN"	the United Nations

[**REDACTED**]

"US" or "U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Wish BVI"	Wish International Holding Ltd, a company incorporated in the BVI with limited liability on 27 December 2023, which is directly wholly owned by Softo BVI, and indirectly 100% owned by Mr. Ngan. Wish BVI is one of our Controlling Shareholders
"Xiamen Insoftb E-commerce"	Insoftb (Xiamen) E-commerce Co., Ltd.* (嬰舒寶(廈門)電子商務有限公司), a company established under the laws of the PRC with limited liability on 14 August 2020 and was wholly owned by Insoftb China immediately prior to its deregistration on 22 September 2023

Certain amounts and percentage figures included in this document have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

For ease of reference, the names of the PRC established companies or entities, laws or regulations 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. The English translation of company names in Chinese which are marked with "" is for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and technical terms used in this document in connection with our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

"affordable premium baby disposable hygienic products"	economy and mid-end baby disposable hygienic products, which are known for their cost-effectiveness and provide essential features for everyday use
"ASP"	average selling price per piece
"business customers"	businesses which purchase products with the intention of reselling them to others
"CAGR"	compound annual growth rate
"Cleanroom"	a designated room with a low level of environmental pollutants such as dust, airborne microbes, aerosol particles, and chemical vapours which complies with GB50591-2010 Code for Cleanroom Construction and Acceptance (潔淨室施工及驗收規範)
"D2C"	acronym for "direct-to-customer", our business model where we sell our branded products directly to end consumers largely through omnichannel digital platforms in China
"disposable hygienic products"	absorbent disposable hygienic products, usually for single use, and are disposed of after use
"end consumers"	ultimate user of a product or service, regardless of whether such product was purchased by themselves or received from others
"high-end premium baby disposable hygienic products"	baby disposable hygienic products characterised by superior quality, advanced technology, and additional features
"ISO"	International Organisation for Standardisation
"kg"	kilogramme(s)

GLOSSARY OF TECHNICAL TERMS

"ODM"	acronym for "original design manufacturing", whereby products are designed and manufactured in accordance with the manufacturer's own specifications for sale under a third party's brand
"R&D"	research and development
"SAP"	superabsorbent polymer
"SKU"	stock-keeping unit, a unique identifier for each distinct product, as distinguished by style, size and colour, which can be purchased
"sq.m."	square metre(s)
"tonne"	metric tonne/thousand kilogrammes

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DOCUMENT ARE SUBJECT TO RISKS AND UNCERTAINTIES

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- expected growth of and changes in the industry and markets in which we operate;
- our future debt levels and capital needs;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political, regulatory and business conditions in the markets in which we operate;
- effects of the global financial markets and economic crisis;
- our financial condition and performance; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases, we use the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the "Business" and "Financial Information" sections in this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they were made. We undertake no obligation 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. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the 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 this cautionary statement.

In addition to other information in this document, you should carefully consider the following risk factors before making an investment in our Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks. The [**REDACTED**] *of the* [**REDACTED**] *could decline due to any of these risks and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or which we currently deem immaterial may arise or become material in the future and may have a material effect on us.*

RISKS RELATED TO OUR INDUSTRY AND BUSINESS

We generated a significant portion of our revenue during the Track Record Period from Russian Top-tier Retailer.

We had a high concentration of revenue during the Track Record Period. We generated approximately 45.7%, 54.2% and 64.2% of our revenue from our five largest customers in each year during the Track Record Period, respectively, while revenue generated from Russian Top-tier Retailer, our second largest customer in FY2021 and our largest customer during FY2022 and FY2023, accounted for approximately 11.8%, 31.5% and 48.7% of our total revenue, for the respective period.

Our agreements with Russian Top-tier Retailer do not impose any obligations on it to procure from us any fixed or minimum value of products. There can be no assurance that Russian Top-tier Retailer will place recurring orders in a timely manner at the existing volume or pricing or at all, or that we will be able to renew our existing agreements with Russian Top-tier Retailer upon expiration at terms commercially acceptable to us or at all. As we have been, and are expected to continue to be, reliant on Russian Top-tier Retailer, any adverse changes in our business relationship with it or otherwise diminishing its demand for our products could have a material adverse impact on our business, financial condition, operating results and prospects. In addition, we may have to accept additional requests from or provide concessions to it, such as extension of credit term or additional discounts in order to maintain our business relationship with it, which in turn could have an adverse impact on our profitability.

Moreover, due to the significant revenue contribution from our largest customer, our business depends on the profitability of the retail industry in Russia, in particular its private label babycare hygienic disposables sector. We will continue our sales to Russian Top-tier Retailer and the Russian market as a whole. As a result, we are subject to a variety of risks and uncertainties associated with exports to the Russian market and its private label babycare hygienic disposables sector, such as changes in the regulatory requirements and local industry standards in Russia, possible customs and trade barriers such as new or increasing customs duties, import taxes and tariffs and overall change in the Russian economy and/or its private label baby hygienic disposables market, many of which are out of our control. Any of the foregoing and other risks and uncertainties could adversely affect our sales and result in material detrimental effect on our financial condition and results of operations.

We rely on the highly competitive baby hygienic disposable market.

During each year in the Track Record Period, we derived over approximately 70.0% of our revenue from the manufacturing and sales of babycare products. On the other hand, the baby hygienic disposable market in China is highly competitive and rapidly evolving, with many new brands and product offerings emerging in the marketplace. According to the Frost & Sullivan report, the baby and personal hygienic disposable market in China has polarised into luxury premium segment dominated by international and established brands on one hand; and on the other hand affordable premium segment with around 500 players in 2023.

We compete with a broad range of babycare hygienic disposables manufacturers in China and abroad. Certain of our competitors are multinational corporations that may have stronger brand recognition and greater financial, marketing, research and development or other resources than we do, as well as greater market share within certain of our categories or geographic markets. We also face significant competition from smaller players, especially emerging D2C brands which have benefited from the substantial growth in e-commerce and focus extensively on D2C or other non-traditional, digital business models. In addition, our competitors may be acquired by, receive investment from or enter into strategic relationships with larger and more established companies or investors.

As a result, we face a variety of competitive challenges, which include but are not limited to (i) price, design and quality of products; (ii) production capacities and capabilities; (iii) business reputation and brand recognition, both as an ODM and as a brand owner; (iv) logistics and inventory management capabilities; (v) product research and development capability; and (vi) diversity of retail channels. Increased competition could result in price reductions, increased marketing expenditures and loss of market share, any of which could have a material adverse effect on our results of operations and financial condition. There can be no assurance that we will be able to address these challenges and compete successfully against current and future competitors, and those competitive pressures may have a material adverse effect on our business, growth prospects, financial condition and results of operations.

Furthermore, due to the substantial revenue contribution from our babycare products, changes in birth rates in the markets which we offer our babycare products may have a significant impact on the demand for our products, and in turn affect our revenue, profit and market share. We derived the majority of our revenue during the Track Record Period from the sales of our babycare products, which amounted to approximately 86.8%, 78.9% and 71.5% of our total revenue in each year during the Track Record Period, respectively. On the other hand, Russia had a declining birth rate of 9.6 per mille in 2021 which was at a low point for the past 10 years, while birth rate in China has also been declining in recent years from 10.9 per mille in 2018 to 6.4 per mille in 2023, and is expected to further drop to 5.0 per mille in 2027, according to the Frost & Sullivan Report. As a result, our financial condition and results of operations may be significantly and adversely affected by the current decreasing trend of birth rate in China and Russia, and the potential decrease in birth rate in other countries where our customers are located.

Our D2C business is subject to changing consumer preferences.

Our D2C business is subject to consumer preferences and related factors, which could be constantly changing as the market for baby and personal hygienic disposables evolves. Our Branded Product Business which directly target end consumers, depends substantially on consumer-centric factors such as consumer preferences, consumer perceptions of our brand image, consumer confidence in our product safety and quality as well as government policies which affect spending patterns. Similarly, major customers under our Contract Manufacturing business include a number of private label brand owners who are retailers. Their demand for our products is dependent on their sales to end consumers in the countries and markets they operate in, which in turn is also subject to the aforementioned factors. Many of such factors are beyond our control and any unfavourable changes in such factors could have a material adverse impact on our business, financial condition and results of operations.

Consumer spending patterns are affected by, among other factors, general and local economic conditions, interest rates, inflation, taxation, government fiscal policies and uncertainties about future economic prospects. Consequently, our success depends on, among other things, our ability to accurately identify these factors and take them into account during various stages of our production process from product design and manufacturing to branding and marketing. This requires a combination of various elements including, without limitation, timely collection of consumer feedback, accurate analysis and prediction of market trends, strong research and development capability and flexible product production. If we are unable to successfully anticipate, identify or react to changing consumer preferences or market trends in a timely manner, or if we misjudge the market for our products, our sales may be materially and adversely affected. These risks could have a material adverse impact on our brand image as well as our business, financial condition, results of operations and cash flows.

We may face challenges in implementing our D2C sales strategy and such strategy may not yield the desired results.

We cannot assure you that our D2C sales strategy, which is still in a relatively early development stage, will continue to develop at the historical level. The continuous development of our D2C sales strategy, which primarily includes sales through third-party pureplay digital platforms and live streaming marketing, is dependent on a number of factors, including but not limited to the overall economic conditions in the PRC, the overall e-commerce environment in the PRC, our ability to establish and operate current and additional online shops, the quality of the products and services that we offer, our ability to market our products effectively online, timely delivery of online orders and others.

We cannot guarantee that we will be able to implement our D2C sales strategy, whether as planned or at all, or that such strategy can yield the desired results. Furthermore, there can be no assurance that we will be able to maintain our historical rates of growth, or remain profitable, particularly if the retail environment is stagnant or declines or in the event of a recession in the general economy. If we fail to implement our D2C sales strategy or otherwise effectively market our products, address the demands of our customers and market trends, our business may suffer in the future and our business prospects and financial results may be materially and adversely affected.

Our business and financial performance could be materially affected by fluctuations in the price of raw materials.

Our business and financial performance could be significantly affected by fluctuation in the prices and availability of our major raw materials, including fluff pulp and superabsorbent polymer (SAP) for our end products, and polypropylene and high-density polyethylene (HDPE) for our nonwoven fabric manufacturing. During each year of the Track Record Period, nonwoven fabrics, fluff pulp and SAP accounted for approximately 84.1%, 84.0% and 82.9% of our total direct material costs, respectively. We have limited control over the supply and availability of these major raw materials. In particular, the prices and availability of our major raw materials are sensitive to government policies, general economic and market conditions, transport disruptions, and many other factors that are beyond our control. We may not be able to pass on the increasing raw materials costs to our customers. As a result, our profitability and overall financial performance may be materially and adversely affected by any substantial increase in the prices of our major raw materials. See "Financial Information — Significant Factors Affecting Our Results of Operations and Financial Condition — Availability and costs of our critical raw materials" for details of the impact of change in the average costs of our raw materials on our net profit.

Our production process requires timely and stable supply of quality raw materials at reasonable prices. We source our major raw materials from independent third party suppliers primarily in the PRC, as well as from a number of overseas suppliers. Moreover, our ability to maintain a consistent and quality manufacturing process depends on reliable supply of raw materials in accordance with our specifications. We generally do not have long-term agreements with our major suppliers and our procurements are made on a purchase order basis. There can be no assurance that we will not have any material disputes with our major suppliers, or we will be able to maintain business relationships with existing major suppliers in future. Any material disputes between us and our major suppliers may also affect our relationship with our suppliers which in turn undermine the stable supply of raw materials in future.

We cannot guarantee that our current suppliers will always be able to meet our demand or requirements in the future. If our suppliers no longer supply raw materials to us, or fail to deliver raw materials in accordance with our specifications in terms of quality and quantity in a timely manner, or on commercially acceptable terms, our business operations could be significantly disrupted, and our business and operating results may be materially and adversely affected.

Our product expansion and regional expansion are subject to uncertainties and risks.

To expand our market share, we plan to continue to expand our geographic coverage and deepen our market penetration by way of, among other things, selectively enlarging our customer base, particularly in sizable, growing and underpenetrated geographic markets such as Southeast Asia, as well as expanding in attractive categories of products. See "Business — Our Business Strategies" for further details of our future plans for product expansion and regional expansion.

However, we cannot assure you that we will be able to develop new products or extend our geographic footprint, whether as planned or at all. We might not be able to identify suitable customers or business partners, enter into agreements at commercially acceptable terms, have enough production capacity, attract and retain skilled personnel, or engage quality, cost-efficient logistics providers to support our expansion plan. We might also be unable to achieve the desired development of new production methods or product features, whether due to technological constraints, cost inefficiency or otherwise. In addition, the expansion of our geographic coverage and product profile may put pressure on our managerial, financial, operational and other resources. If we are unable to effectively manage our expansion or control rising costs associated with our expansion, our growth potential and profitability could be materially and adversely affected.

In addition, there is a possibility that we may not achieve sustained growth or successfully implement our business strategies. The implementation of our future plans could result in additional costs that may impact our profitability. The business strategies outlined in this document, as described in the section headed "Business — Our Business Strategies", are based on assumptions about future events, which inherently involve risks and uncertainties. These assumptions may prove to be incorrect, potentially affecting the viability of our future plans. Therefore, there is no guarantee that our future plans will be successfully implemented according to schedule, in terms of timing or cost, or that they will be implemented at all. If we fail to effectively and efficiently implement our business plans, we may not be successful in achieving desirable and profitable results. Even if we do manage to implement our plans effectively, unforeseen events or factors may still prevent us from attaining the desired profitability. If our future business plans fail to yield desired results, it could have a material and adverse impact on our financial condition, operating results, and growth prospects.

We could be adversely affected as a result of any sales we make to certain countries that are, or become subject to, sanctions administered by the United States, the United Kingdom, the European Union, the United Nations, Australia and other relevant sanctions authorities.

The United States and other jurisdictions or organisations, including the UK, the EU, the UN and Australia have, through executive order, passing of legislation or other governmental means, implemented measures that impose economic sanctions against such countries or against targeted industry sectors, groups of companies or persons and/or organisations within such countries.

During the Track Record Period, we sold our babycare products to customers located in the Relevant Regions, in particular Russia (excluding Crimea, LPR, DPR, Kherson and Zaporizhzhia regions). Revenue generated from such transactions amounted to approximately RMB105.4 million, RMB205.5 million and RMB377.5 million, representing approximately 40.0%, 50.4% and 57.7% of our total revenue during each year of the Track Record Period, respectively. See "Business — Our Sales and Customers — Business activities in countries subject to International Sanctions" for details of our operations and business activities in the Relevant Regions.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or any policy by the UK, the EU, the UN, Australia and other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. Nor can we assure you that regulators will not take the position that our past, current or future activities globally constitute sanctionable activities or business. Our business and reputation could be adversely affected if the government of the United States, the UK, the EU, the UN, Australia or any other governmental entities were to determine that any of our activities constitute violations of the sanctions they impose.

In addition, because sanctions programmes evolve over time, new requirements or restrictions could come into effect which may increase scrutiny on our business or result in our business activities being deemed to violate sanctions. We cannot assure you that investors who are subject to the jurisdictions of the United States, the UK, the UN, the EU, Australia, and/or other jurisdictions will be willing to make investments, or may divest their investment, in us, which may have an adverse impact on the [**REDACTED**] and the future prevailing [**REDACTED**] of our Shares, despite our commitment not to direct the [**REDACTED**] from the [**REDACTED**] to dealings with sanctioned targets. We have undertaken to the Stock Exchange that we will not use the net [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, any Comprehensively Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., the UK, the EU, the UN, and Australia, including but not limited to, any government, individual or entity that is the subject to any OFAC-administered sanctions or that would be in breach of sanctions imposed by the U.S., the UK, the EU, the UN, and Australia. If we breach these undertakings to the Stock Exchange after the [**REDACTED**], it is possible that the Stock Exchange may delist our Shares. In addition, if any of our customers becomes subject to economic sanctions in the future, we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

Certain properties that we currently use are subject to title defects.

As of the Latest Practicable Date, we have not completed the obtaining of the land use right certificate and building ownership certificates for certain lands and buildings. We also have not yet completed the inspections of fire safety and acceptance and construction acceptance for certain buildings. For details of certain properties we occupied with title defects in the PRC and our remedial actions, please refer to the section headed "Business — Properties" and "Business — Legal Proceedings and Non-compliance" for details.

As advised by our PRC Legal Advisers, our may face the risks of, among others, (i) not being able to prove our title if there arise a dispute; and (ii) not being able to dispose, transfer, lease or mortgage the relevant land and buildings. We may also be ordered to suspend the production and business operations. If this happens, we may incur costs for relocation and our business, financial condition and results of operation may be materially and adversely affected.

We have not made full contribution to the social insurance and housing provident funds for certain employees in the PRC.

In accordance with relevant PRC national labour laws and regulations, we are required to make social insurance contribution and housing provident fund contributions for the benefit of the employees of our PRC subsidiaries. During the Track Record Period, certain of our PRC subsidiaries did not make full contributions to the social insurance and housing provident funds for certain employees. In this connection, the relevant social security authority may order an enterprise to pay the outstanding contributions within a prescribed time limit and may impose a late payment fee of the outstanding contribution from the due date. If payment is not made within the prescribed period, the relevant administration department may impose a fine in an amount equivalent to one to three times of the overdue payment.

The relevant housing provident fund authorities may order our PRC subsidiaries to pay the outstanding amounts within the prescribed time period. If our PRC subsidiaries fail to do so, the relevant housing provident fund authorities may apply to the relevant PRC court for the enforcement of the unpaid amounts. See "Business — Legal Proceedings and Non-compliance" for details. We can give no assurance that we will not be subject to such an order in the future.

We are dependent on our brands. Failure to maintain or enhance our brand image and reputation could adversely impact our sales and results of operations.

Brand image is a key factor in consumer purchase decisions. We believe that the brand name and trademarks under which our products are marketed and sold are crucial to our branded business and our brand image has contributed to the success of our branded business. Therefore, maintaining and enhancing the recognition and image of brands affects our ability to differentiate our products and to compete effectively. Our brand image, however, could be jeopardised if we fail to maintain good product quality, keep up with evolving market trends, fulfil orders for popular items, or if our logistics providers fail to offer efficient and reliable services. In addition, any negative publicity or disputes regarding our products, company or management could also materially harm our brand image.

In order to capture business opportunities in different consumer groups, we market our branded products under different brands, including but not limited to "Insoftb" (嬰舒寶), "Misecr" (五月私語), and "Cosoftb" (康舒寶), to appeal to consumer groups of different needs, age ranges, genders and consumption propensity. Each brand has its own unique design, features and characteristics to fit the target consumer groups' needs. Our brand image may be negatively affected if our products offered under any brands are unable to meet consumer expectations with respect to quality or function. Failure to successfully promote and maintain the image of any of our brands, damage to our reputation or loss of consumer confidence for any of the above or other reasons could have a material adverse effect on our results of operations and financial condition as well as requiring additional resources to rebuild our reputation. In addition, we cannot assure you that such measures will be successful. If we are unable to effectively promote our brands used in our businesses, we may lose the substantial benefits we currently enjoy from our brand recognition, and our results of operations and financial condition could be adversely affected.

Furthermore, unauthorised use of our brand name(s) may adversely affect our business and reputation, including the perceived quality and reliability of our products. As at 30 April 2024, we had obtained 339 registered trademarks in the PRC, and one registered trademark in Hong Kong. We also had three pending trademark applications in the PRC. In addition, as at 30 April 2024, we had obtained a total of 34 patents in the PRC, all of which being utility model patents, and had pending applications for another two invention patents. We also obtained seven copyrights in connection with the design of our products, and one domain name in the PRC as at the same date. There can be no assurance that we will not experience counterfeiting, imitation or any other infringement of our products and trademarks in the future. Any actual or perceived counterfeiting and imitation of our products, product misbranding or tampering may lead to the erosion of our brands, regardless of its merits. Furthermore, failure to protect our domain names could adversely affect our reputation and brand, and make it more difficult for users to locate our websites. We may not be successful in prosecuting these unauthorised third-party uses. Any future litigation could result in substantial costs and diversion of our resources, and could adversely affect our business, financial condition and results of operations.

We experienced fluctuations in revenue and gross profit during the Track Record Period and we may not be able to maintain growth and profitability.

Our revenue and gross profit fluctuated during the Track Record Period. Our revenue increased by approximately 55.0% from FY2021 to FY2022 and by approximately 60.4% from FY2022 to FY2023 primarily due to the increase in sales volume of contract manufacturing, which was mainly attributable to the increase in sales order of babycare products from Russian Top-tier Retailer and Customer B, while our gross profit increased by approximately 96.0% from FY2021 to FY2022 and by approximately 77.4% from FY2022 to FY2023 primarily due to the same reason. As competition in the PRC baby and personal hygienic disposables industry intensifies, it may become more difficult for us to sustain or further increase our revenue and our expansion plan may be unsuccessful. Hence, we may not be able to sustain the growth rate we achieved in the past.

Any mismanagement on inventory level or lead time may increase our cost, reduce our profitability and damage our reputation.

We believe that our inventory management is the key to the quick response of our sales team facing various demand. We closely monitor our inventory level. We generally estimate demand for our products ahead of production and the actual time of sale according to the historical data in our daily inventory reports, observation of market trend and customers' demand. See "Business — Inventory Management, Warehousing and Logistics — Inventory management" for details. We cannot assure you that we can accurately predict our sales trends. Failure to do so may result in increased costs and reduced profitability. Any unexpected change in demand for our products may result in mismanagement of our inventory level, which could have direct and material adverse impact on our sales and pricing strategies. On one hand, failure to maintain sufficient inventory to satisfy customer demands could adversely affect our production lead time and profitability, which may damage our reputation. On the other hand, excess inventory levels might strain our liquidity and financial resources and eventually hinder our business development. We may also have to sell our excess inventory at a discount, or make allowances or write-down the carrying amount of inventories identified as obsolete, slow-moving or no longer recoverable or suitable for use in production (if any), which would negatively affect our results of operations and financial conditions. We cannot assure you that we will not incur losses due to mismanagement of inventory level or lead time, which may result in increased costs or reduced sales and may adversely affect our financial conditions and results of operations. Any failure to maintain adequate inventory may hinder us from keeping a short delivery lead time and minimising our cost of sales by avoiding extra costs for urgent purchase orders.

Any over-utilisation or significant disruption in the operations of our warehouses could adversely affect our sales and product delivery.

We currently store our end products in our automated warehouse located in our Jinjiang Production Facilities. As at 31 December 2023, the utilisation rate of our automated warehouse had reached approximately 97.6%, which illustrated our strong demand for storage space. If we cannot address such increasing demand for storage capacity to align with our business growth, we may face the risk of over-utilisation in future. Any over-utilisation or significant disruption in the operations of our warehouses due to natural disaster or accidents such as fire, prolonged power outages, system failures or other unforeseen causes, could damage or devalue a significant portion of our inventories, which could adversely affect the sales and delivery of our products. We cannot guarantee in such case, we could effect delivery of our products in a timely manner if at all and at the current cost. If we encounter any over-utilisation or difficulties with our automated warehouse, we cannot ensure that critical systems and operations will be restored in a timely manner. Any disruptions or disasters at our warehouses could also have a material adverse effect on our business, prospects, financial conditions, and results of operations.

Business interruptions at our production facility due to any downtime for maintenance and repair of equipment could adversely and materially affect our business.

Our production process utilises automated equipment and robotics to optimise efficiency, with manual labour required only for the final packing stage. Our production lines require diligent maintenance, calibration, and quality checks by our or third party technicians to ensure optimal performance. Any downtime for equipment repairs or maintenance may temporarily interrupt production flow. Similarly, failure to promptly address mechanical issues could halt operations at our facilities for prolonged periods. Such extended downtime could result in lost sales volumes. We may lose customers from delivery delays and struggle to regain their business thereafter. Mechanical failure, including unforeseen equipment malfunctions, could interrupt production for days or weeks, and as a result, our business and results of operations would be adversely affected.

Our business operations may be affected by any risks related to logistics support.

Our business operations require various forms of logistics support. We are responsible for the delivery of our products to our overseas customers to the designated port in China on FOB terms. The products are then delivered overseas in accordance with the contracts and/or purchase orders we enter into with our overseas customers. For our sales to customers within China, we are also responsible for arranging delivery to their designated address. See "Business — Inventory Management, Warehousing and Logistics — Logistics" for details.

We deliver our products to our customers through third party logistics service providers. We also engage third party agent in China to handle export clearance matters. We cannot assure you that we will be able to continue our relationships with our third party logistics providers and export clearance agent on terms acceptable to us, or that we will be able to establish relationships with new logistics providers or export clearance agents. Any failure to maintain or develop stable relationships with logistics providers or export clearance agent may inhibit our ability to offer products in sufficient quantities, on a timely basis, or at prices acceptable to our customers. Moreover, as we do not have any direct control over the logistics providers or the export clearance agent mentioned above, we cannot guarantee the quality of their services. Any delay in delivery, damage to products or other issues may cause us to lose customers and sales and our brand image may be tarnished. Any disruption of our logistics arrangements mentioned above could result in delayed delivery of products or increased costs. Any breakdown in our relationships with our preferred logistics providers or deficiencies in the services they provide materially and adversely affect our business, financial condition and results of operations.

We incur significant costs on a variety of marketing efforts designed to increase sales of our products, expand our consumer base and enhance our brand recognition. Some marketing campaigns and methods may turn out to be ineffective in attracting or retaining loyal consumers.

We continuously invest in our brand to raise brand recognition and acceptance. We rely on different marketing efforts tailored to our target consumer groups to increase sales and revenue. We market our brands across a wide variety of media, including but not limited to engaging celebrities as brand ambassadors, use of animated cartoon characters on our products and conducting livestream marketing.

In each year during the Track Record Period, our online sales and promotion expenses amounted to approximately RMB20.1 million, RMB22.5 million and RMB53.3 million, respectively. However, we cannot guarantee that our marketing efforts will be well-received by consumers and result in the expected levels of sales. In addition, we believe marketing approaches and tools in the consumer products market in the PRC are evolving, which requires us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and consumer preferences. Failure to refine our marketing approaches or to adopt new, more cost-effective marketing techniques could negatively affect our business, growth prospects and results of operations.

Our preferential tax treatment in connection with our status as a high and new technology enterprise and with our export sales may be subject to changes, which may affect our results of operations.

Insoftb China, our primary operating subsidiary, has been recognised as a National High and New Technology Enterprise (國家高新技術企業) since December 2020. As a result, under the applicable PRC laws and regulations, Insoftb China is entitled to a preferential tax rate of 15% for its enterprise income tax, as opposed to the normal level of 25%. In addition, we are entitled to export tax rebates in connection with our export sales. Subject to the relevant PRC laws, we are currently entitled to rebates from the PRC tax authorities in connection with our export sales at a uniform rate of 13% for all of our product categories. However, we cannot assure you that there will not be any adverse change in the tax policies and/or the preferential tax treatment we currently enjoy in the PRC in the future, thereby resulting in adverse changes to our results of operations.

Our success depends on our ability to retain our senior management team and qualified personnel. If we lose their service, we may incur significant costs in finding suitable replacements, if any at all, and our business may be severely disrupted.

Our future success depends in large part on the continued service of our officers and other key managerial, scientific, sales and technical personnel. We rely heavily on our officers, senior management and other key technical personnel to operate and grow our business. We rely on our senior management including our executive Director, chairman and chief executive officer, Mr. Ngan, to oversee the strategies of our business development. Moreover, sales, marketing and research and development personnel with experience in the baby and personal hygienic disposables industry in the PRC are scarce.

If one or more of such personnel are unable or unwilling to continue in their present positions or leave us, we may not be able to replace them readily, if at all. Any loss or interruption of the services of any of our senior management or key personnel could significantly reduce our ability to effectively manage our operations and meet our strategic objectives because we cannot assure you that we would be able to locate suitable or qualified replacements. As a result, our business may be severely disrupted, and we may incur additional expenses to recruit and retain new officers and personnel. Moreover, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose consumers, suppliers, know-how and key professionals and staff members.

Non-registration of lease agreement may subject us to fines and risk of cessation of use.

As at the Latest Practicable Date, certain lease agreements between Insoftb China and our other PRC subsidiaries, and the office premises in Xiamen have not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisers, failure to complete the registration and filing of lease agreements will not affect the validity of such leases or result in our being required to vacate the leased properties. However, the relevant government authorities may impose a fine ranging from RMB1,000 to RMB10,000.

In addition, there is no assurance that the rights of the Group to use and occupy this property will not be challenged in the future and the Group may be required to relocate from this property, and we may be subject to the risk of cessation of use. See "Business — Properties — Non-registration of lease agreements" for further details.

We are subject to a variety of environmental, health and safety laws and regulations.

We are subject to a variety of environmental, health and safety laws and regulations in the PRC relating to, among other things, the handling of noise and dust in our manufacturing processes. Compliance with existing and future environmental, health and safety laws could subject us to costs or liabilities, including monetary damages and fines, impact on our production capabilities, suspension of our business operations, and generally impact our financial performance. We currently do not carry any insurance relating to environmental protection. If we are held liable for damages in the event of any violation of applicable environmental, health and safety laws, we may also be subject to adverse publicity and our financial condition and results of operations could be materially and adversely affected.

Any non-compliance with applicable anti-bribery and anti-corruption laws, economic sanctions and other forms of illegal acts and misconduct by our employees, customers or suppliers may materially and adversely affect our business operations.

We may be exposed to bribery, corruption, economic sanctions or other illegal acts and misconduct committed by our employees, customers, suppliers or any other third parties that could subject us to financial losses and sanctions imposed by governmental authorities, which may adversely affect our reputation. We cannot guarantee that the internal controls and procedures that we have adopted and implemented to monitor compliance with anti-bribery and anti-corruption laws, regulations and policies will always be effective in preventing non-compliance and the resulting penalties due to violations committed by our employees. If our employees are found or alleged to have violated anti-bribery or anti-corruption laws and regulations, we may face or be involved in fines, lawsuits and damage to our reputation, which could have a material adverse effect on our business, financial condition and results of operations.

If our research and development efforts, trademarks, trade names, copyrights, patents and other intellectual property rights do not adequately protect our product design or trade secrets, we may lose market share to our competitors and be unable to operate our business profitably.

We conduct research and development activities during the course of our business for, among other things, developing new products and improving our existing products and production processes. As a result of our research and development efforts, we may acquire intellectual property rights, including but not limited to patents relating to manufacturing techniques or product characteristics. We rely on a combination of trademark, trade name, copyrights, patents, and other intellectual property laws as well as confidentiality agreements with our key employees to protect our trademarks, trade names, copyrights, product designs and other intellectual property rights. Details of our intellectual property rights are set out in "Statutory and General Information — C. Further Information About Our Business — 2. Intellectual property rights of our Group" in Appendix V to this document.

The process of seeking patent protection can be lengthy and costly, and we cannot assure you that our patent applications will result in patents being issued, or that our existing or future issued patents will be sufficient to provide us with meaningful protection or commercial advantage. We cannot assure you that our confidentiality agreements with our employees and others will not be breached, or that they have not disclosed, or will not disclose, any of our trade secrets or proprietary know-how to our competitors or other third parties. We also cannot assure you that our trade secrets, proprietary know-how and other non-patentable technology will not otherwise become known to, or be independently developed by, our competitors.

Policing unauthorised use of proprietary technology can be difficult and costly, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. Any such litigation may require significant expenditure of financial and managerial resources and could have a material adverse impact on our business, financial condition and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation.

We may be involved in legal or other proceedings arising out of our operations, including intellectual property rights infringement and product liability claims, from time to time and may face significant liabilities as a result.

We may be involved from time to time in disputes with various parties involved in our business operations, including but not limited to our employees, logistics providers, consumers, suppliers, insurers and banks. In particular, as a contract manufacturer of hygienic disposables for brand and private label owners, our success is affected by our ability to manufacture and sell products involving third party intellectual property without infringing upon their intellectual property rights. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues during our operations, which may subject us to administrative proceedings and unfavourable results, and result in liabilities and delays relating to our production or product launch schedules. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

We are also exposed to potential product liability claims if there is any damage or adverse effects caused by defective products. A successful product liability claim against us could require us to pay substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend. Also, if our products prove to be defective, we may be required to recall or redesign such products. Although we have product liability insurance to cover potential liability arising from the use of our products, we cannot assure you that the insurance coverage is sufficient. We also cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on our reputation and the marketability of our products, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

We may require additional funding to finance our operations, which may not be available on terms acceptable to us or at all, and if we are unable to raise funds, the value of your investment in us may be negatively impacted.

We may require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

- our future financial condition, results of operations and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in the PRC and elsewhere.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

Current uncertainty in global economic conditions could materially and adversely affect our business, financial condition and results of operations.

Our operations and performance may be adversely impacted by a deterioration of global economic conditions. These conditions may make it difficult for our customers to accurately plan future business activities and could cause our customers to terminate their relationships with us or could cause consumers to slow or reduce their spending on the products we sell. Furthermore, during challenging economic times, our customers may face issues gaining timely access to sufficient credit, which could reduce the number of products they order from us. We cannot predict the timing, magnitude or duration of any future economic slowdown or subsequent economic recovery, globally, in the PRC or in our industry. These and other economic factors could have a material adverse effect on our business, financial condition and results of operations.

Our prospects could be adversely affected by acts of war, terrorism, civil unrest, riots, strikes, natural disasters, pestilence, or acts of God.

We could be adversely affected by any negative developments or uncertainties resulting from acts of war, civil unrest, riots, strikes, natural disasters, pestilence, or acts of God. The occurrence of war, civil unrest, riots and strikes could impede administration and management, cause damages to infrastructures necessary to our operations and impact all aspects of our business. The countries or regions in which we operate and to which our products are sold may be under the threat of flood, earthquake, rainstorm or drought. In addition, natural disasters, epidemics such as the COVID-19 pandemic, the human swine flu, also known as Influenza A (H1N1), H5N1 avian flu, severe acute respiratory syndrome (SARS), Ebola virus or Zika virus and other natural disasters and acts of God are beyond our control and may adversely affect the global economy, infrastructure and people's livelihood.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Changes in political and economic policies may have effect on the overall economic situation of the PRC, which could increase our manufacturing costs and affect our competitive position.

During the Track Record Period, all of our productions and assets were located in the PRC and a substantial amount of our revenue was derived from the PRC market. Accordingly, our business, financial condition, operating results and prospects are affected significantly by economic, political and legal developments in the PRC.

For example, our financial condition and operating results may be materially and adversely affected by government control over capital investments or changes in tax regulations that may be applicable to us. Such measures may also be adjusted, modified or applied inconsistently from industry to industry, or across different regions of the country. Hence, we cannot assure you that we may benefit from all, or any, of the measures which are under constant adjustments.

Any change in the economic conditions in the PRC, the policies of the PRC government or the laws and regulations in the PRC, could have an effect on the market demand for our products and our competitive position.

Our operations and financial results could be materially and adversely affected by changes in political, economic and social conditions or relevant government policies, such as changes in laws and regulations or the interpretations thereof, measures which might be introduced to control inflation, changes in the rate or method of taxation and imposition of additional restrictions on currency conversion.

Our business operations are subject to the evolution with respect to the laws and regulations of the PRC.

Our business and operations in the PRC are governed by the laws of the PRC. PRC law is a codified system which comprises of statutory laws, regulations, circulars, administrative directives and internal guidelines. Some of them, and the interpretation, implementation and enforcement thereof, are still at the experimental stage and are therefore subject to policy changes. In the event that our PRC subsidiary breaches any of the foregoing, whether by omission or not, we will be subject to penalties prescribed therein.

Such uncertainties, including the inability to enforce our contracts, together with any development or interpretation of PRC law that is adverse to us, could materially and adversely affect our business and operations. Furthermore, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. These uncertainties could limit the legal protections available to us and other foreign investors, including you. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of our resources and management attention.

We require various approvals, licences and permits to operate our businesses in the PRC in accordance with the laws and regulations of the PRC.

In order to operate our business, we are obligated to possess various licences, approvals and permits as required by the applicable laws and regulations. For further details regarding our major licences, approvals and permits, see "Business — Licences, Permits and Approvals". Additionally, see "Regulatory Overview" for a summary of the licences that we are obliged to obtain. These licences typically undergo examinations or verifications by the relevant authorities and have a limited validity period, subject to renewal and accreditation. However, there is no guarantee that we will be successful in obtaining or renewing all the necessary licences, approvals and permits required for our business operations within the specified timeframe or at all. Failure to obtain or maintain the required licences could result in delays to our proposed business plans or expansion strategies, and may cause interruptions to our ongoing operations.

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

In utilising the [**REDACTED**] from the [**REDACTED**] or any further offerings, as an offshore holding company of our PRC subsidiaries, we may make loans to our PRC subsidiaries, or we may make additional capital contributions to our PRC subsidiaries. Any loans to our PRC subsidiaries are subject to PRC regulations and approvals. For example, loans by us to our wholly owned PRC subsidiaries to finance their activities cannot exceed statutory limits and must be registered or filed on record.

We may also decide to finance our PRC subsidiaries through capital contributions. These capital contributions must be registered by the SAMR or its local counterpart and reported to the MOFCOM or its local counterpart. We cannot assure you that we will be able to obtain these government registrations or approvals or to complete reporting procedures on a timely basis, if at all, with respect to future loans or capital contributions by us to our subsidiaries or any of their respective subsidiaries. If we fail to receive such registrations or approvals or fail to complete such reporting procedures, our ability to use the [**REDACTED**] of the [**REDACTED**] and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

We rely on dividends paid by our subsidiaries for our cash needs, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We conduct all of our business through our subsidiaries in the PRC. As our Company is a holding company, we rely on dividends paid by these subsidiaries for our cash needs, including the funds necessary to pay any dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses. The payment of dividends by entities established in the PRC is subject to limitations. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in the PRC. Each of our PRC subsidiaries is also required to set aside a certain amount of its after-tax profit based on PRC accounting standards each year to its general reserves or statutory capital reserve fund. Such statutory reserves are not distributable as loans, advances or cash dividends. In addition, if any of our PRC subsidiaries incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitations on the ability of our PRC subsidiaries to transfer funds to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends and otherwise fund and conduct our business.

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

Under the EIT Law and its implementation rules, dividend payments from PRC subsidiaries to their foreign shareholders, if the foreign shareholder is not deemed as a PRC tax resident enterprise under the EIT Law, are subject to a withholding tax at the rate of 10%, unless the jurisdiction of such foreign shareholders has a tax treaty or similar arrangement with the PRC. If certain conditions and requirements under the Arrangement between the Mainland of China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排(國稅函[2006]第884號)) (the "**Mainland-Hong Kong Tax Arrangement**") are met, the withholding rate could be reduced to 5%. However, the Announcement of the State Administration of Taxation on Issues Relating to "Beneficial Owner" in Tax Treaties (國家稅務總局關於稅收協定中"受益所有人"有關問題的公告) ("**Notice 9**") provides that "Beneficial Owners" refer to persons who engaged in substantial business operations. It is unclear whether Notice 9 applies to dividends from our PRC operating subsidiaries paid to us through our direct subsidiary incorporated in Hong Kong which holds our PRC entities. If, under Notice 9, such Hong Kong subsidiary was not considered the "beneficial owner" of any such dividends, such dividends would, as a result, be subject to income tax withholding at the rate of 10% rather than the more favourable 5% rate applicable under the Mainland-Hong Kong Tax Arrangement. In that case, our financial condition and results of operations may be materially and adversely affected. We are actively monitoring the withholding tax and are evaluating appropriate organizational changes to minimise the corresponding tax impact.

We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us and our non-PRC shareholders.

The EIT Law provides that enterprises established outside of the PRC whose "de facto management bodies" are located in the PRC are considered "resident enterprises" for tax purposes and are generally subject to the uniform 25% enterprise income tax rate on their worldwide income. "De facto management bodies" is defined as the body that has actual overall management and control over the business, personnel, accounts and properties of an enterprise. However, there have been no official implementation rules regarding the determination of the "de facto management body" in the PRC for foreign enterprises. Therefore, it remains unclear how PRC tax authorities will treat a case like ours. If the PRC tax authorities determine that we are a "resident enterprise", we may be subject to enterprise income tax at a rate of 25% on our worldwide income, which will have an impact on our effective tax rate, a material adverse effect on our net income and results of operations.

Dividends payable by us to our foreign investors and gains on the sale of our Shares may become subject to withholding taxes under the PRC tax laws.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement that provides otherwise, a PRC withholding tax at a rate of 10% is normally applicable to dividends from "sources within the PRC" paid to our foreign investors who are "non-resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but whose relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of Shares by such investors is generally subject to a 10% PRC income tax if such gain is regarded as income derived from "sources within the PRC".

Under PRC Individual Income Tax Law and its implementation rules, dividends from "sources within the PRC" paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to PRC income tax at a rate of 20% for individuals. Any PRC tax may be reduced or exempted under applicable tax treaties or similar arrangements.

If we are treated as a PRC resident enterprise as described under the risk factor headed "— We may be classified as a "resident enterprise" for PRC enterprise income tax purposes, which could result in unfavourable tax consequences to us and our non-PRC shareholders" in this section, dividends we pay with respect to our Shares, or the gain realised from the transfer of our Shares, may be treated as income derived from "sources within the PRC" and as a result be subject to the PRC income taxes described above. However, shareholders who are not PRC tax residents and seek to enjoy preferential tax rates under relevant tax treaties may claim tax treaty benefits on their own when filing a tax return by themselves or making a withholding declaration through a withholding agent pursuant to the Administrative Measures for Non-resident Taxpayers to Enjoy Treatment under Treaties (非居民納税人享受協定待遇管理辦法), which was promulgated by the SAT on 14 October 2019 and came into effect on 1 January 2020. With respect to dividends, Notice 9 will also apply. If determined to be ineligible for the foregoing tax treaty benefits, gains obtained from sales of our Shares and dividends on our Shares paid to such Shareholders would subject to higher PRC tax rates. In such cases, the value of our foreign investors in our Shares may be materially and adversely affected.

It may be difficult to effect service of process or to enforce foreign judgements against our Group and management.

All of our productions and assets are located in the PRC. Furthermore, all of our executive Directors are located in the PRC. Therefore, investors may encounter difficulties in effecting service of process from other places outside the PRC upon us or our executive Directors. Moreover, it is understood that the enforcement of foreign judgements in the PRC is subject to uncertainties. A court judgement from a foreign jurisdiction may be reciprocally recognised or enforced if the jurisdiction has signed a treaty with the PRC. However, the PRC does not sign treaties for the reciprocal recognition and enforcement of civil court judgements with the United States, the United Kingdom and many other countries. As a result, recognition and enforcement in the PRC of a court judgement obtained in those jurisdictions mentioned above may be difficult or impossible.

The heightened scrutiny over acquisitions from the PRC tax authorities may have an adverse impact on our business, acquisitions or restructuring strategies.

On 3 February 2015, the SAT promulgated the Announcement of SAT on Several Issues Concerning Enterprise Income Tax on Income from 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) ("**Circular 7**"), which provides comprehensive guidelines relating to, and heightened the PRC tax authorities' scrutiny on indirect transfers, by a non-resident enterprise, of assets (including equity interests) of a PRC resident enterprise.

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

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

According to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investments and Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**Circular 37**"), PRC residents (including PRC citizens and PRC enterprises) shall apply to the SAFE or its local bureau to register foreign exchange for overseas investments before contributing to special purpose vehicles ("**SPVs**") with legitimate domestic and overseas assets or rights and interests. In the event of any alteration in the basic information of the registered SPVs, such as the change of a PRC citizen shareholder, name and operating duration; or in the event of any alternation in key information, such as increases or decreases in the share capital held by PRC citizens, or equity transfers, swaps, consolidations, or splits, the registered PRC residents shall timely submit a change in the registration of the foreign exchange for overseas investments with the foreign exchange bureaus.

We may not at all times be fully aware or informed of the identities of all our beneficiaries who are PRC nationals, and may not always be able to compel our beneficiaries to comply with the requirements of Circular 37. As a result, we cannot assure you that all of our Shareholders or beneficiaries who are PRC nationals will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by Circular 37 or other related regulations. Under the relevant rules, failure to comply with the registration procedures set forth in Circular 37 may result in restrictions on the foreign exchange activities of the relevant PRC enterprise and may also subject the relevant PRC resident to penalties under the PRC foreign exchange administration regulations.

Changes in foreign exchange regulations and fluctuations in the value of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.

A majority of our revenue and expenditures are denominated in Renminbi, while the net [**REDACTED**] from the [**REDACTED**] and any dividends we pay on our Shares will be in Hong Kong Dollars. Fluctuations in the exchange rates between the Renminbi and the Hong Kong Dollar or US Dollar will affect the relative purchasing power in Renminbi terms. Fluctuations in the exchange rates may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong Dollar or US Dollar would affect our financial results in Hong Kong Dollar or US Dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and the PRC's foreign exchange regime and policy. We cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong Dollar or the US Dollar in the medium to long term.

In addition, conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. Pursuant to the PRC's current foreign exchange control system, it cannot be guaranteed that under a certain exchange rate, there shall be sufficient foreign exchange to meet the foreign exchange requirement of an enterprise. Under the PRC's current foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the State Administration of Foreign Exchange, but we are required to present relevant documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the right to carry out foreign exchange business. Foreign exchange transactions under the capital account, however, must be approved in advance by the State Administration of Foreign Exchange. Any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or satisfy any other foreign exchange requirement. If we fail to obtain the approval from the State Administration of Foreign Exchange to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, results of operations and financial condition, may be materially adversely affected.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares.

Prior to the [**REDACTED**], there has not been a public market for our Shares. An active public market may not develop or be sustained after the [**REDACTED**]. The indicative [**REDACTED**] range for our Shares was the result of, and the [**REDACTED**] will be the result of, negotiations among our Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and may not be indicative of prices that will prevail in the trading market after the [**REDACTED**].

We have applied to [**REDACTED**] and [**REDACTED**] our Shares on the Stock Exchange. However, even if approved, being [**REDACTED**] on the Stock Exchange does not guarantee that an active trading market for our Shares will develop or be sustained. If an active market for our Shares does not develop after the [**REDACTED**], the market price and liquidity of our Shares may be adversely affected. As a result, you may not be able to resell your Shares at prices equal to or greater than the price paid for our Shares in the [**REDACTED**].

The liquidity, market price and trading volume of our Shares may be volatile.

The liquidity, market price and trading volume of our Shares may fluctuate significantly and rapidly as a result of a variety of factors, many of which are beyond our control, including:

- actual and anticipated fluctuations in our results of operations, such as revenue, earnings and cash flows;
- changes in securities analysts' estimates or market perception of our financial performance;
- announcement by us of significant acquisitions, dispositions, strategic alliances or joint ventures;
- recruitment or loss of key personnel by us or our competitors;
- market developments affecting us or the personal hygiene product industry in general;
- regulatory or legal developments, including litigation;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control;
- fluctuations in trading volumes or the release of lock-up or other transfer restrictions on our Shares;

- outstanding Shares or sales of additional Shares by us; and
- general economic, political and stock market conditions in the PRC and elsewhere in the world.

In such cases, investors may not be able to sell their Shares at or above the [**REDACTED**].

Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

Based on the [**REDACTED**] range, the [**REDACTED**] is expected to be higher than the net tangible book value per Share prior to the [**REDACTED**]. Therefore, you will experience an immediate dilution in pro forma net tangible book value per Share. In addition, we may issue additional Shares or equity-related securities in the future to raise additional funds, finance acquisitions or for other purposes. If we issue additional Shares or equity-related securities in the future, the percentage ownership of our existing Shareholders may be diluted. In addition, such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

The interests of our Controlling Shareholders may differ from those of our other Shareholders.

Immediately upon completion of the [**REDACTED**], our Controlling Shareholders will own approximately [**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 mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate transactions. Our Controlling Shareholders have no obligation to consider our interests or the interests of our other Shareholders. The interests of the Controlling Shareholders may not always coincide with our Company or your best interests. If the interests of the Controlling Shareholders conflict with the interests of our Company or our other Shareholders, or if the 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.

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

Distribution of dividends shall be formulated by our Board at their discretion 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 condition, operating and capital expenditure requirements, distributable profits as determined under the PRC GAAP or HKFRS (whichever is lower), our Articles of Association, the PRC Company Law and other applicable PRC laws and regulations, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, and any other factors determined by our Board of Directors from time to time to be relevant to the declaration or suspension of dividend payments. As a result, although we have paid dividends in the past, 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. See "Financial Information — Dividends" for more details of our dividend policy.

You may not have the same protection of your shareholder rights under Cayman Islands law comparing to what you would have under Hong Kong law.

Our corporate affairs are governed by our Memorandum and Articles, the Companies Law, and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, the rights of minority shareholders to institute actions and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be the same as they would be under statutes or judicial precedent in Hong Kong. In particular, the Cayman Islands have different securities laws as compared to Hong Kong and may not provide the same protection to investors. Furthermore, a Hong Kong court may not have jurisdiction to entertain a derivative action brought by shareholders for and on behalf of the Company.

Sale, or perceived sale, of substantial amounts of our Shares in the public market could adversely affect the prevailing market price of our Shares.

The Shares held by our existing Shareholders are subject to certain lock-up periods expiring six and 12 months after the date on which trading in our Shares commences on the Hong Kong Stock Exchange, details of which are set out in "[**REDACTED**]". Our existing Shareholders may dispose of Shares that they may own now or in the future. Sales of substantial amounts of our Shares in the public market, or the perception that these sales may occur, could materially and adversely affect the prevailing market price of our Shares.

The [REDACTED] may be terminated due to factors beyond our control.

Prospective investors of the [**REDACTED**] should note that the [**REDACTED**] are entitled to terminate their obligations under the [**REDACTED**] by notice in writing to our Company from the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) upon the occurrence of any of the events stated in the relevant [**REDACTED**], many of which are beyond our control. Such events include, without limitation, any acts of God, wars, riots, public disorder, civil commotion, fire, flood, tsunami, explosions, epidemic, pandemic, acts of terrorism, earthquakes, strikes or lock-outs.

RISKS RELATING TO STATEMENTS MADE IN THIS DOCUMENT

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "can", "continue", "could", "estimate", "expect", "going forward", "intend", "ought to", "may", "might", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Please refer to the section headed "Forward-Looking Statements" in this document for further details.

Such forward-looking statements reflect current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including other risk factors as described in this document. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on such forward-looking statements and information.

Facts, forecasts and statistics in this document relating to the PRC, the global economy and the industry in which we operate may not be fully reliable.

Facts, forecasts and statistics in this document relating to the PRC, the global economy and the industry in which we operate are obtained from various sources that we believe are reliable, including official government publications and the Frost & Sullivan Report which we commissioned. However, we cannot assure you the quality or reliability of these sources. Neither we, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and factual information and other problems, the aforementioned facts, forecasts and statistics may be inaccurate and you should not place undue reliance on it. We make no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources. Moreover, these facts, forecasts and statistics involve risk and uncertainties and are subject to change based on various factors and should not be unduly relied upon. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

Current market condition may not be reflected in the statistical information included in this document.

The historical information set out in this document relating to market conditions of the PRC may not reflect the current market situation. In order to provide context to the industry in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided throughout this document. However, this information may not reflect current market condition of the PRC as recent economic development may not be fully factored into these statistics, and the availability of the latest data may lag behind of this document. As such, any information relating to market share, size and growth, or performance in the markets in the PRC and other similar industry data should be viewed as historical figures that may have little value in determining future trends and results.

We strongly caution you not to place any reliance on any information contained in press articles, media coverage and/or research analyst reports regarding us and the [REDACTED].

There may be press articles, media coverage and/or research analyst reports regarding, among others, our Group, our business, our industry, our Controlling Shareholders, our Directors and employees or the [**REDACTED**], which may include certain financial information, financial projections and other information about us that do not appear in this document. We have not authorised the disclosure of any such information in the relevant publications and we do not accept any responsibility for any such press articles, media coverage and/or research analyst reports or the accuracy or completeness or reliability of any such information or publications. To the extent that any such information appearing in publications other than this document is inconsistent or conflicts with the information contained in this document, we disclaim it. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to purchase our Shares, you should rely only on the financial, operational and other information included in this document.

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. As the principal business operations, properties, offices and facilities of our Group are predominantly located, managed and conducted in the PRC, all of our executive Directors and senior management are and will continue to be based in the PRC.

As at the Latest Practicable Date, all of our executive Directors and senior management are not Hong Kong resident or based in Hong Kong. We consider that it would be unduly burdensome for us to relocate any of our executive Directors to Hong Kong and that the appointment of any additional executive Director who is ordinarily resident in Hong Kong will not be beneficial to our Group. Hence, our Directors consider it may not be practicable or in the best interest of our Company nor our Shareholders as a whole to appoint two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements of Rule 8.12 of the Listing Rules. We [have applied] to the Stock Exchange for [, and the Stock Exchange have granted,] a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Gao Yue (高躍), our executive Director, and Mr. Yeung Kwong Wai (楊光偉), one of our joint company secretaries, respectively. Mr. Yeung Kwong Wai (楊光偉) is ordinarily resident in Hong Kong. Each of the authorised representatives will be available to meet with any officers of the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by telephone, facsimile, e-mail or any other contact methods (if available) prescribed by the Stock Exchange from time to time. Each of the authorised representatives has been duly authorised to communicate on our behalf with the Stock Exchange;

(b) all of our executive Directors and non-executive Director who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time;

(c) our Company has appointed a compliance adviser pursuant to Rule 3A.19 of the Listing Rules who will have access at all times to our authorised representatives, Directors and senior management to ensure that they are in a position to provide prompt responses to any query or request from the Stock Exchange in respect of our Company and will act as an additional channel of communication with the Stock

Exchange for a period commencing on the [**REDACTED**] and ending on the date on which our Company distributes the annual report for the first full financial year after the [**REDACTED**] (the "**Engagement Period**") in accordance with Rule 13.46 of the Listing Rules;

(d) our Company will ensure that during the Engagement Period, the compliance adviser has access at all times promptly to our authorised representatives, Directors and other senior officers who will provide to the compliance adviser such information and assistance as the compliance adviser may reasonably require in connection with the performance of the compliance adviser's duties;

(e) to enhance the communication between the Stock Exchange, the authorised representatives of our Company and our Directors, we will implement a policy whereby (i) each Director is required to provide his/her office phone number, mobile phone numbers, facsimile numbers (if any) and e-mail address to the authorised representatives of our Company; and (ii) each Director shall provide his/her mobile phone number, office phone numbers, facsimile numbers (if any) and e-mail address to the Stock Exchange; and

(f) our Company shall inform the Stock Exchange promptly in the event of any changes to the authorised representatives or the compliance adviser of our Company in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

In accordance with Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary, by virtue of his/her academic or professional qualifications or relevant experience, who is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. The academic or professional qualifications that are acceptable to the Stock Exchange are as follows:

(a) a member of The Hong Kong Chartered Governance Institute;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance, Chapter 159 of the Laws of Hong Kong); or

(c) a certified public accountant (as defined in the Professional Accountants Ordinance, Chapter 50 of the Laws of Hong Kong).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he or she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (WUMP) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Ms. Ngan Ka Wai (顏嘉瑋) and Mr. Yeung Kwong Wai (楊光偉) as the joint company secretaries of our Company. Mr. Yeung is a Certified Public Accountant (Practising) of HKICPA, a member of the American Institute of Certified Public Accountants and also a CFA charterholder and he is therefore satisfies the requirements under Rules 3.28 and 8.17 of the Listing Rules pursuant to Note 1 of Rule 3.28 of the Listing Rules. On the other hand, Ms. Ngan does not possess a qualification as required under Rules 3.28 and 8.17 of the Listing Rules. However, the Directors consider that Ms. Ngan, by virtue of her background and experience, is capable of discharging the functions of the joint company secretaries. For further details about the qualifications and experience of Ms. Ngan, see "Directors and Senior Management" in this document. Ms. Ngan is experienced in business management and has a thorough understanding of the daily operations of our Group. Ms. Ngan has been actively involved throughout the preparation of the [**REDACTED**] of our Company, hence she is familiar with the legal and the Listing Rules' requirements and has been assisting the Board on governance matters. Ms. Ngan as a member of senior management, also attended a training seminar regarding the responsibility of directors of listed companies delivered by our Company's legal advisers as to Hong Kong laws to the Directors and senior management of our Company.

Accordingly, we [have applied] to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the [**REDACTED**]. The waiver is granted on condition that we engaged Mr. Yeung, who possess all the requisite qualifications required under Rule 3.28 of the Listing Rules, as the joint company secretaries, to assist Ms. Ngan in discharging her duties as a company secretary and in gaining the "relevant experience" as required under Rule 3.28 of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon [**REDACTED**].

Accordingly, we [have applied] to the Stock Exchange for, and the Stock Exchange [has granted], waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see "Continuing Connected Transactions".

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Ngan Piu Kuan (顏培坤)	No. 92, East Longshang Road Anhai Town Jinjiang, Quanzhou Fujian Province China	Chinese
Mr. Zeng Guodong (曾國棟)	Room 1606, Block 12 Ruijing Xiangxie Huadu Jinjiang, Quanzhou Fujian Province China	Chinese
Mr. Zhou Jiahao (周家豪)	Room 1602, Building 3 No. 159, Hongjiang Middle Road Anhai Town, Jinjiang City Fujian Province China	Chinese
Mr. Gao Yue (高躍)	No. 5, Yangxiao Hou Anhai Town, Jinjiang City Fujian Province China	Chinese
Non-executive Director		
Mr. Cai Hao (蔡昊)	No. 22, New Area of Qiancai Village Anhai Town, Jinjiang City Fujian Province China	Chinese

Name	Address	Nationality
Independent Non-executive Directors		
Ms. Leong Kai Weng Subrina (梁佳穎)	Flat C, 21/F L. Living 23, 13-31 Pine St Tai Kok Tsui Kowloon Hong Kong	Chinese
Mr. Wong Tai Wai David (黃大維)	Flat B, 1/F, Tower 2 Man Lai Court 47 Man Lai Road Taiwai, NT Hong Kong	Chinese
Mr. Ng Brian Hong Jing (吳康政)	Flat D 11/F Block 1B Line Gala 393 Shau Kei Wan Rd Hong Kong	Chinese

Please also refer to the section headed "Directors and Senior Management" for further details of our Directors.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor and [REDACTED]	**Sunny Fortune Capital Limited** Suite 2101, Chinachem Century Tower 178 Gloucester Road Wanchai Hong Kong

[REDACTED]

Legal Advisers to the Company	*As to Hong Kong laws:* **Morgan, Lewis & Bockius** 19th Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC laws:* **Tian Yuan Law Firm** 20/F, China Life Finance Centre 23 Zhenzhi Road Chaoyang District Beijing China *As to Cayman Islands laws:* **Ogier** 11th Floor Central Tower 28 Queen's Road Central Hong Kong *As to International Sanctions laws:* **Hogan Lovells** 11th Floor One Pacific Place 88 Queensway Hong Kong

Legal Advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong laws:* **King & Wood Mallesons** 13/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC laws:* **Commerce & Finance Law Offices** 12-14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Beijing China
Reporting Accountants and Independent Auditors	**Mazars CPA Limited** *Certified Public Accountants and* *Registered Public Interest Entity Auditor* 42nd Floor, Central Plaza 18 Harbour Road Wan Chai Hong Kong
Property valuer	**BonVision International Appraisals Limited** Room 1205-06 12/F Tai Yau Building 181 Johnston Road Wan Chai Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Suite 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC

[**REDACTED**]

CORPORATE INFORMATION

Registered office in the Cayman Islands	89 Nexus Way, Camana Bay Grand Cayman KY1-9009 Cayman Islands
Principal place of business and head office in the PRC	Zhizao Avenue Economic Development Zone (Food Park) Quanzhou Jinjiang Fujian Province China
Principal place of business in Hong Kong	Room 1910, 19/F., C C Wu Building 302–304 Hennessy Road Wan Chai Hong Kong
Company's website address	**www.Insoftb.com** *(the information contained on this website does not form part of this document)*
Joint company secretaries	Ms. Ngan Ka Wai (顏嘉瑋) R De Paris 46-113 Bl 1 Fl 07 Flat V Ed Fu Tat Macau Mr. Yeung Kwong Wai (楊光偉), HKICPA, AICPA, CFA Room 1910, 19/F., C C Wu Building 302–308 Hennessy Road Wan Chai Hong Kong
Authorised representatives	Mr. Gao Yue (高躍) No. 5, Yangxiao Hou Anhai Town, Jinjiang City Fujian Province China Mr. Yeung Kwong Wai (楊光偉) Room 1910, 19/F., C C Wu Building 302–308 Hennessy Road Wan Chai Hong Kong

Audit Committee	Ms. Leong Kai Weng Subrina (梁佳穎) *(Chair)* Mr. Ng Brian Hong Jing (吳康政) Mr. Wong Tai Wai David (黃大維)
Remuneration Committee	Mr. Wong Tai Wai David (黃大維) *(Chair)* Mr. Ng Brian Hong Jing (吳康政) Mr. Ngan Piu Kuan (顏培坤)
Nomination Committee	Mr. Ng Brian Hong Jing (吳康政) *(Chair)* Mr. Wong Tai Wai David (黃大維) Mr. Gao Yue (高躍)
Sanctions Oversight Committee	Mr. Zeng Guodong (曾國棟) *(Chair)* Mr. Cai Hao (蔡昊) Mr. Zhou Jiahao (周家豪)

[**REDACTED**]

Compliance Adviser	**Sunny Fortune Capital Limited** Suite 2101, Chinachem Century Tower 178 Gloucester Road Wanchai Hong Kong
Principal Banks	**Industrial and Commercial Bank of China Limited** **Jinjiang Branch** 273 Chongde Road Jinjiang City Fujian Province China **Bank of China Limited** **Jinjiang Branch** Bank of China Building 154 Chongde Road, Qingyang Street Jinjiang City Fujian Province China

The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan (the "Frost & Sullivan Report"). We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the [**REDACTED**]. *The information from official government sources has not been independently verified by us, the Sole Sponsor, the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *any of the* [**REDACTED**], *any of their respective directors and advisers, or any other persons or parties involved in the* [**REDACTED**], *and no representation is given as to its accuracy.*

SOURCES OF INFORMATION

We commissioned Frost & Sullivan to analyse and prepare a report regarding China's hygienic disposables market as well as China's hygienic disposables export market. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies and provides growth consulting and corporate training. We agreed to pay a commission fee of RMB550,000 to Frost & Sullivan pursuant to a service agreement reached by arm's length negotiation. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report. We have also referred to certain information in the "Summary", "Risk Factors", "Business" and "Financial Information" sections to provide a more comprehensive presentation of the industry in which we operate.

In preparing the report, Frost & Sullivan conducted both primary and secondary research and relied on various sources. The primary research was conducted via interviews with key industry experts and leading industry participants. The secondary research involved analysis of market data obtained from several publicly available data sources, such as the National Bureau of Statistics of China and other industrial associations. The market projections in the Frost & Sullivan Report are based on the following key assumptions: (i) the overall social, economic, and political environment in China is expected to remain stable during the forecast period; (ii) China's economic and industrial development is likely to maintain a steady growth in the forecast period; (iii) related industry key drivers are likely to drive the growth of the hygienic disposables market and hygienic disposables export market in China in the forecast period; and (iv) there is no extreme force majeure or industry regulation which may affect the market dramatically or fundamentally.

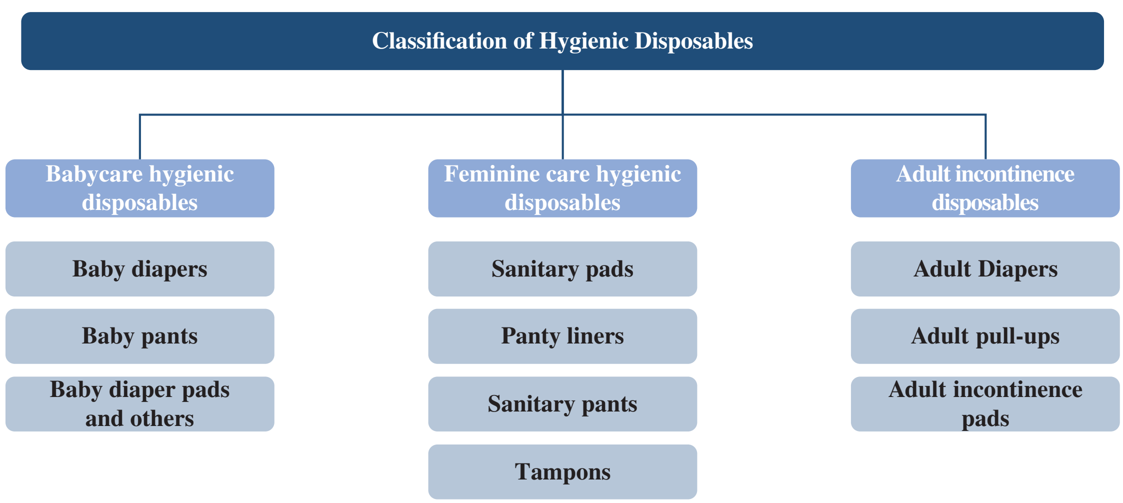
Our Directors confirm that, to the best of their knowledge, after making reasonable inquiries and exercising reasonable care, there is no material adverse change in the market information since the date of the relevant data contained in the Frost & Sullivan Report which may qualify, contradict or have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

OVERVIEW OF GLOBAL HYGIENIC DISPOSABLES MARKET

Definition and Classification

Hygienic disposables refer to disposable hygiene products that come into direct contact with the human body, primarily composed of materials such as fluff pulp, nonwoven fabrics, highly absorbent resin, and other components. They feature a layered structure consisting of a surface layer, an absorbent core layer, and a leak-proof bottom film layer, designed to absorb and collect human excretions.

Divided by target consumers, hygienic disposables mainly refer to babycare hygienic disposables, feminine care hygienic disposables and adult incontinence disposables.



Source: Frost & Sullivan

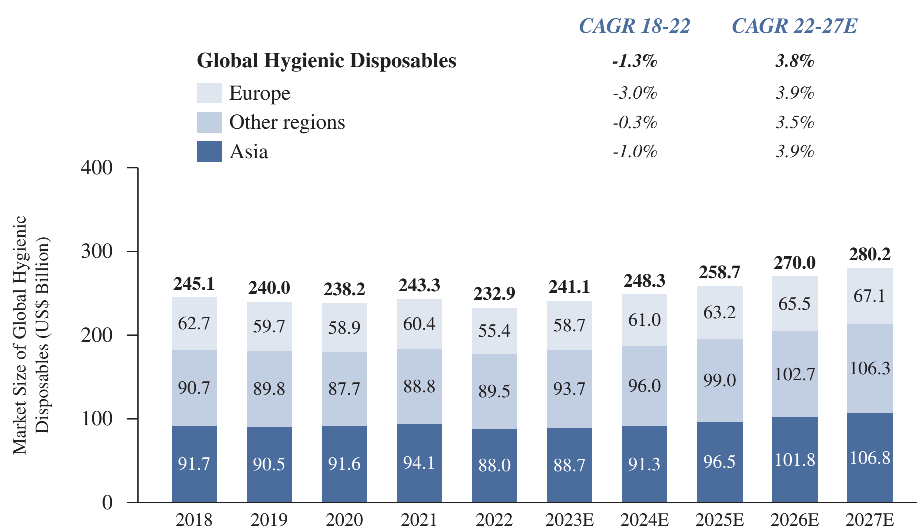
Market Size and Growth of Global Hygienic Disposables Market

Due to economic fluctuations, the impact of the COVID-19 pandemic and fluctuations in raw material prices, the market size of the global hygienic disposables market has decreased slightly from approximately US$245.1 billion in 2018 to approximately US$232.9 billion in 2022, representing a CAGR of approximately -1.3%. It is expected to reach approximately US$280.2 billion in 2027, representing a CAGR of approximately 3.8% from 2022.

In the Asian region, despite a marginal reduction in market size from US$91.7 billion in 2018 to US$88.0 billion in 2022, with a CAGR of approximately -1.0%, the region continues to play a significant role in the global hygienic disposables market, commanding a market share of approximately 37.8%. With population growth and an increasing focus on hygiene awareness, the market is poised for recovery, expected to reach US$106.8 billion by 2027, with a CAGR of approximately 3.9% from 2022.

Europe, however, witnessed a more substantial decline in market size, from approximately US$62.7 billion in 2018 to approximately US$55.4 billion in 2022, with a CAGR of approximately -3.0%. Nevertheless, a recovery is expected, and the market is expected to reach approximately US$67.1 billion in 2027, with a CAGR of approximately 3.9% from 2022.

Market Size of Global Hygienic Disposables Market, 2018-2027E



Source: International Monetary Fund (IMF, October 2023), Frost & Sullivan

OVERVIEW OF HYGIENIC DISPOSABLES EXPORT MARKET IN THE PRC

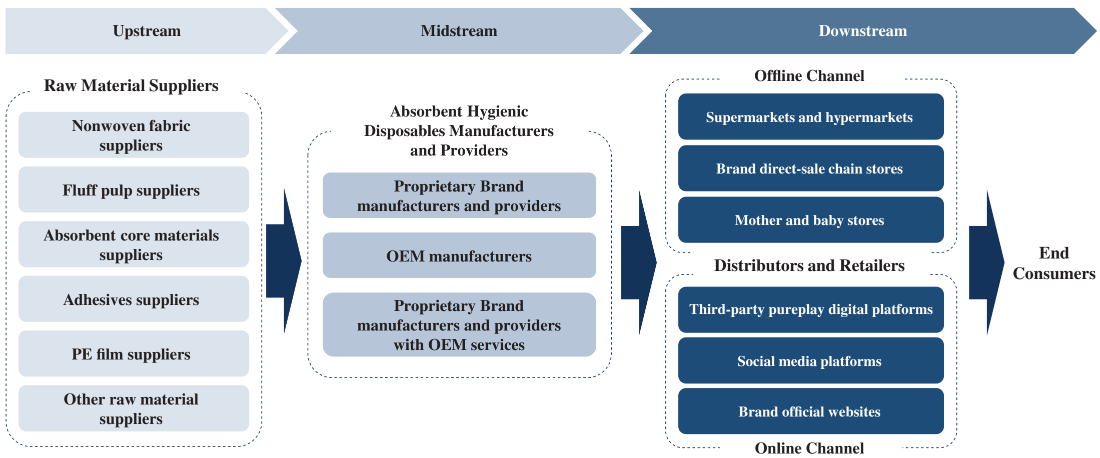
Value Chain of Hygienic Disposables Market in the PRC

The value chain of the hygienic disposables market in China includes upstream raw material supply, midstream hygienic disposables manufacturers and suppliers, and downstream end customers.

In the manufacturing and processing process, ODM (Original Design Manufacturing) and OEM (Original Equipment Manufacturing) modes are commonly used for hygienic disposables. Hygienic disposables suppliers can outsource production to selected domestic third-party manufacturers under ODM arrangements, allowing these suppliers to focus their resources on research and development, product planning and design, branding and marketing, and sales and distribution.

In the distribution process, the distribution channels for hygienic disposables include third-party pureplay digital platforms, brands official websites, key account ("**KA**") channels (such as supermarkets and hypermarkets), brand direct-sale chain stores, mother and baby stores, among others, to reach end customers.

Value chain of Hygienic Disposables Market in the PRC



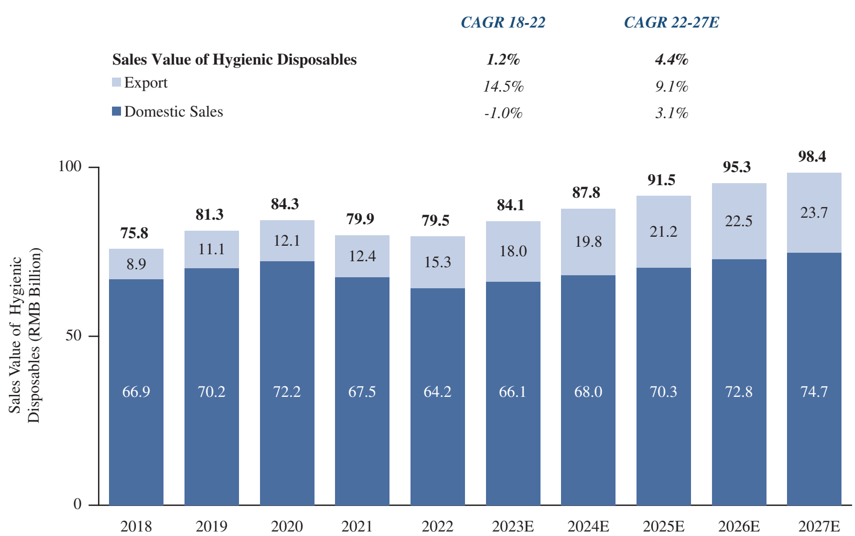
Source: Frost & Sullivan

Market Size and Growth of Hygienic Disposables Export Market in the PRC

Revenue generated from the manufacturing of hygienic disposables, indicative of sales value, increased from approximately RMB75.8 billion in 2018 to RMB79.5 billion in 2022, demonstrating a CAGR of approximately 1.2%. Projections indicate a further increase to approximately RMB98.4 billion by 2027, representing a CAGR of approximately 4.4% from 2022.

At present, the sales value attributed to exports experienced substantial growth, surging from approximately RMB8.9 billion in 2018 to RMB15.3 billion in 2022, marking a notable CAGR of approximately 14.5%. Forecasts predict a continued upward trajectory, reaching approximately RMB23.7 billion by 2027, with a CAGR of approximately 9.1% from 2022. Moreover, the share of export value relative to total sales value rose from approximately 11.7% in 2018 to 19.2% in 2022 and is expected to rise to approximately 24.1% by 2027.

Sales Value of Hygienic Disposables by Export and Domestic Sales (China), 2018-2027E

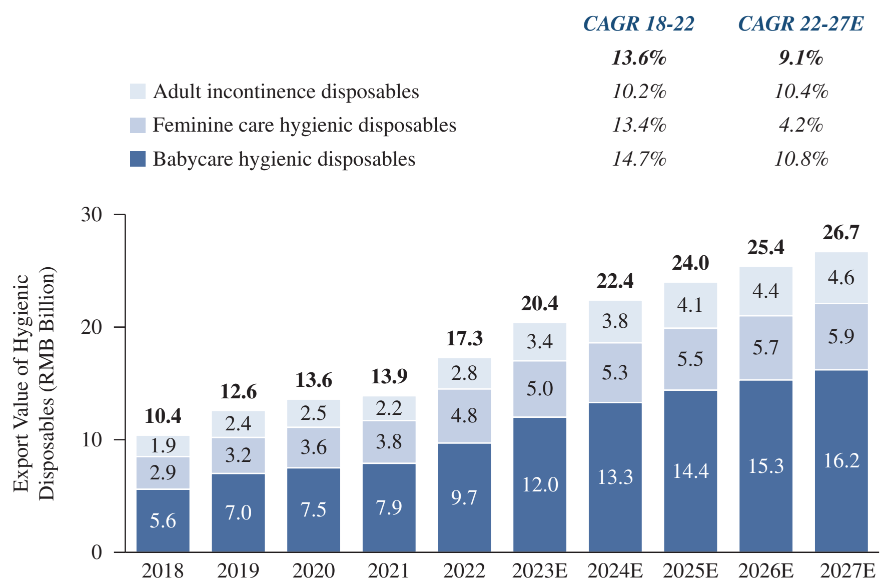


Note: The sales value of hygienic disposables does not include value-added tax.

Source: China Paper Association, General Administration of Customs, Frost & Sullivan

The export value of hygienic disposables increased significantly from approximately RMB10.4 billion in 2018 to approximately RMB17.3 billion in 2022, representing a CAGR of approximately 13.6%. It is expected to reach approximately RMB26.7 billion in 2027, representing a CAGR of approximately 9.1% from 2022. Babycare hygienic disposables export market is the fastest growing subset of the hygienic disposables export market, which grew from approximately RMB5.6 billion in 2018 to RMB9.7 billion in 2022, representing a CAGR of approximately 14.7%. It is expected to reach RMB16.2 billion in 2027, representing a CAGR of approximately 10.8% from 2022.

Export Value of Hygienic Disposables by Category (China), 2018-2027E

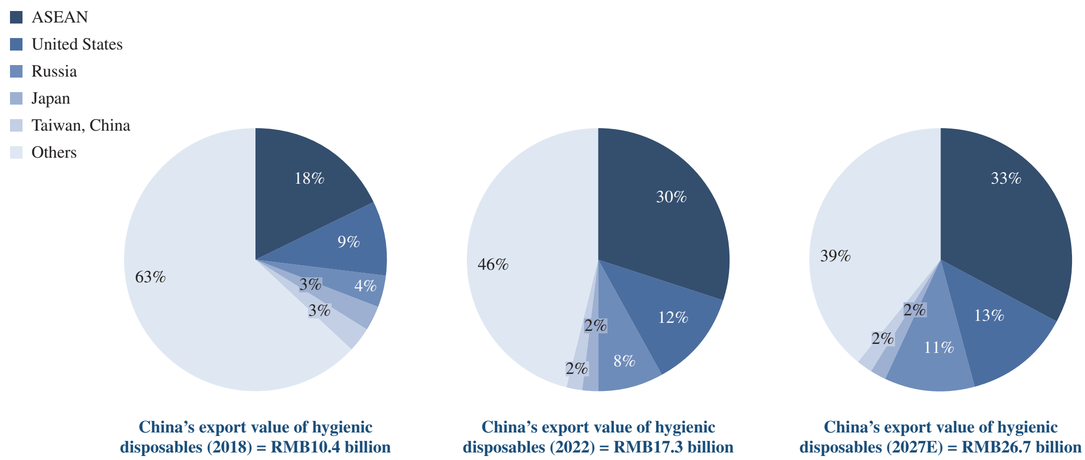


Note: The export value of hygienic disposables includes value-added tax.

Source: General Administration of Customs, Frost & Sullivan

The primary export destinations for China's hygienic disposables are ASEAN, the United States, and Russia. The percentage share of China's exports of hygienic disposables to these three regions increased from 18%, 9%, and 4% in 2018 to 30%, 12%, and 8%, respectively, in 2022. This growth is attributed to China's advancements in production, technology, and strengthened trade relations, which have provided more export opportunities. It is projected that by 2027, the export proportions of China's hygienic disposables to these three regions are expected to reach 33%, 13%, and 11%, respectively.

Export Value of Hygienic Disposables by Regions (China), 2018 vs 2022 vs 2027E



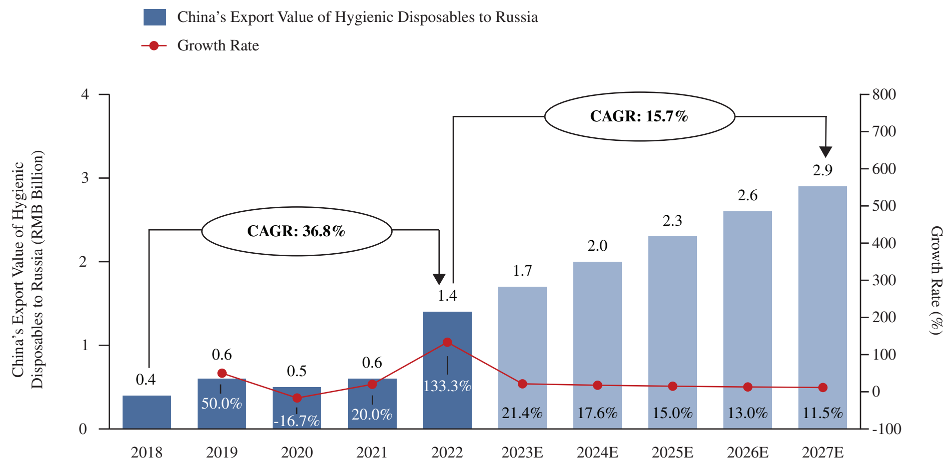
Note: ASEAN includes Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

Source: General Administration of Customs, Frost & Sullivan

The export value of hygienic disposables from China to Russia has experienced remarkable growth, surging from approximately RMB0.4 billion in 2018 to RMB1.4 billion in 2022, indicating a remarkable CAGR of approximately 36.8%. This substantial increase can be attributed to several factors, including heightened demand for quality hygiene products in the Russian market, improved trade relations, and the commendable reputation of Chinese manufacturers for delivering reliable and cost-effective products. Private label products have become a significant force in Russia's hygienic disposables market, known for their adaptability and agility in responding to market changes and consumer preferences. As such, it is expected to reach approximately RMB2.9 billion in 2027, representing a CAGR of approximately 15.7% from 2022.

Tension and conflict between Russia and Western countries have precipitated notable shifts in global trade and economic dynamics. With Western sanctions restricting Russia's access to a variety of products, established brands may encounter barriers to entering or exiting the Russian market. As a result, private labels find themselves in an advantageous position, steadily capturing and expanding their market share in Russia and other affected markets.

Export Value of Hygienic Disposables to Russia (China), 2018-2027E



Source: General Administration of Customs, Frost & Sullivan

Key Drivers of Hygienic Disposables Export Market in the PRC

Cost competitiveness: China's manufacturing sector benefits from cost advantages, including lower labour costs and economies of scale. This advantage allows Chinese manufacturers of hygienic disposables to produce at a lower cost than many other countries. As a result, Chinese products remain competitive in the global market, attracting buyers looking for affordable yet high-quality hygienic disposables.

Technological advancements: Continued investment in research and development fosters technological innovations within China's hygienic disposables manufacturing industry. Upgrades in machinery, production techniques, and materials lead to improved product quality, efficiency, and innovation. Enhanced technological capabilities enable manufacturers to produce products that meet international standards, ensure reliability and meet varying consumer requirements worldwide.

Trade partnerships and market penetration: China is actively engaged in promoting trade partnerships and expanding its market reach for hygienic disposables. Efforts to penetrate emerging markets or strengthen foothold in established markets contribute significantly to the growth of China's export market in the hygienic disposables sector. Market penetration strategies, such as effective distribution networks, targeted marketing, and understanding local consumer preferences, facilitate increased exports to new regions and strengthen overall export growth.

Future Trends of Hygienic Disposables Export Market in the PRC

Advancing toward sustainable and eco-friendly products: Global concern for the environment is driving a shift towards eco-friendly products worldwide, including in China's hygienic disposables exports. Manufacturers will invest in eco-conscious R&D for biodegradable materials, reducing environmental impact and adoption of eco-friendly production processes meets consumer demand for environmentally responsible choices.

Innovating through customisation and tailored offerings: China's hygiene product exports will prioritise customisation and innovation, tailoring products to diverse consumer needs with advanced materials and technologies to enhance competitiveness globally. Such customisation will open up the market for private label and contract manufacturing.

Opportunities and Challenges of Hygienic Disposables Export Market in the PRC

Expanding Global Demand: Increasing global awareness of hygiene and health-related concerns presents an opportunity for China's hygienic disposables export market. With increased awareness of personal hygiene, especially in emerging markets, there is a growing demand for high-quality hygienic disposables. China can capitalise on this expanding market by offering a diverse range of high-quality and affordable products tailored to different consumer segments.

Intense market competition: One of the challenges facing China's export market for hygienic disposables is intense competition from both domestic manufacturers and international players. Different countries produce similar products, leading to a competitive landscape where pricing, quality, and branding become key factors. This competition requires constant innovation, cost management, and differentiation strategies to maintain market share.

Quality and compliance standards: Meeting international quality standards and compliance regulations remains a major challenge for Chinese manufacturers. Adhering to stringent quality control measures and complying with various regulations in different export markets can be complex. Ensuring consistent quality, safety, and certification requirements across regions requires significant investment in research, testing, and production practices, posing a challenge for some manufacturers.

Entry Barriers of Hygienic Disposables Export Market in the PRC

Large initial investment: Hygienic disposables manufacturing is a capital-intensive industry, and new entrants require large initial investments to purchase production equipment, raw materials, and set up production lines. In addition, manufacturers need to continue to invest in technology upgrades and product R&D.

Technical knowledge and production experience: The production of hygienic disposables involves complex technological processes, including the selection of raw materials, the optimisation of absorption performance, and the design of products. Manufacturers need to have the relevant technical knowledge to ensure that product quality meets the standards of domestic and international markets and consumer expectations.

Brand Building and Marketing: In a competitive market, building a brand and increasing awareness is the key to success. New entrants need to invest resources in marketing and branding to attract consumers and build a loyal customer base, and tailor their marketing strategies to match the consumption habits of local consumers. Given that existing brands may already have market share, new entrants must devise strategies to differentiate themselves and appeal to consumers.

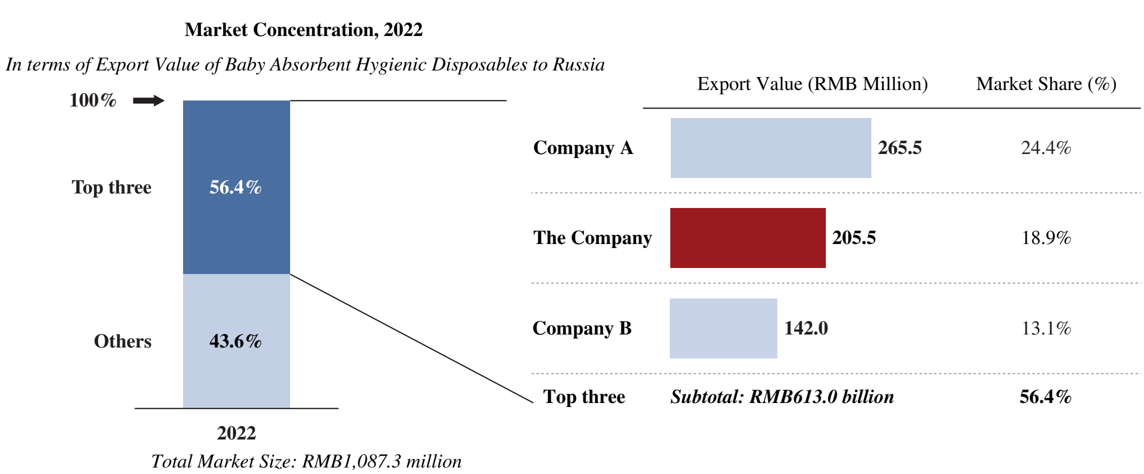
COMPETITIVE LANDSCAPE OF HYGIENIC DISPOSABLES EXPORT MARKET IN THE PRC

Ranking and Market Share of China's Hygienic Disposables Providers

The export market of babycare hygienic disposables to Russia from China was concentrated, with the top three hygienic disposables providers accounting for an aggregate market share of approximately 56.4% in terms of export value in 2022.

In 2022, the Company ranked second in terms of the export value of babycare hygienic disposables to Russia among all hygienic disposables providers in the PRC.

Ranking and Market Share of Top Three Hygienic Disposables Providers in terms of Export Value of Babycare Hygienic Disposables to Russia (China), 2022



Notes:

1. Company A is a private domestic company, founded in 2012 and headquartered in Fujian Province. It principally provides babycare hygienic disposables, feminine care hygienic disposables, adult incontinence disposables, pet diapers, wet wipes, etc.

2. Company B is a private domestic company, founded in 2005 and headquartered in Fujian Province. It principally provides babycare hygienic disposables, feminine care hygienic disposables, adult incontinence disposables, etc.

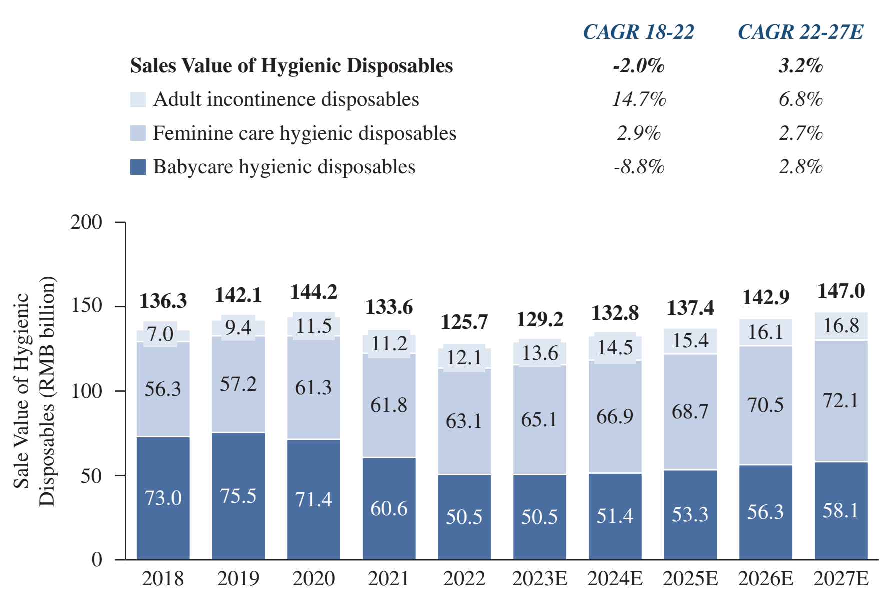
OVERVIEW OF HYGIENIC DISPOSABLES MARKET IN THE PRC

Market Size and Growth of Hygienic Disposables Market in the PRC

Hygienic disposables include babycare hygienic disposables, feminine care hygienic disposables and adult incontinence disposables. Affected by the continuously decreasing birth rate and the severe impact of the COVID-19 epidemic in China, from 2018 to 2022, the sales value of China's babycare hygienic disposables market decreased from approximately RMB73.0 billion to RMB50.5 billion, with a CAGR of approximately -8.8%. As a result, the sales value of the hygienic disposables market decreased slightly from approximately RMB136.3 billion in 2018 to RMB125.7 billion in 2022, representing a CAGR of approximately -2.0%. It is expected to reach approximately RMB147.0 billion in 2027, representing a CAGR of approximately 3.2% from 2022.

Adult incontinence disposables market is the fastest growing subset of the hygienic disposables market, whose sales value grew from approximately RMB7.0 billion in 2018 to RMB12.1 billion in 2022, representing a CAGR of approximately 14.7%. It is expected to reach approximately RMB16.8 billion in 2027, representing a CAGR of approximately 6.8% from 2022.

Sales Value of Hygienic Disposables by Category (China), 2018-2027E

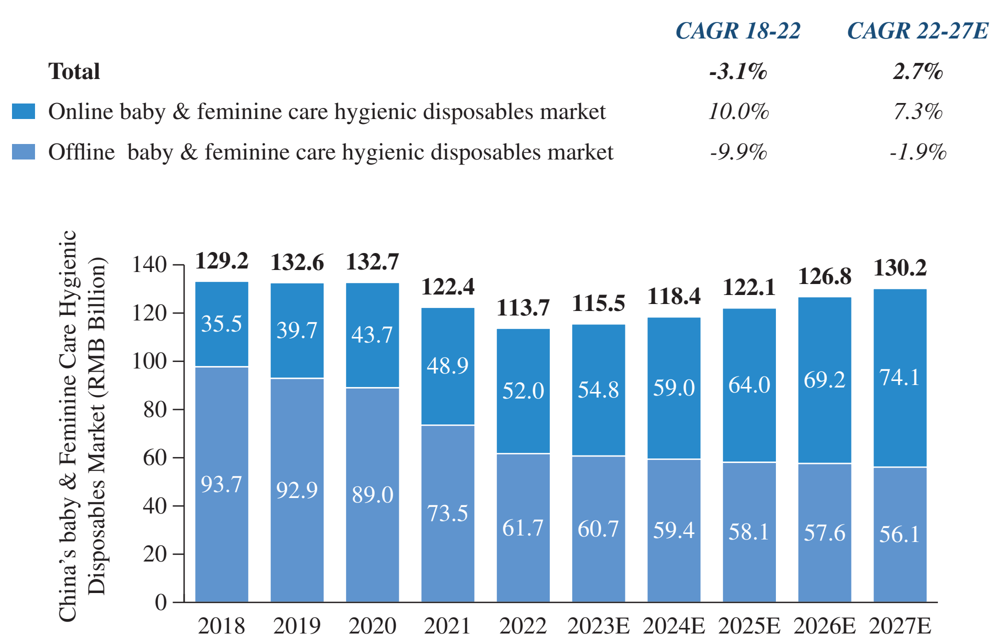


Source: China Paper Association (CPA), National Bureau of Statistics, Frost & Sullivan

The baby & feminine care hygienic disposables market can be classified into online and offline markets based on channel segmentation. From 2018 to 2022, the online and offline sales channels for baby & feminine care hygienic disposables have changed significantly. The online market increased from approximately RMB35.5 billion in 2018 to RMB52.0 billion in 2022, representing a CAGR of approximately 10.0%, and accounted for 45.7% of the baby & feminine care hygienic disposables market in 2022. Meanwhile, offline market for baby & feminine care hygienic disposables declined from approximately RMB93.7 billion in 2018 to RMB61.7 billion in 2022, with a CAGR of approximately -9.9%.

In the digital era, consumers are increasingly gravitating towards online shopping, especially for daily necessities, including baby & feminine care hygienic disposables. Online retailers offer competitive pricing, often with additional discounts and deals, making the online shopping experience not only time-saving but also cost-effective. In the forecast period (being 2023 to 2027), the online retail sales value of the baby & feminine care hygienic disposables is expected to reach approximately RMB74.1 billion in 2027, with a CAGR of approximately 7.3% from 2022 to 2027. The offline retail sales value of the baby & feminine care hygienic disposables is expected to decline further to approximately RMB56.1 billion in 2027, with a CAGR of approximately -1.9%. The online market and the offline market are expected to account for approximately 56.9% and 43.1%, respectively, of the total market in 2027.

Market Size of Baby & Feminine Care Hygienic Disposables Market by Sales Channels (China), 2018-2027E



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

Key Drivers of Hygienic Disposables Market in the PRC

Rising purchasing power of women and families with infants: As women's economic empowerment continues to rise, coupled with the focus on child health and well-being, there is a notable surge in expenditure on high-quality hygienic disposables for both infants and mothers. This demographic segment's inclination towards premium and specialised products, coupled with their increasing disposable income, significantly contributes to the expansion of the domestic market for absorbent hygiene items tailored for babies and women.

Growing penetration of babycare hygienic disposables: China's market for babycare hygienic disposables has shown consistent growth in its market penetration, reaching approximately 84.2% in 2022 and projected to climb to approximately 92.0% by 2027. As parental awareness regarding diverse babycare hygienic disposables expands, it triggers a surge in market demand, contributing significantly to the continual expansion and development of the babycare hygienic disposables market.

Future Trends of Hygienic Disposables Market in the PRC

Growing usage of sustainable and eco-friendly raw materials: With increasing environmental awareness and concerns among consumers and manufacturers, there is a notable shift towards more sustainable and eco-conscious sourcing of raw materials for hygienic disposables. This trend is expected to drive the development and adoption of innovative, environmentally friendly materials and production methods, catering to the demand for products that have a reduced environmental footprint and are in line with global sustainability goals.

Increasing penetration of domestic hygienic disposables brands: The rising penetration of domestic hygienic disposables hygiene products brands is another upcoming trend in China's hygienic disposables market. This trend is further supported by the "Guiding Opinions on the Development of the Industrial Textile Industry during the 14th Five-Year Plan" issued in 2022 by the National Development and Reform Commission and the Ministry of Industry and Information Technology. These guidelines highlight the government's focus on fostering domestic consumer product brands, and is expected to drive the growth of local hygienic disposables brands and increase their presence in the market.

Continuous improvement of industry standards: The Chinese government is actively revising standards for the hygiene products industry to advance industrial upgrades and raise consumer product standards and quality. To meet evolving consumer demands, manufacturers in China's hygienic disposables market are expected to establish and adhere to more stringent quality and safety standards. This commitment to the continuous improvement of industry standards will serve as a cornerstone for the high-quality development of the hygienic disposables sector.

Opportunities and Challenges

Growing elderly population and increased penetration rate of incontinence: As the number of elderly individuals increases, coupled with increased awareness and acceptance of incontinence-related concerns, is driving a substantial demand for high-quality hygienic disposables tailored to elderly care. This demographic shift and the increased recognition of the need for specialised hygiene items contribute in particular to the growth of China's domestic market for hygienic disposables that address the needs of the elderly population.

Rapid growth of e-commerce and digital marketing: The development and expansion of different sales channels have made a wider range of hygienic disposables more accessible to consumers across China and have increased the frequency of consumption of products. While traditional sales channels (KA channel, specialty channel, etc.) are, and will remain as important sales channels for hygienic disposables, e-commerce channels are growing rapidly benefiting from consumers' habits of online shopping as well as the greater convenience and accessibility offered by such channels.

OVERVIEW OF RAW MATERIAL OF HYGIENIC DISPOSABLES IN THE PRC

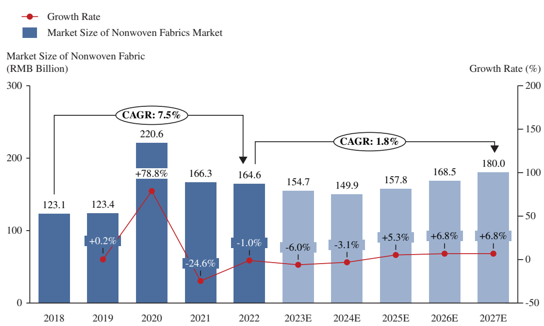
Market Size of Nonwoven Fabric Market

The market size of nonwoven fabric in terms of revenue surged from approximately RMB123.4 billion in 2019 to RMB220.6 billion in 2020, with a year-on-year growth of approximately 78.8%. In 2022, the market size of nonwoven fabric was approximately RMB164.6 billion, representing a CAGR of approximately 7.5% from 2018. It is expected to reach approximately RMB180.0 billion in 2027, representing a CAGR of approximately 1.8% from 2022.

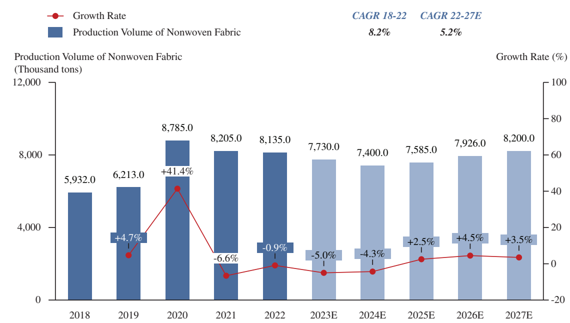
In 2020, driven by the increased demand for epidemic prevention materials amid the COVID-19 pandemic, China's nonwoven fabrics market experienced a significant upswing. The production of nonwoven fabrics surged from 6,213.0 thousand tons in 2019 to 8,785.0 thousand tons in 2020, with a year-on-year growth of approximately 41.4%. In 2022, the production volume of nonwoven fabrics was 8,135.0 thousand tons, representing a CAGR of approximately 8.2% from 2018.

Due to the gradual reduction in the impact of the COVID-19 pandemic, the overall production of nonwoven fabrics is expected to decline in 2023 and 2024, maintaining stability thereafter. By 2027, production is projected to reach 8,200.0 thousand tons, representing a CAGR of approximately 0.2% from 2022.

Market Size of Nonwoven Fabric Market (China), 2018-2027E



Production Volume of Nonwoven Fabric (China), 2018-2027E



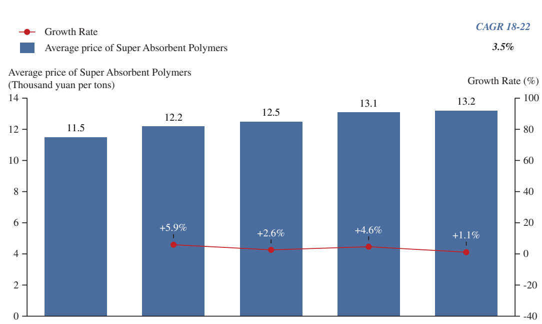
Source: China Nonwovens & Industrial Textiles Association (CNITA), Frost & Sullivan

Raw Materials Price Trend

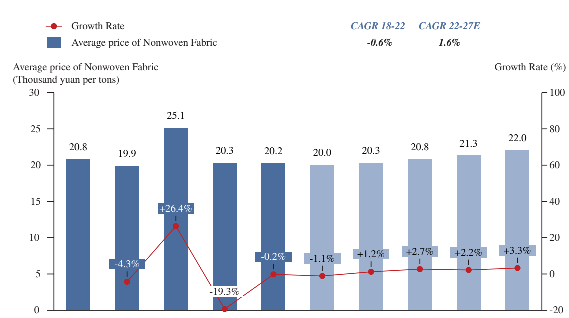
The average price of super absorbent polymers increased from approximately RMB11,500 per tonne in 2018 to RMB13,200 per tonne in 2022, representing a CAGR of approximately 3.5% from 2018 to 2022. In the future, the market demand for super absorbent polymers is expected to continue to grow, thereby supporting a stable increase in the price of super absorbent polymers.

The average price of nonwoven fabrics surged from approximately RMB19,900 per tonne in 2019 to RMB25,100 per tonne in 2020, with a year-on-year growth of approximately 26.4%. In 2022, the average price of nonwoven fabrics is approximately RMB20,300 per tonne, representing a CAGR of approximately -0.6% from 2018. The price of nonwoven fabrics tends to be stable, and the price of nonwoven fabrics is expected to be approximately RMB22,000 per tonne in 2027, representing a CAGR of approximately 1.6% from 2022.

Average Price of Super Absorbent Polymers (China), 2018-2022



Average Price of Nonwoven Fabric (China), 2018-2027E



Source: China Nonwovens & Industrial Textiles Association (CNITA), Frost & Sullivan

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section summarises PRC laws and regulations that we believe are relevant to our business and operations in the PRC.

PRINCIPAL REGULATORY PROVISIONS

Company Law

The Company Law of the PRC (中華人民共和國公司法) (the "Company Law"), which was promulgated by the Standing Committee of the National People's Congress (the "SCNPC") on 29 December 1993, effective on 1 July 1994 and last amended on 26 October 2018, provides for the establishment, corporate structure and corporate management of companies, which also applies to foreign-invested enterprises in the PRC. The Company Law is enacted for the purposes of regulating the organisation and activities of companies, protecting the legitimate rights and interests of companies, shareholders and creditors, maintaining the social economic order, and promoting the development of the socialist market economy. It stipulates that a limited company shall prepare a shareholders' register, which shall record (i) the name and address of each shareholder; (ii) the capital contribution made by each shareholder; and (iii) the serial number of each capital contribution certificate. Shareholders recorded in the shareholders' register may, pursuant to the shareholders' register, claim and exercise shareholders' rights. A company shall register the name of each shareholder and the shareholder's capital contribution at the company registration authority shall carry out amendment of the registration for any change of the registration details. Any detail which shall be registered but fails to be amended or registered shall not be valid against any third-party.

The latest revised version was adopted by the SCNPC on 29 December 2023, and will be implemented on 1 July 2024. The main amendments involve perfecting the company's capital system, improving the company's establishment and exit system, optimising the company's organizational structure and strengthening the responsibilities of controlling shareholders and management personnel, etc.

Laws and Regulations on Foreign Investment

Since 1 January 2020, the Foreign Investment Law of the PRC (中華人民共和國外商投資法) (the "Foreign Investment Law"), promulgated by the NPC has come into effect. The Sino-Foreign Equity Joint Ventures Law of the PRC, the Wholly Foreign-owned Enterprises Law of the PRC and the Sino-Foreign Cooperative Joint Ventures Law of the PRC were abolished at the same time. Since then, the Foreign Investment Law has become the basic law regulating foreign-invested enterprises wholly or partially invested by foreign investors. While the organisation form, institutional framework and standard of conduct of foreign-invested enterprises shall be subject to the provisions of the Company Law of the PRC and other laws.

The foreign investment information reporting is subject to the Foreign Investment Information Reporting Method (外商投資信息報告辦法) jointly developed by the MOFCOM and the State Administration for Market Regulation (the "SAMR"), which came into effect on 1 January 2020. According to the Foreign Investment Information Reporting Method, foreign investors who directly or indirectly carry out investment activities in China shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System and the reporting methods include initial reports, change reports, cancellation reports, and annual reports.

On 27 December 2021, the MOFCOM and the National Development and Reform Commission (the "NDRC") promulgated the Special Management Measures for the Market Entry of Foreign Investment (2021 Version) (the "Negative List") (外商投資准入特別管理措施(負面清單)), which took effective from 1 January 2022. The Negative List set out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited for foreign investment. The Negative List covers 12 industries, and any field not falling in the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Laws and Regulations Relating to Disinfection Hygienic Products

According to the Hygiene License Regulations for Disinfection Product Production Enterprises (消毒產品生產企業衛生許可規定) (the "Hygiene License Regulation") which was promulgated by the Ministry of Health on 16 November 2009 and latest amended on 9 May 2017, enterprises who engaged in the production and packaging of disinfection products in PRC must apply for the Hygiene License for Disinfection Product Production Enterprises in accordance with the requirements of the Hygiene License Regulation. Disinfection product production enterprises shall engage in production activities in accordance with the approved content, only within the scope of the license, and shall not change the approved production methods, production projects, production categories, production processes, and production workshop layout without authorisation. After obtaining the health license, if there are changes in the production mode, production items, or production category, an application for change shall be submitted to the provincial health administrative department. If there are changes in the production process or workshop layout, new production process flow diagrams or workshop layout diagrams shall be submitted to the provincial health administrative department and shall be included in the original document, as they meet the requirements after reviews.

Laws and Regulations Relating to 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 became effective on 1 January 2019, e-commerce operators refer to natural persons, legal persons and unincorporated organizations that engage in business activities of selling commodities or offering services through the internet and other information networks, including e-commerce platform operators, intra-platform business operators and other e-commerce operators that sell commodities or offer services through a self-built website or other network services. Intra-platform business operators shall mean e-commerce business operators selling goods or providing services through an e-commerce platform. An e-commerce operator shall, in business operation, abide by the principles of voluntariness, equality, fairness and good faith, observe the law and business ethics, fairly participate in market competition, perform obligations in aspects including protection of consumer rights and interests, environment, intellectual property rights, cybersecurity and individual information, assume responsibility for the quality of products or services and accept the supervision by the government and the public. 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.

Regulations on Internet Information Security and Privacy Protection

Regulations on Internet information security

On 1 July 2015, the SCNPC promulgated the National Security Law of the PRC (中華人民共和國國家安全法), which became effective on the same day, pursuant to which the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investments, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On 7 November 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (中華人民共和國網絡安全法) (the "**Cybersecurity Law**"), which became effective on 1 June 2017 and is applied to the construction, operation, maintenance and use of networks as well as the supervision and administration of cybersecurity in the PRC. According to the Cybersecurity Law, network operators shall comply with laws and regulations and fulfil the obligations to safeguard the security of the network when conducting business and providing services. Those who provide services through networks shall take technical measures and other necessary measures in accordance with the mandatory requirements of laws, regulations and national standards to safeguard the safe and stable operation of the networks, respond to network security incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data, and network operators shall not collect the personal information irrelevant to the services provided, or collect or use the personal information in violation of the provisions of laws or agreements between both parties.

On 10 June 2021, the SCNPC promulgated the Data Security Law of PRC (中華人民共和國數據安全法) (the "**Data Security Law**"), which became effective on 1 September 2021. The Data Security Law mainly sets forth specific provisions regarding the establishment of basic systems for data security management, including hierarchical data classification management system, risk assessment system, monitoring and early warning system, and emergency response system. In addition, the Data Security Law clarifies the data security protection obligations of organizations and individuals carrying out data activities and implements data security protection responsibilities.

On 14 November 2021, the Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室) (the "**CAC**") issued the Regulations on the Administration of Cyber Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the "**Draft Regulations**

on Data Security"), which stipulates that, among others, data processors seeking for listing in Hong Kong that affects or may affect national security must report to the CAC for a cybersecurity review. However, the Draft Regulations on Data Security provides no further explanation or interpretation of "affects or may affect national security". As at the Latest Practicable Date, the Draft Regulations on Data Security has not become effective, and is therefore subject to further changes and interpretations. As advised by our PRC Legal Advisers, in the event that the Draft Regulations on Data Security becomes effective in its current form, we will have to fulfil corresponding obligations, including "conducting data security assessment once a year on our own or by entrusting a data security search institution, and submitting the previous year's data security assessment report to the municipal network information department divided into districts before January 31 of each year" and "formulating data security training plans and organising data security education and training for all employees every year", etc. Nevertheless, the Regulations on the Administration of Cyber Data Security (Draft for Comments) will not have a material adverse impact on the Group's business operations (assuming the Draft Regulations on Data Security is implemented in its current form).

On 28 December 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (網絡安全審查辦法) (the "Cybersecurity Review Measures"), which became effective on 15 February 2022. The Cybersecurity Review Measures provides that, among others, (i) critical information infrastructure operators that purchase network products and services or network platform operators that engage in data processing activities that affect or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; (ii) network platform operators with personal information data of more than one million users that seek for listing in a foreign country are obliged to apply for a cybersecurity review by the Cybersecurity Review Office; and (iii) the relevant regulatory authorities may initiate cybersecurity review if such regulatory authorities determine that the enterprise's network products or services, or data processing activities affect or may affect national security.

Regulations on Privacy protection

Pursuant to the PRC Civil Code (中華人民共和國民法典), personal information of a natural person shall be protected by the law. Any organisation or individual that needs to obtain personal information of the others shall obtain such information legally and ensure the safety of such information, and shall not illegally collect, use, process or transmit personal information of the others, or illegally purchase or sell, provide, or make public personal information of the others.

Further, the Ninth Amendment to the Criminal Law of the PRC (中華人民共和國刑法修正案(九)), which was issued by the SCNPC on 29 August 2015 and became effective on 1 November 2015, stipulates that any network service provider that fails to fulfil the obligations related to information network security management as required by applicable laws and administrative regulations and refuses to take corrective measures, will be subject to criminal liability for causing (i) any large-scale dissemination of illegal information; (ii) any severe effect due to the leakage of users' information; (iii) any serious loss of evidence of criminal activities; or (iv) other severe situations, and any individual or entity that (a) illegally sells or provides personal information to the others or (b) steals or illegally obtains any personal information will be subject to criminal liability in severe situations.

On 20 August 2021, the SCNPC promulgated the Personal Information Protection Law of PRC (中華人民共和國個人信息保護法) (the "**Personal Information Protection Law**"), which became effective on November 1, 2021. Pursuant to the Personal Information Protection Law, the processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure, deletion, etc. of personal information, and before processing personal information, personal information processors shall truthfully, accurately and completely inform individuals of the following matters in a conspicuous manner and in clear and easy-to-understand language: (i) the name and contact information of the personal information processor; (ii) purpose of processing personal information, processing method, type of personal information processed, and retention period; (iii) methods and procedures for individuals to exercise their rights under the Personal Information Protection Law; and (iv) other matters that shall be notified as required by laws and administrative regulations. Based on the processing purposes and processing methods of personal information, types of personal information, impacts on personal rights and interests, and possible security risk, etc., personal information processors shall also take the following measures to ensure that personal information processing activities comply with laws and administrative regulations and to prevent unauthorized access and personal information leakage, tampering, and loss: (i) formulating internal management systems and operating procedures; (ii) implementing classified management of personal information; (iii) adopting corresponding security technical measures such as encryption and de-identification; (iv) reasonably determining the operating authority for personal information processing, and regularly conduct safety education and training for practitioners; (v) formulating and organising the implementation of emergency plans for personal information security incidents; and (vi) other measures stipulated by laws and administrative regulations.

Where personal information is processed in violation of the provisions of the Personal Information Protection Law, or the processing of personal information fails to fulfil the personal information protection obligations thereunder, the department performing personal information protection duties shall order corrections, give warnings, confiscate illegal gains, and order to suspend or terminate the provision of services by the applications that illegally process personal information; if the personal information processor refuses to make corrections, a fine of not more than RMB1 million shall be imposed; the directly responsible person in charge and other directly responsible personnel shall be fined for not less than RMB10,000 but not more than RMB100,000. For any aforesaid illegal act with serious circumstances, the department performing personal information protection duties at or above the provincial level shall order the personal information processor to make corrections, confiscate the illegal gains, impose a fine of less than RMB50 million or less than 5% of the previous year's turnover, order the suspension of relevant business or suspend business for rectification and notify the relevant competent authority to revoke the relevant permits or business license; impose a fine of not less than RMB100,000 but not more than RMB1 million on the directly responsible person in charge and other directly responsible personnel, and may decide to prohibit them from serving as a director, supervisor, senior management and person in charge of personal information protection of related companies within a certain period of time.

Laws and Regulations Relating to Consumer Rights Protection

Our business is subject to a variety of consumer protection laws, including the PRC Consumer Rights and Interests Protection Law (中華人民共和國消費者權益保護法) came into effect on 31 October 1993, as last amended in 2013 and became effective on 15 March 2014, which imposes stringent requirements and obligations on business operators. A business operator providing goods or services that cause consumers to suffer property damages shall bear civil liability such as repair, redo, replacement, return of goods, making up the quantity of goods, refund of purchase price and service fees or compensation of losses, etc. Failure to comply with these consumer protection laws could subject us to administrative sanctions, such as the issuance of a warning, confiscation of illegal income, imposition of fines, an order to cease business operations, revocation of business licenses, as well as potential civil or criminal liabilities.

According to the Measures for Penalties for Infringement upon Rights and Interests of Consumers (Revised in 2020) (侵害消費者權益行為處罰辦法(2020修訂)), Market regulatory authorities shall, pursuant to the Law on Protection of Rights and interests of consumers and related laws and regulations and these Measures, protect the rights and interests of consumers to purchase and use goods or receive services for daily needs, and impose administrative penalties for infringement upon rights and interests of consumers by business operators.

Regulation Related to Administration of Medical Devices

According to the Regulation on the Supervision and Administration of Medical Devices (醫療器械監督管理條例), which became effective on 1 April 2000, last amended on 9 February 2021 and became effective on 1 June 2021, The State adopts classified administration for medical devices according to the degree of risk of such devices. Class I medical devices are subject to record-filing administration, and Class II and Class III medical devices are subject to registration administration. In case of any material change to the design, raw materials, production process, scope of application and method of use of a Class II or Class III medical device that has been registered, which might affect the safety and effectiveness of the medical device, a registrant of such medical device shall apply to the original registration authority for going through the formalities for modification of registration; in case of any other change, the registrant shall file for record or make a report in accordance with the provisions of the drug regulatory department under the State Council.

Pursuant to the Measures for the Supervision and Administration of Medical Devices Operation (醫療器械經營監督管理辦法) promulgated on 30 July 2014 and amended on 17 November 2017 and latest amended on 10 March 2022 and became effective from 1 May 2022, licensing or recordation is not required for business activities involving Class I medical devices, while recordation administration shall apply to business activities involving Class II medical devices, and licensing administration shall apply to business activities involving Class III medical devices.

Pursuant to the Medical Devices Regulation, and the Administrative Measures for the Registration and Filing of Medical Devices (醫療器械註冊與備案管理辦法) promulgated by the SAMR and took effect on 1 October 2021, medical devices of Class I are subject to record-filing, while medical devices of Class II and Class III are subject to registration.

According to the Administration and Supervision Measures of Online Sales of Medical Devices (醫療器械網絡銷售監督管理辦法) (the "Online Medical Devices Sales Measures"), which became effective on 1 March 2018, enterprises engaged in online sales of medical devices must be medical device manufacture and operation enterprises with medical devices production licenses or operation licenses or have been filed for record in accordance with laws and regulations, unless such licenses or record-filing is not required by laws and regulations.

Laws Related to Product Liability

Manufacturers and vendors of defective products in the PRC may incur liability for losses and injuries caused by such products. Under the Civil Code of the PRC (中華人民共和國民法典), which became effective on 1 January 2021, manufacturers or retailers of defective products that cause property damage or physical injury to any person will be subject to civil liability.

The principal legal provisions governing product liability are set out in the Product Quality Law of the PRC (中華人民共和國產品質量法), which was promulgated by the SCNPC on 22 February 1993, effective on 1 September 1993 and last amended and became effective on 29 December 2018. The Product Quality Law is applicable to all activities of production and sale of any product within the territory of the PRC, and the producers and sellers shall be liable for product quality in accordance with the Product Quality Law.

Land Administration Law

Pursuant to the Land Administration Law of the PRC (中華人民共和國土地管理法) (the "Land Administration Law") promulgated by the SCNPC on 25 June 1986, effective on 1 January 1987 and last amended on 26 August 2019, and the Regulations for the Implementation of the Land Administration Law of the PRC (中華人民共和國土地管理法實施條例) promulgated by the State Council on 4 January 1991, effective on 1 February 1991 and last amended on 2 July 2021 and effective on 1 September 2021, the natural resources administrative department under the State Council shall be responsible for administration and supervision work pertaining to land nationwide. On the other hand, the respective people's governments of provinces, autonomous regions and centrally administered municipalities shall be responsible for setting up their respective natural resources administrative departments and determining their respective duties pursuant to the relevant provisions promulgated by the State Council. Further, the State Council may authorise agencies to supervise land use and land administration by the people's governments of provinces, autonomous regions and centrally administered municipalities as well as municipal people's governments determined by the State Council. Pursuant to the Article 8 of the Land Administration Law, downtown area land in cities shall belong to the state. Rural and suburbs land shall be collectively owned by farmers, unless the laws stipulate otherwise; homestead and reserved land and hilly land reserved for private use shall be collectively owned by farmers. Pursuant to the Article 9 State-owned land and land collectively owned by farmers may, pursuant to the law, be determined as used by organisations or individuals. Organisations and individuals using land shall bear obligations for protection, management and reasonable utilisation of land.

Laws and Regulations on Intellectual Properties

Patent

Patents in the PRC are mainly protected by the Patent Law of the PRC (中華人民共和國專利法), which was promulgated by the SCNPC on 12 March 1984, last amended on 17 October 2020 and became effective on 1 June 2021, and the Implementation Rules of the Patent Law of the PRC (中華人民共和國專利法實施細則), which were promulgated by the State Council on 15 June 2001 and last amended on 11 December 2023 and became effective on 20 January 2024. The Patent Law of the PRC and its Implementation Rules provide for three types of patents, "invention", "utility model" and "design." "Invention" refers to any new technical solution relating to a product, a process or improvement thereof; "utility model" refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and "design" refers to any new design of the shape, pattern, colour or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for "invention" is 20 years, the duration of a patent right for "utility model" is 10 years, and the duration of a patent right for "design" is 15 years, from the date of application.

Trademark

Pursuant to the Trademark Law of the PRC (中華人民共和國商標法) promulgated by the SCNPC on 23 August 1982, last amended on 23 April 2019 and became effective on 1 November 2019, the period of validity for a registered trademark is 10 years, commencing from the date of registration. Upon expiry of the period of validity, the registrant shall go through the formalities for renewal within twelve months prior to the date of expiry as required if the registrant needs to continue to use the trademark. Where the registrant fails to do so, a grace period of six months may be granted. The period of validity for each renewal of registration is 10 years, commencing from the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be cancelled. Industrial and commercial administrative authorities have the authority to investigate any behaviour in infringement of the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offence, the case shall be timely referred to a judicial authority and decided in accordance with applicable laws.

Copyright

Copyright in the PRC is primarily protected by the Copyright Law of the PRC (中華人民共和國著作權法), which was promulgated by the SCNPC on 7 September 1990, last amended on 11 November 2020 and became effective on 1 June 2021, and Implementation Regulations of the Copyright Law of PRC (中華人民共和國著作權法實施條例), which was promulgated by the State Council on 2 August 2002 and last amended on 30 January 2013. These laws and regulations provide provisions on the classification of works and the obtaining and protection of copyright.

Domain Names

In accordance with the Measures for the Administration of Internet Domain Names (互聯網域名管理辦法) which was issued by the Ministry of Industry and Information Technology (the "MIIT") on 24 August 2017 and came into effect on 1 November 2017, the MIIT is responsible for supervision and administration of domain name services in the PRC. Communications administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register." A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

Laws Related to Trade Secret

According to the Anti-Unfair Competition Law of the PRC (中華人民共和國反不正當競爭法), promulgated by the SCNPC in September 1993 and last amended on 23 April 2019, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders. Under the Anti-Unfair Competition Law of the PRC, business persons are prohibited from infringing others' trade secrets by: (1) acquiring a trade secret from the right holder by theft, bribery, fraud, coercion, electronic intrusion, or any other means; (2) disclosing, using, or allowing another person to use a trade secret acquired from the right holder by any means as specified in the item (1) above; (3) disclosing, using, or allowing another person use a trade secret in its possession, in violation of its confidentiality obligation or the requirements of the right holder for keeping the trade secret confidential; (4) abetting a person, or tempting another person into or in acquiring, disclosing, using, or allowing another person to use the trade secret of the right holder in violation of his or her non-disclosure obligation of the requirements of the right holder for keeping the trade secret confidential. If a third party knows or should have known of the above-mentioned illegal conduct but obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and impose fines on the infringing parties.

Laws and Regulations on Labor Protection

Labour, Social Insurance and Housing Provident Funds

According to the Labor Law of the PRC (中華人民共和國勞動法), which was promulgated by the SCNPC in July 1994 and last amended and came into effect on 29 December 2018, the Labor Contract Law of the PRC (中華人民共和國勞動合同法), which was promulgated by the SCNPC in June 2007 and amended in December 2012 and came into effect on 1 July 2013, and the Implementing Regulations of the Labour Contracts 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 came into effect on 18 September 2008, labour contracts in written form shall be executed to establish labour relationships between employers and employees. In addition, wages shall not be lower than local minimum wages. The employers must establish a system for labour safety and sanitation, strictly comply with national rules and standards, provide education regarding labour safety and sanitation to its employees, provide employees with labour safety and sanitation conditions and necessary protection materials in compliance with national rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

According to the Social Insurance Law of PRC (中華人民共和國社會保險法), which was promulgated by the SCNPC on 28 October 2010 and last amended and came into effect on 29 December 2018, and the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例), which was promulgated by the State Council on 22 January 1999 and last amended on 24 March 2019, and the Regulations on the Administration of Housing Provident Funds (住房公積金管理條例), which was promulgated by the State Council on 3 April 1999 and last amended on 24 March 2019, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity insurance and to housing provident funds. Any employer who fails to make the required contributions may be fined and ordered to compensate the deficit within a stipulated time limit.

The Prevention and Control of Occupational Diseases Law of the PRC (中華人民共和國職業病防治法), which was promulgated by the SCNPC on 27 October 2001 and latest amended on 29 December 2018 (the "Prevention and Control of Occupational Diseases Law"), is the basic law for the prevention and control of occupational diseases. According to the Prevention and Control of Occupational Diseases Law, the budget for facilities for the prevention and control of occupational diseases of a construction project shall be included in the budget of the project and those facilities shall be designed, constructed and put into operation simultaneously the main body of the project. The entity that takes charge of the project should carry out the assessment of the effectiveness of measures for the prevention and control of occupational diseases before the final acceptance of the construction project. In addition, employers shall take required administrative measures to prevent and control occupational diseases at work.

Laws and Regulations Relating to Real Estate Leasing

According to the PRC Civil Code (中華人民共和國民法典) which took effect on 1 January 2021, an owner of immovable or movable property is entitled to possession, use, earnings, and disposal of such property in accordance with the law. Subject to the consent of the lessor, the lessee may sublease the leased premises to a third party. Where a lessee subleases the premises, the lease contract between the lessee and the lessor remains valid. Where the lessee subleases the premises to a third party with the consent of the lessor, and the sublease term exceeds the remaining lease term of the lessee, the agreement on the part in excess shall not be legally binding upon the lessor, unless otherwise agreed upon by the lessor and the lessee. 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 validity of the contract shall not be affected.

On 1 December 2010, the Ministry of Housing and Urban-Rural Development promulgated the Administrative Measures on Leasing of Commodity Housing (商品房屋租賃管理辦法), which became effective on 1 February 2011. According to such measures, the lessor and the lessee are required to complete property leasing registration and filing formalities within 30 days from execution of the property lease contract with the development authorities or real estate authorities of the municipality or county where the leased property is located. If a company fails to do as aforesaid, it may be ordered to rectify within a stipulated period, and if such a company fails to rectify, a fine ranging from RMB1,000 to RMB10,000 may be imposed on each lease agreement.

Laws and Regulations on Fire Protection and Environmental Protection

Fire Protection

Pursuant to the Fire Safety Law of the PRC (中華人民共和國消防法) promulgated by the SCNPC on 29 April 1998 and latest amended on 29 April 2021, for special construction projects stipulated by the housing and urban-rural development authority of the State Council, the developer shall submit the fire safety design documents to the housing and urban-rural development authority for examination, while for construction projects other than those stipulated as special development projects, the developer shall, at the time of applying for the construction permit or approval for work commencement report, provide the fire safety design drawings and technical materials which satisfy the construction needs. According to the Interim Regulations on Administration of Examination and Acceptance of Fire Control Design of Construction Projects (建設工程消防設計審查驗收管理暫行規定) promulgated on 1 April

2020 and amended on 21 August 2023, an examination system for fire prevention design and acceptance only applies to special construction projects, and for other projects, a record-filing and spot check system would be applied.

Environment Protection

The Environmental Protection Law of the PRC (中華人民共和國環境保護法) ("the Environmental Protection Law"), which was promulgated by the SCNPC on 26 December 1989, came into effect on the same day and last amended on 24 April 2014, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Ecology and Environment is authorised to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards that are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Environmental Impact Appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (建設項目環境保護管理條例), which was promulgated by the State Council on 29 November 1998, amended on 16 July 2017 and became effective on 1 October 2017, depending on the impact of the construction project on the environment, a construction employer shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction employer shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction employer shall not commence the construction. According to the Environmental Impact Appraisal Law of PRC (中華人民共和國環境影響評價法) ("the Environmental Impact Appraisal Law"), which was promulgated by the SCNPC on 28 October 2002, amended on 2 July 2016 and 29 December 2018, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the seriousness of effect that may be exerted on the environment.

Laws and Regulations on Production Safety

According to the Production Safety Law of the PRC (中華人民共和國安全生產法) latest amended by the SCNPC on 10 June 2021 and came into effect on 1 September 2021, an enterprise shall (i) provide production safety conditions as stipulated in the Production Safety Law of the PRC and other relevant laws, administrative regulations, national and industry standards, (ii) establish a comprehensive production safety accountability system and production safety rules, and (iii) develop production safety standards to ensure production safety. Any entity that fails to provide required production safety conditions is prohibited from engaging in production activities.

The person-in-charge of an enterprise shall be fully responsible for the safety of production of the enterprise. An enterprise having more than 100 employees shall establish a production safety management institution or be equipped with dedicated production safety management personnel. Personnel who is responsible for managing production safety shall inspect the safety of production regularly based on the characteristics of production of the enterprise and shall deal with any safety issue identified during the inspection in a timely manner. Any unsolved issue shall be reported to the person-in-charge in a timely manner and the person-in-charge shall solve such issue immediately. Enterprises and institutions shall provide their employees with training on production safety and shall truthfully inform their employees of any potential risks in relation to the workplace and duties, preventive measures and emergency measures. In addition, an enterprise shall provide its employees with personal protective equipment that meet the national or industry standards and supervise and train them to use such equipment.

According to the Measures for the Supervision and Administration of "Three Simultaneities" for the Safety Facilities of Construction Projects (建設項目安全設施"三同時"監督管理辦法) promulgated by the former State Administration of Work Safety (currently known as the Ministry of Emergency Management) on 14 December 2010 and amended on 2 April 2015, the safety facilities in a newly built, reconstructed or expanded construction project must be designed, constructed and put into use simultaneously with the main body of the project. The enterprises shall demonstrate and pre-assess the safety conditions of its construction projects, prepare a dedicated safety design report, submit to the relevant work safety administrative department for examination or filing, complete acceptance of safety facilities and prepare reports for inspection according to requirements. If an enterprise violates the relevant requirements, it may be ordered to make corrections within a specified time limit, discontinue the construction process or suspend its production and business operation for rectification, and imposed a fine.

Laws and Regulations on Foreign Exchange and Taxation

Foreign Exchange

On 29 January 1996, the State Council promulgated the Administrative Regulations on Foreign Exchange of the PRC (中華人民共和國外匯管理條例) which became effective on 1 April 1996 and was amended on 14 January 1997 and 5 August 2008. Foreign exchange payments under current account items shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. Domestic entities and domestic individuals making overseas direct investments or engaging in the issuance and trading of overseas securities and derivatives shall process registration formalities pursuant to the provisions of the foreign exchange control department of the State Council.

On 19 November 2012, the State Administration of Foreign Exchange (the "**SAFE**") issued the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知) ("the SAFE Circular 59"), which came into effect on 17 December 2012 and was amended on 4 May 2015, 10 October 2018 and partially abolished on 30 December 2019. The SAFE Circular 59 aims to simplify the foreign exchange procedure and promote the facilitation of investment and trade. According to the SAFE Circular 59, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of RMB proceeds derived by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, as well multiple capital accounts for the same entity may be opened in different provinces. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) on 13 February 2015, which was partially abolished on 30 December 2019 and prescribed that the bank instead of SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

On 11 May 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (外國投資者境內直接投資外匯管理規定) ("the SAFE Circular 21"), which became effective on 13 May 2013, amended on 10 October 2018 and partially abolished on 30 December 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

Pursuant to the Circular on Relevant Issues Relating to Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("Circular 37") promulgated by the SAFE and became effective on 4 July 2014, a "special purpose vehicle "means an overseas enterprise directly established or indirectly controlled by a domestic resident (including domestic institution and domestic individual residents) for the purpose of engaging in investment and financing with the domestic enterprise assets or interests he legally holds, or with the overseas assets or interests he legally holds. And the registration for and the relevant foreign exchange administration over a special purpose vehicle established by a domestic resident shall be subject to the Circular 37.

Laws and Regulations on Import and Export of Goods

Pursuant to the Foreign Trade Law of the PRC (中華人民共和國對外貿易法) promulgated by the SCNPC on 12 May 1994 and last amended on 30 December 2022 and the "Notice by the Department of Enterprise Management and Audit-Based Control of Matters Concerning the Recordation of the Consignees and Consignors of Imported and Exported Goods" (企業管理和稽查司關於進出口貨物收發貨人備案有關事宜的通知) issued by the General Administration of Customs of the PRC on 3 January 2023, a consignee or consignor of imported or exported goods who applies for filing shall be qualified as a market entity and is not required to be filed as a foreign trade business operator.

According 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 last amended on 29 April 2021, unless otherwise stipulated, the declaration of imported or exported goods may be made by the consignees or the consignors, or the entrusted customs brokers. To undergo customs declaration formalities, the consignee or consignor of imported or exported goods and the customs declaration enterprise shall file with the Customs in accordance with the law.

According to the Provisions on the Recordation of Customs Declaration Entities of the PRC (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 executed on 1 January 2022, the consignee or consignor of imported or exported goods or a customs declaration enterprise, as filed with the customs may undergo customs declaration within the customs territory of the PRC. Where a consignee or consignor of imported or exported goods or a customs declaration enterprise applies for filing, it shall obtain the qualification of market entities.

Taxation

Enterprise Income Tax

The Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) ("the EIT Law"), promulgated by the NPC on 16 March 2007, came into effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, as well as the Implementation Rules of the EIT Law (中華人民共和國企業所得稅法實施條例) ("the Implementation Rules"), promulgated by the State Council on 6 December 2007, came into force on 1 January 2008 and amended on 23 April 2019, are the principal law and regulation governing enterprise income tax in the PRC. According to the EIT Law and its Implementation Rules, enterprises are classified into resident enterprises and non-resident enterprises Resident enterprises refer to enterprises that are legally established in the PRC, or are established under foreign laws but whose actual management bodies are located in the PRC. Non-resident enterprises refer to enterprises that are legally established under foreign laws and have set up institutions or sites in the PRC but with no actual management body in the PRC, or enterprises that have not set up institutions or sites in the PRC but have derived incomes from the PRC. A uniform income tax rate of 25% applies to all resident enterprises and non-resident enterprises that have set up institutions or sites in the PRC to the extent that such incomes are derived from their set-up institutions or sites in the PRC, or such income is obtained outside the PRC but have an actual connection with the set-up institutions or sites. Non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

Value-Added Tax (the "VAT")

The major PRC law and regulation governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (中華人民共和國增值稅暫行條例) issued on 13 December 1993 by the State Council, came into effect on 1 January 1994, and revised on 10 November 2008, 6 February 2016 and 19 November 2017, as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (中華人民共和國增值稅暫行條例實施細則) issued on 25 December 1993 by the Ministry of Finance (中華人民共和國財政部) (the "MOF"), came into effect on the same day and revised on 15 December 2008 and 28 October 2011, any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of VAT for the sale of goods is 17% unless otherwise specified, such as the rate of VAT for the sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the STA issued the Notice of on Adjusting VAT Rates (財政部、國家稅務總局關於調整增值稅稅率的通知) on 4 April 2018 to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on 1 May 2018. Subsequently, the MOF, the STA and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (財政部、國家稅務總局關於深化增值稅改革有關政策的公告) on 20 March 2019 to make a further adjustment, which came into effect on 1 April 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

Withholding Tax on Dividend Distributions

According to the EIT Law and the Regulations of Enterprise Income Tax Law, the dividends distributed to investors who are non-resident enterprises (which have not established any organisation or premises in the PRC, or although they have established organisation or premises in the PRC, the income obtained has no de facto connection with such organisation or premises), to the extent of being sourced from the PRC, are subject to the withholding tax of 10% in the PRC, except for the availability of tax credit on the relevant tax under an applicable tax treaty signed between the PRC and the jurisdiction of such non-resident enterprises. Similarly, if any gain obtained by such investors from the transfer of shares is deemed to be a gain in income sourced within the PRC, such gain is taxable for PRC income tax at the tax rate of 10% (or at a lower rate under a tax treaty, if applicable).

According to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) effective on 8 December 2006 and amended by the Fifth Protocol to the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排第五議定書) effective on 6 December 2019, the withholding tax rate for dividends paid by a PRC enterprise to a Hong Kong enterprise is 5% in case the Hong Kong enterprise is the beneficial owner and directly holds at least 25% of equity interests of the subject PRC enterprise.

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

Laws and Regulations on Overseas Securities Offering and Listing by Domestic Companies

On 17 February 2023, the CSRC promulgated 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 Overseas Listing Trial Measures") and relevant supporting guidelines, which came into effect on 31 March 2023. The Overseas Listing Trial Measures comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies' securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities. Any domestic company that is deemed to conduct overseas offering and listing activities shall file with the CSRC in accordance with the Overseas Listing Trial Measures.

The Overseas Listing Trial Measures provide that the overseas securities offering and listing will be considered a direct overseas offering by a PRC domestic company if the issuer is a company limited by shares registered and established in mainland China. In addition, the overseas securities offering and listing will be considered an indirect overseas offering by a PRC domestic company if the issuer meets both of the following criteria: (i) 50% or more of any 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 fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in mainland China, or its main place(s) of business are located in mainland China, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in mainland China.

Pursuant to the Overseas Listing Trial Measures, an issuer shall file with the CSRC within three business days after its application for initial public offering is submitted to competent overseas securities regulators. As advised by our PRC Legal Advisers, our [**REDACTED**] and [**REDACTED**] is an indirect overseas offering by domestic company under the Trial Measures. The Group will comply with the filing requirements under the Trial Measures and do not fall under any of the prohibited circumstances that would disallow an overseas Offering and Listing as stipulated in the Trial Measures.

Besides, domestic companies seeking to overseas offering and listing shall strictly comply with the laws, administrative regulations and relevant provisions of the PRC government on foreign investment, State-owned asset management, industry regulation, overseas investment, cybersecurity, data security, etc., shall not disrupt domestic market order, and shall not harm national interests, public interests and the legitimate rights and interests of domestic investors. A domestic company that conducts overseas offering and listing shall (i) formulate its articles of association, improve its internal control system and standardise its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; and (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to fulfil its confidentiality responsibility, shall not divulge any state secret or the work secrets of state organs, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC if it is involved in the overseas provision of personal information and important data. In addition, the Trial Measures also list out the circumstances where overseas offering and listing is explicitly prohibited, including: (i) such securities offering and listing is explicitly prohibited by specific PRC laws and regulations; (ii) that constitutes a threat to or endangers national security; (iii) the PRC domestic company, or its controlling shareholder(s) and de facto controller(s), have committed relevant crimes such as corruption, bribery, misappropriation of property or undermining the order of the socialist market economy during the last three years; (iv) the domestic company is currently under investigations for alleged criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over the equity held by the controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or de facto controller(s).

On 24 February 2023, the CSRC and other relevant government authorities promulgated the Provisions on Strengthening the Confidentiality and Archives Administration of Overseas Securities Issuance and Listing by Domestic Companies (關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定) (the "Provision on Confidentiality"), which came into force on March 31, 2023. According to the Provision on Confidentiality, where any PRC domestic company provides or publicly discloses to the relevant securities companies, securities service institutions, overseas regulatory authorities and other entities and individuals, or provides or publicly discloses through its overseas listing subjects, documents and materials involving state secrets and working secrets of state organs, it shall report the same to the competent department with examination and approval authority for approval in accordance with the law, and submit the same to the secrecy administration department of the same level for filing. Domestic companies providing accounting archives or copies thereof to entities and individuals including securities companies, securities service institutions and overseas regulatory authorities shall perform the corresponding procedures pursuant to the relevant provisions of the State. The working papers formed within the territory of the PRC by securities companies and securities service institutions that provide corresponding services for domestic companies seeking overseas offering and listing shall be kept within the territory of the PRC, and those that need to leave the PRC shall go through the examination and approval formalities in accordance with the relevant provisions of the State.

OVERVIEW

We are principally engaged in the development, manufacture and sale of personal hygienic disposables based in China and, specialising in babycare category for emerging markets in Eurasia. Our history could be traced back to 2010 when our founder, Mr. Ngan, founded Insoftb China. Prior to founding our Group, Mr. Ngan was in the trading businesses for various types of children's goods. Leveraging on the business experiences and personal networks gained from his other trading business in November 2010, Mr. Ngan ventured into the children goods industry and established Insoftb China. Please refer to the section headed "Directors and Senior Management" in this document for details of his background and experience. Since then, we have predominantly marketed and sold our branded babycare products in China commencing a line of feminine care products, and extended our expertise to produce adult incontinence products.

Throughout more than 13 years of devoted efforts in hygienic disposables industry, we have gathered broad industry experience, built up solid reputation and expanded our product offering over the years. As at 31 December 2023, we operated Jinjiang Production Facilities to manufacture hygienic disposables for three main categories, namely, (i) baby care; (ii) feminine care; (iii) adult incontinence care; and the Nonwoven Fabric Facilities to manufacture nonwoven fabrics mainly for our inhouse use. In FY2022, our Company ranked the second in terms of the export value of babycare hygienic disposables to Russia among all hygienic disposables providers in the PRC.

Key Milestones

We set out below our major business milestones and achievements:

Year	Event
2010	Insoftb China was founded. A famous actress and singer was engaged as our brand ambassador to promote our brand image and drive our user awareness
2011-2013 . .	We launched our own babycare brand "Insoftb" (嬰舒寶) and commenced our production of baby disposable diapers in Jinjiang, Fujian Province, PRC
	We established our first e-shop at Tmall (天貓)
2014	We started our production of babycare products in Chuzhou, Anhui Province, PRC
2015	We commenced business for manufacture babycare products for Customer A under its own Japanese-inspired diaper brand for Russian market
2016	We began to market and sell feminine care products under our own brand "Misecr" (五月私語)
2017	Insoftb China was rewarded the title of "2016 Fujian Famous Brand Product" (2016年度福建名牌產品) by People's Government of Fujian Province (福建省人民政府)
	We relocated our production facilities to our Jinjiang Production Facilities in Jinjiang, Fujian Province, China, and commenced the operation of our fully automated warehouse adjacent to our Jinjiang Production Facilities
2018	We began to market and sell adult incontinence care products under our own brand "Cosoftb" (康舒寶)
2019	Insoftb China was awarded the title of "2018 China Diaper Industry Top 10 Enterprise" (2018年度中國嬰兒紙尿褲行業十強企業) by Household Paper Professional Committee of the PRC Paper Association (中國造紙協會生活用紙專業委員會)
	We were licensed to produce a popular Japanese manga and anime series products, a manga series written and illustrated by Momoko Sakura for the period up to 30 April 2021

Year	Event
2020	Insoftb China was awarded the title of "High-tech Enterprise" (高新技術企業) by Fujian Provincial Department of Science and Technology (福建省科學技術廳), Fujian Provincial Department of Finance (福建省財政廳), and Fujian Provincial Taxation Bureau of the State Administration of Taxation (國家税務總局福建省税務局)
2021	We started the operation of our Nonwoven Fabric Facilities for the manufacturing of nonwoven fabrics We became one of the drafting units of the national industry standard (GB/T28004.1:2021) for "diapers" (紙尿褲)
2023	Insoftb China obtained the certificates of "Medical-grade product certification certificate" (醫護級產品認證證書) for baby diapers, feminine sanitary pants, and adult diapers, which were issued by China Health & Safety (Beijing) Certification Centre (中衛安(北京)認證中心)

OUR CORPORATE DEVELOPMENTS

As at the Latest Practicable Date, our Group comprised our Company and our subsidiaries incorporated in BVI, Hong Kong and the PRC. We carry out our business through our operating subsidiaries in the PRC. Details of the major corporate developments of our operating subsidiaries in the PRC which were material to our performance during the Track Record Period are set out below.

Soft HK

Soft HK serves as an investment holding company in our Group. Soft HK was incorporated as a limited liability company under the laws of Hong Kong on 17 August 2010, with one share of par value of HK$1.00 each issued to an incorporator who is an Independent Third Party. Such share was subsequently transferred to Mr. Ngan on 24 August 2010. On 20 August 2010, Soft HK allotted 332 shares, 333 shares and 334 shares to Mr. Ngan, Zhuang Yongque (莊永雀), and Cai Changding (蔡長頂) for a consideration of HK$332, HK$333, and HK$334, respectively. Each of Zhuang Yongque (莊永雀) and Cai Changding (蔡長頂) is an Independent Third Party. Upon completion of the aforesaid share allotment and share transfer on 20 August 2010 and 24 August 2010, Soft HK was owned as to 33.3% by Mr. Ngan, 33.3% by Zhuang Yongque (莊永雀), and 33.4% by Cai Changding (蔡長頂), respectively.

On 4 October 2011, (i) Zhuang Yongque transferred his 333 shares of Soft HK to Mr. Ngan for a consideration of HK$333; (ii) Cai Changding transferred his 50 shares of Soft HK to Zhang Baipiao (張百漂), an Independent Third Party, for a consideration of HK$50; (iii) Cai Changding transferred his 100 shares of Soft HK to Mr. Zeng for a consideration of HK$100, and (iv) Cai Changding transferred his 184 shares of Soft HK to Mr. Ngan for a consideration of HK$184, respectively. Such consideration was at par value and determined with reference to historical payment made by Zhuang Yongque and Cai Changding. Upon completion of the share transfer on 4 October 2011, Soft HK was owned as to 85% by Mr. Ngan, 10% by Mr. Zeng, and 5% by Zhang Baipiao, respectively.

On 12 September 2014, Mr. Ngan acquired 50 shares of Soft HK from Zhang Baipiao for a consideration of HK$50 which was at par value and determined with reference to historical payment made by Zhang Baipiao. Upon completion of the share transfer on the same date, Soft HK was owned as to 90% by Mr. Ngan and 10% by Mr. Zeng, respectively.

On 26 April 2024, Soft BVI acquired the entire interest of Soft HK from Mr. Ngan and Mr. Zeng as part of the Reorganisation. See the paragraph headed "— Reorganisation" below for further details of such acquisition. Since the completion of the transfer on 26 April 2024 and until the Latest Practicable Date, Soft HK has been wholly owned by Soft BVI.

Insoftb China

Insoftb China was established as a limited liability company in the PRC on 30 November 2010 with a registered capital of US$10 million and since then until the Latest Practicable Date, it has been wholly owned by Soft HK.

Insoftb China is primarily engaged in production of hygiene products and disposable medical products, among others.

Insoftb New Material

Insoftb New Material was established as a limited liability company in the PRC on 7 August 2020 with a registered capital of RMB100 million and since then until the Latest Practicable Date, it has been wholly owned by Insoftb China.

Insoftb New Material is primarily engaged in production of industrial textile products and sales of personal hygiene products, among others.

Blue Giant Hygiene Products

Blue Giant Hygiene Products was established as a limited liability company in the PRC on 22 December 2016 with a registered capital of RMB10 million and was wholly owned by Blue Giant E-commerce at the time of its establishment. On 1 April 2021, Insoftb China acquired the entire equity interest in Blue Giant Hygiene Products from Blue Giant E-commerce for nil consideration as Blue Giant E-commerce has not made any capital contribution to Blue Giant Hygiene Products up to the date of transfer and after arm's length negotiations between the parties. Since the completion of the transfer on 1 April 2021 and until the Latest Practicable Date, Blue Giant Hygiene has been wholly owned by Insoftb China.

Blue Giant Hygiene Products is primarily engaged in production of hygiene products and disposable medical products, among others.

Chuzhou Insoftb

Chuzhou Insoftb was established as a limited liability company in the PRC on 6 March 2013 with a registered capital of RMB5 million and since then until the Latest Practicable Date, it has been wholly owned by Insoftb China.

Chuzhou Insoftb is primarily engaged in production and sales of diapers, wet wipes, sanitary napkins, sanitary pads, household paper, among others.

Heynckes Trading

Heynckes Trading was established as a limited liability company in the PRC on 23 May 2018 with a registered capital of RMB10 million by Tang Maohua (唐茂華) and Hu Xiaojun (胡曉軍), each of whom is an Independent Third Party. On 16 December 2020, Mr. Zeng acquired the entire equity interest in Heynckes Trading from Tang Maohua and Hu Xiaojun at nil consideration as Tang Maohua and Hu Xiaojun have not yet made any capital contribution to Heynckes Trading up to the date of transfer and after arm's length negotiations between the parties. Pursuant to the sole shareholder's resolution dated 10 March 2021, each of Mr. Zeng and Mr. Gao agreed to provide RMB5 million and RMB4 million as additional capital contribution to Heynckes Trading, respectively. Immediately after such increase in registered capital, Heynckes Trading was owned as to 60% by Mr. Zeng and 40% By Mr. Gao. On 29 July 2021, Insoftb China acquired the entire equity interest in Heynckes Trading from Mr. Gao and Mr. Zeng for nil consideration as Mr. Zeng and Mr. Gao have not yet made any capital contribution to Heynckes Trading up to the date of transfer and after arm's length negotiations between the parties. Since the completion of the transfer on 29 July 2021 and until the Latest Practicable Date, Heynckes Trading has been wholly owned by Insoftb China.

Heynckes Trading is primarily engaged in sales of pet supplies and personal hygiene products, among others.

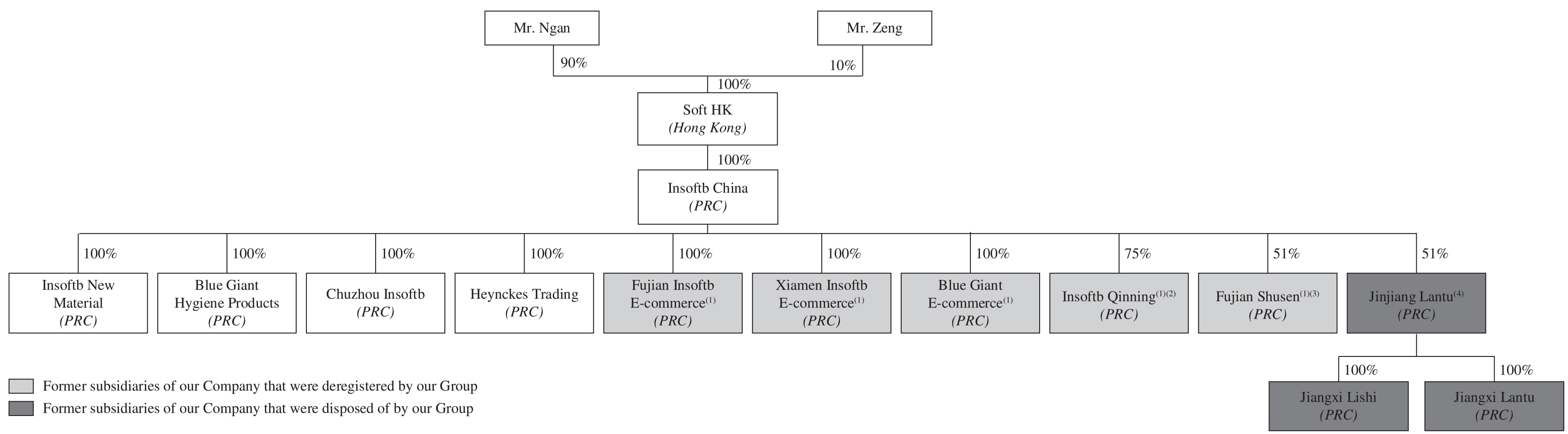
MAJOR ACQUISITIONS AND DISPOSALS

During the Track Record Period and up to the Latest Practicable Date, save as disclosed in the paragraph headed "— Reorganisation" below and conducted as part of the Reorganisation, we did not conduct any major acquisitions, disposals or mergers.

REORGANISATION

Group Structure Immediately Prior to the Reorganisation

The corporate chart below illustrates the shareholding structure of our Group immediately prior to the Reorganisation:



Notes:

(1) Deregistered by our Group in the second half of 2023 after considering the potential impact in development plan in the Internet content provider industry resulting from the changing environment in the industry.

(2) The remaining 25% interest in Insoftb Qinning was owned by Zhang Yu (張雨) who is an Independent Third Party.

(3) The remaining 49% interest in Fujian Shusen was owned as to 40% by Jinjiang Xiwu Trading Co., Ltd.* (晉江市熹舞商貿有限公司) and 9% by Cai Yuanyang (蔡遠陽). Each of Jinjiang Xiwu Trading Co., Ltd.*, its beneficial owners and Cai Yuanyang are Independent Third Parties.

(4) The remaining 49% interest in Jinjiang Lantu was owned by Nanchang Niu Le Ge Niu Enterprise Management Consultancy Centre (Limited Partnership)* (南昌牛了個牛企業管理諮詢中心(有限合夥)) immediately prior to the Reorganisation. In September 2023, Insoftb China transferred its 51% equity interest in Jinjiang Lantu to Zhang Anli (張安莉). See paragraph headed "Disposal of Jinjiang Lantu" below for further details of such disposal. Each of Zhang Anli, Nanchang Niu Le Ge Niu Enterprise Management Consultancy Centre (Limited Partnership)* and its beneficial owners are Independent Third Parties. Each of Jiangxi Lishi and Jiangxi Lantu was wholly owned by Jinjiang Lantu immediately prior to the Reorganisation.

In preparation for the [**REDACTED**], we underwent the following Reorganisation:

1. Incorporation of the Offshore Group Companies

(i) Incorporation of Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 November 2023. At the time of incorporation, the initial authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares having a par value of HK$0.01 each. On 22 November 2023, one subscriber Share of our Company was issued to Ogier Global Subscriber (Cayman) Limited, the subscriber, credited as fully-paid, which was subsequently transferred to Softo BVI on 15 December 2023.

On 23 April 2024, our Company allotted and issued 499,499 Shares, 160,000 Shares, 150,500 Shares, 50,500 Shares and 39,500 Shares to Softo BVI, Wish BVI, Galaxey BVI, Aspiring BVI and Ambition BVI, respectively, for consideration at par credited as fully-paid.

On 26 April 2024, our Company allotted and issued 90,000 Shares and 10,000 Shares at par credited as fully-paid to Softo BVI and Aspiring BVI as consideration of our Group's acquisition of the entire issued share capital of Soft HK from Mr. Ngan and Mr. Zeng, respectively. On 6 May 2024, each Share with a par value of HK$0.01 each was subdivided into 100 Shares with a par value of HK$0.0001 each, and the authorised share capital of the Company become HK$380,000 divided into 3,800,000,000 Shares with a par value of HK$0.0001 each. All the subdivided Shares rank *pari passu* in all respects with each other. Upon completion of the said share issuances on 26 April 2024 and subdivision on 6 May 2024, our Company was owned by Softo BVI as to 58.95%, Wish BVI as to 16.00%, Galaxey BVI as to 15.05%, Aspiring BVI as to 6.05% and Ambition BVI as to 3.95%.

(ii) Incorporation of Soft BVI

Soft BVI was incorporated under the laws of the BVI with limited liability on 27 December 2023. Soft BVI is authorised to issue a maximum of 50,000 shares without par value each of a single class. On the same day, one share of Soft BVI was allotted and issued to our Company and credited as fully-paid.

2. Deregistration of PRC subsidiaries

Considering the potential impact in development plan in the Internet content provider industry resulting from the changing environment in the industry, we deregistered Fujian Insoftb E-commerce, Blue Giant E-commerce, Xiamen Insoftb E-commerce, Fujian Shusen, Insoftb Qinning (the "**Deregistered Subsidiaries**") in the second half of 2023, and details of which are summarised as below with the online sales operations being consolidated under Insoftb China. As advised by our PRC Legal Advisers, (i) the deregistration of each of the Deregistered Subsidiaries was lawful, valid and in compliance with the relevant PRC legal requirements; (ii) each of the Deregistered Subsidiaries had not been involved in any material claim, complaint, investigation or litigation immediately prior to their respective deregistration; and (iii) there was not any material non-compliance, administrative fine or penalty against the Deregistered Subsidiaries immediately prior to their respective deregistration. To the best of our Directors' understanding, our Directors confirmed that (i) each of the Deregistered Subsidiaries was solvent and there were no undischarged outstanding liabilities immediately before deregistration; and (ii) the deregistration of the Deregistered Subsidiaries had no material adverse impact on our financial performance and business operation.

No.	Entity	Principal business activities immediately prior to the deregistration	% of shareholding owned by our Group immediately prior to the deregistration	Registered capital/ Share capital immediately prior to the deregistration	Date of establishment and commencement of business	Date of deregistration
1.	Fujian Shusen	Providing network technology services and wholesale and retail of cosmetics, among others	51%(1)	RMB10 million	3 February 2021	16 August 2023
2.	Xiamen Insoftb E-commerce	Online sales (except sales of regulated goods) of maternity and baby products	100%	RMB5 million	14 August 2020	22 September 2023
3.	Fujian Insoftb E-commerce	Online sales (except sales of regulated goods) of personal hygiene products, among others	100%	RMB5.28 million	17 June 2014	28 September 2023
4.	Blue Giant E-commerce	Provision of online technology services and online sales (excluding sales of regulated goods)	100%	RMB10 million	26 October 2015	8 October 2023
5.	Insoftb Qinning	Sales of personal hygiene products, among others	75%(2)	RMB10 million	9 January 2020	24 October 2023

Notes:

(1) The remaining 49% interest in Fujian Shusen was owned as to 40% by Jinjiang Xiwu Trading Co., Ltd.* (晉江市熹舞商貿有限公司) and 9% by Cai Yuanyang (蔡遠陽). Each of Jinjiang Xiwu Trading Co., Ltd.* and its beneficial owners and Cai Yuanyang are Independent Third Parties.

(2) The remaining 25% interest in Insoftb Qinning was owned by Zhang Yu (張雨) who is an Independent Third Party.

3. Disposal of Jinjiang Lantu

Considering the potential impact in the development plan in the internet content provider industry resulting from the changing environment in the industry, and in order to focus on development of our core feminine care brand "Misecr" (五月私語) which has a longer operating history than the brand of "Lishi" (麗氏), Insoftb China entered into an equity transfer agreement on 27 September 2023 with Zhang Anli (張安莉), pursuant to which Insoftb China transferred its 51% equity interest in Jinjiang Lantu for a consideration of approximately RMB1.79 million which was determined based on the valuation of 100% equity interest of Jinjiang Lantu of approximately RMB3.49 million as at 24 August 2023 pursuant to a valuation report prepared by an independent valuer. Jinjiang Lantu primarily engaged in manufacture and sales of feminine care through its 100% owned subsidiaries, namely, Jiangxi Lishi and Jiangxi Lantu, under the brand of "Lishi" (麗氏) during the Track Record Period and immediately prior to the disposal.

Upon completion of such equity transfer on 28 September 2023, Jinjiang Lantu was owned as to 51% by Zhang Anli and 49% by Nanchang Niu Le Ge Niu Enterprise Management Consultancy Centre (Limited Partnership)* (南昌牛了個牛企業管理諮詢中心(有限合夥)). Each of Zhang Anli, Niu Le Ge Niu Enterprise Management Consultancy Centre (Limited Partnership)* and its beneficial owner, Wei Qiang (魏強) and Zheng Jianchun (鄭建春), are Independent Third Parties.

4. Acquisition of Jinjiang Libaida

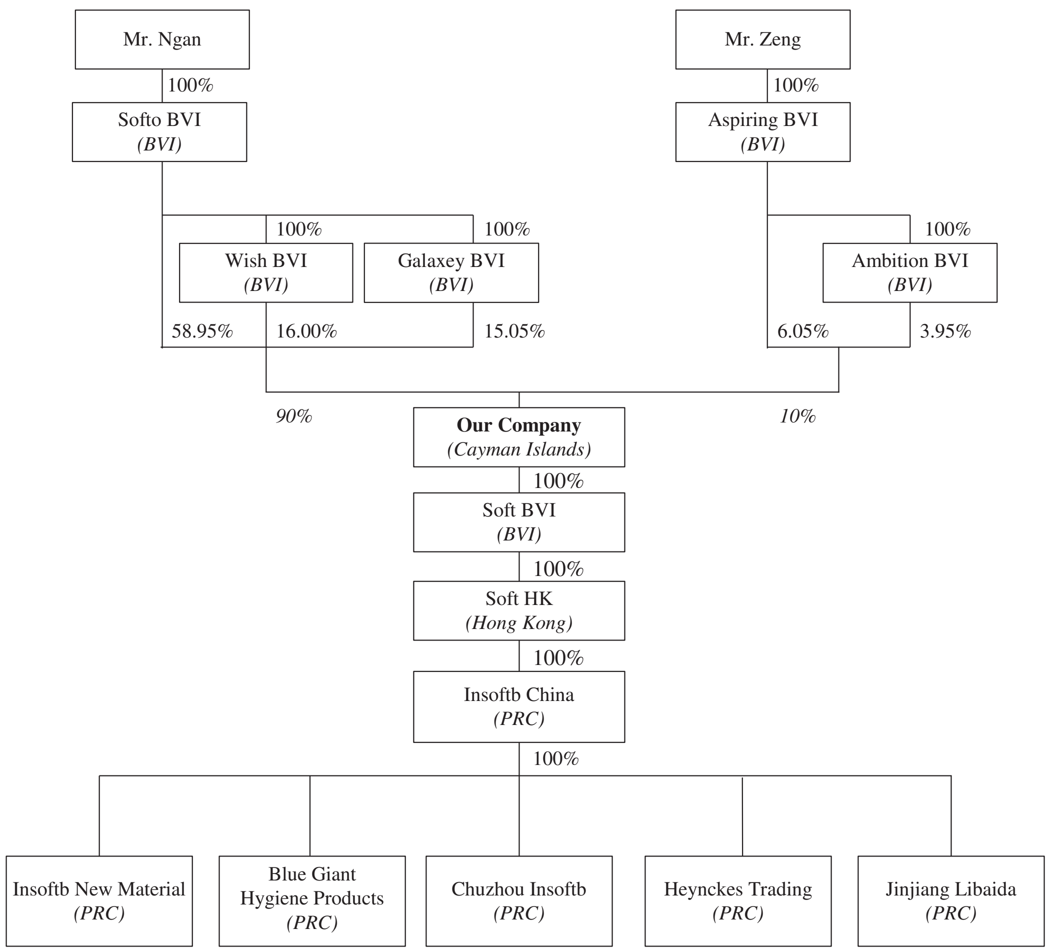
Pursuant to the equity transfer agreements both dated 27 October 2023 entered into between (i) Mr. Zeng and Insoftb China; and (ii) Yan Danbin (顏丹彬), an Independent Third Party of the Group, and Insoftb China, respectively, each of Mr. Zeng and Yan Danbin (顏丹彬) agreed to transfer 51% and 49% equity interests in Jinjiang Libaida to Insoftb China for a consideration of approximately RMB0.55 million and RMB0.53 million, respectively. Such consideration was with reference to the valuation of 100% equity interest of Jinjiang Libaida of approximately RMB1.08 million as at 21 October 2023 pursuant to a valuation report prepared by an independent valuer. Upon completion of such equity transfer on 27 October 2023, Jinjiang Libaida became a wholly owned subsidiary of Insoftb China and an indirect wholly owned subsidiary of our Company. Jinjiang Libaida is principally engaged in production and sale of hygiene products and disposable medical products, among others.

5. Acquisition of Soft HK

On 26 April 2024, our Company, Soft BVI, Mr. Ngan and Mr. Zeng entered into a share transfer agreement pursuant to which the Company agreed to acquire 90% and 10% issued shares of Soft HK from Mr. Ngan and Mr. Zeng in consideration of issuance of 90,000 Shares and 10,000 Shares with their par value of HK$0.01 each to Softo BVI and Aspiring BVI, respectively. Immediately after completion of such share transfer on 26 April 2024, Soft HK became an indirect wholly owned subsidiary of our Company.

Group Structure after completion of the Reorganisation

The corporate chart below illustrates the shareholding structure of our Group after completion of the Reorganisation and prior to the Capitalisation Issue and the [**REDACTED**]:

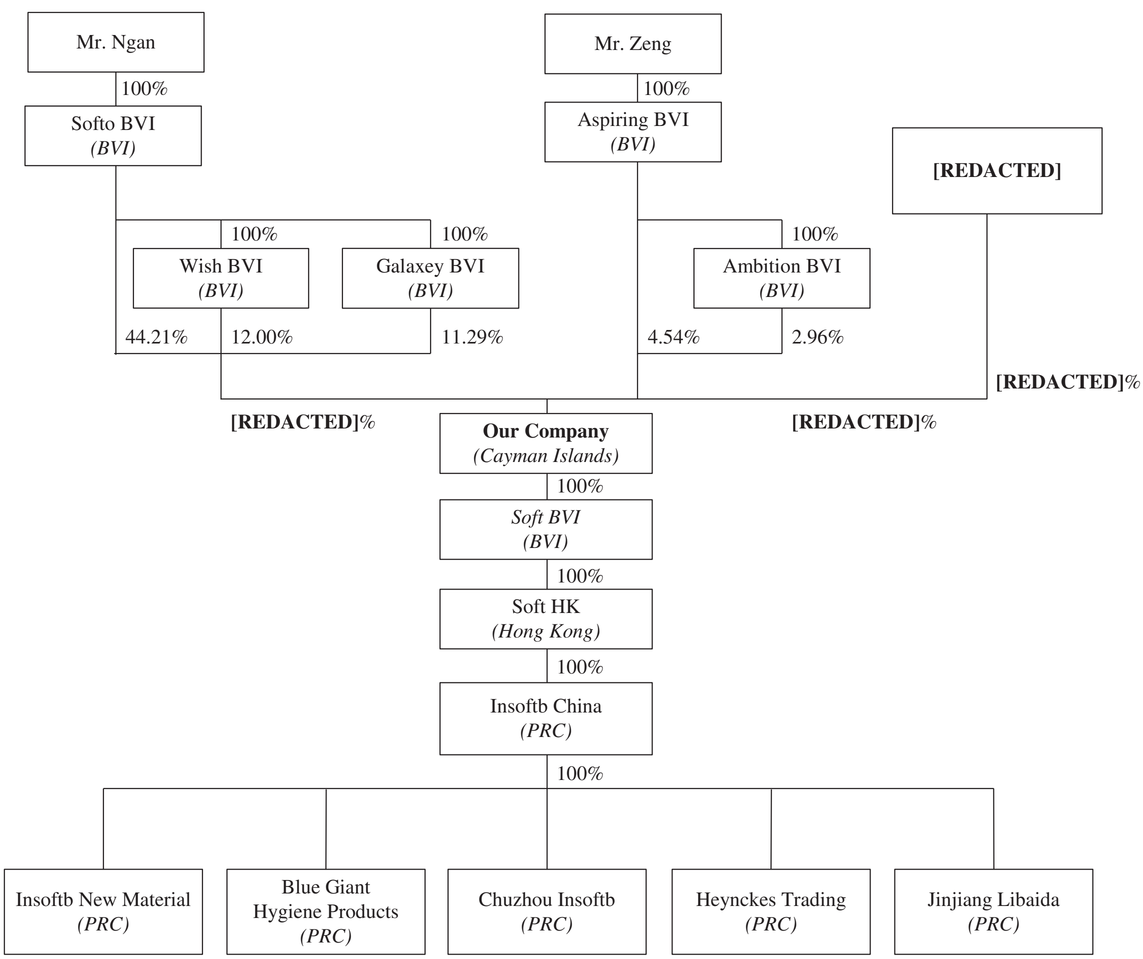


Capitalisation Issue and [REDACTED]

Conditional on the share premium account of our Company being credited as a result of the [**REDACTED**], HK$[**REDACTED**] will be capitalised and applied in paying up in full at par a total of [**REDACTED**] Shares for allotment and issue to Shareholders registered in the register of members of our Company on [●] and such Shares to be allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares of our Company.

Group Structure Immediately Upon Completion of the Capitalisation Issue and the [REDACTED]

The corporate chart below illustrates the shareholding structure of our Group immediately after the Reorganisation, the Capitalisation Issue and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



PRC REGULATORY REQUIREMENTS

Our PRC Legal Advisers confirmed that the establishment of each of our subsidiaries in China and their subsequent shareholding changes have complied with the relevant laws and regulations in all material respects.

Our PRC Legal Advisers have confirmed that all material regulatory approvals in relation to the equity transfers in respect of the PRC companies in our Group as described above have been obtained, the equity transfers have been legally completed in accordance with the relevant equity transfer agreements, and the procedures involved have been carried out in accordance with applicable PRC laws and regulations.

The Rules on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors in the PRC ("M&A Rules")

According to the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) ("**Circular 10**") jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the State Administration of Taxation, the CSRC, the State Administration of Industry and Commerce and the SAFE on 8 August 2006 and effective as at 8 September 2006 and amended on 22 June 2009, where a domestic company, enterprise or natural person intends to acquire its or his/her related domestic company in the name of an offshore company which it or he/she lawfully established or controls, the acquisition shall be subject to the examination and approval of the MOFCOM, and where a domestic company or natural person holds an equity interests in a domestic company through an offshore special purpose company, any overseas listing of that special purpose company shall be subject to approval by the CSRC.

As advised by our PRC Legal Advisers, since Insoftb China was wholly owned by Soft HK which is controlled by Mr. Ngan (a resident of the Macau Special Administrative Region), the Reorganisation did not involve a merger and acquisition of equity interest as mentioned in Circular 10, and hence, the rules under Circular 10 do not apply to the Reorganisation. However, uncertainties still exist regarding how Circular 10 will be interpreted and implemented. The opinion of our PRC Legal Advisers stated above is subject to any new laws, rules, regulations, or detailed implementations and interpretations in relation to Circular 10.

As advised by our PRC Legal Advisers, all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Reorganisation as set forth in this section have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations.

SAFE Registration in the PRC

The Circular of the SAFE on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**Circular 37**") was promulgated by SAFE on 4 July 2014 and took effect on the same day. According to Circular 37, a domestic resident shall, before contributing lawful domestic and overseas assets or interests to a special purpose vehicle, register with the SAFE or its local branch to effect foreign exchange registration.

Pursuant to the Notice on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) ("**Circular 13**"), which was promulgated by SAFE and became effective on 1 June 2015, SAFE cancelled the requirement for foreign exchange registration approval for overseas direct investment. The banks would directly review and carry out foreign exchange registration, and SAFE and its branches shall, through the banks, supervise the foreign exchange registration of overseas direct investments.

As advised by our PRC Legal Advisers, Mr. Zeng has completed the registration pursuant to the foregoing circulars in relation to its offshore investment as PRC resident, on 29 February 2024.

OVERVIEW

We are principally engaged in the development, manufacture and sale of personal hygienic disposables based in China, specialising in babycare category for emerging markets in Eurasia. Since inception in 2010, we have predominantly marketed and sold our branded babycare products in China. Our flagship babycare brand "Insoftb" (嬰舒寶) was recognised by the Government of Fujian Province as a "2016 Fujian Famous Brand Products" (2016年度福建名牌產品). We were also recognised as a "2018 China Diaper Industry Top 10 Enterprise" (2018年度中國嬰兒紙尿褲行業十強企業) by the Household Paper Professional Committee of the China Paper Association (中國造紙協會生活用紙專業委員會). In addition, we were shortlisted as one of the major drafters of the formulation of the currently applicable national standard for baby disposable diapers revised in 2021. With the younger generation of Chinese consumers embracing digital platforms and their shifts toward affordable premium brands over the last several years, we were focused on "Direct-to-Consumer" (D2C) sales model where we market and sell our branded products direct to end consumers extensively through multiple third-party pureplay digital platforms in China. We expanded our branded product range into our current core product categories, namely babycare, feminine care and adult incontinence.

Whilst expanding our D2C branded products business in the PRC, we grew our contract manufacturing business abroad and exported our core babycare products for foreign brand owners carrying their respective brands to emerging markets in Eurasia, such as Russia, Southeast Asia and Kazakhstan, during the Track Record Period. Benefited from the explosive growth of e-commerce and the booming of private label in Russia in recent years, as confirmed by Frost & Sullivan, we have expanded into the manufacture and supply of our babycare products and solutions primarily to several top-tier Russian children's goods retailers, helping them to establish or enhance their private-label brands in the region. We were ranked as the second largest exporter of baby disposable hygienic products in China to Russia in terms of export value in 2022, according to the Frost & Sullivan Report.

Alongside rising consumer awareness about hygiene and eco-sustainability worldwide, we manufacture nonwoven fabrics, a raw material critical to the manufacture of most hygienic disposables, at our own Nonwoven Fabric Facilities for our own use, and to a lesser extent, to independent raw material suppliers and manufacturers of hygiene and personal care products in China. Our Directors believe that manufacturing our own nonwoven fabrics allows us to ensure stable supply as well as giving us greater control and thus assurance over the quality of this key raw material, enhancing our overall recognition and competitiveness in the industry.

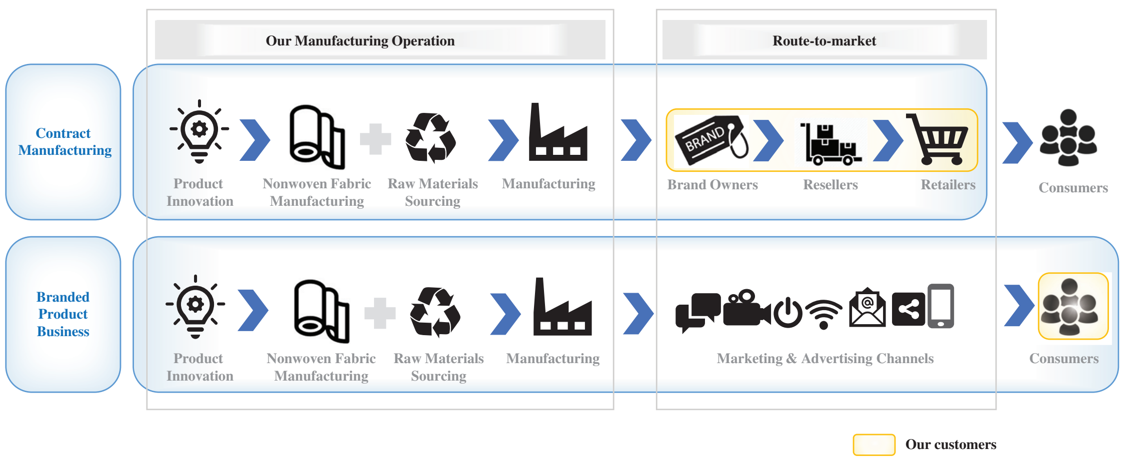
OUR BUSINESS

Our business model

Throughout over 13 years of operation, we have established a vertically integrated manufacturing operation from product development, nonwoven fabric manufacturing, raw material sourcing, manufacturing, quality control, warehousing to logistics management across all our core product categories. With one-stop supply chain management solution and supported by our fully automated production and warehousing facilities, we can respond faster to customers' needs, providing higher output and uniform quality and continuously optimising operational efficiency.

The rapid development of e-commerce all over the world in recent years has assisted us to not only overcome our lack of physical establishments, but also build an omnichannel presence through multiple digital online and social media platforms. To cope with this trend, we strive to develop "Direct-to-Consumer" (D2C) model where we directly market and sell our branded products to end consumers extensively through third-party pureplay digital platforms. We build direct connections with consumers and can interact with them along the entire consumer journey from customer acquisition to delivery to service. Leveraging on D2C channels, we gain an almost instant feedback loop from consumers, allowing us to understand consumers' aspirations; and by integrating our fully automated production facilities to turn ideas into tangible products quickly and at scale.

The diagram below illustrates our business model as at the Latest Practicable Date:



COMPETITIVE STRENGTHS

We believe that the following competitive strengths differentiate us from other industry participants, have contributed to our success and will continue to enable us to increase our market share and capture future growth opportunities:

Focus on attractive product categories with favourable market dynamics

We are focused on offering quality baby and personal hygienic disposables which are critical to the hygienic and personal care of consumers from infancy to old age. Our core babycare product category is the largest segment of the hygienic disposable industry in China export and domestic markets, where it accounted for over approximately 56.1% and 40.2% of the aggregate retail sales value respectively in 2022 according to the Frost & Sullivan Report. Baby diapers are non-discretionary consumer staples that benefit from a relative inelasticity of demand, which contributes to stable growth regardless of general economic trends. We have experienced a growth in sales of our babycare products from approximately RMB228.5 million in FY2021 to RMB468.0 million in FY2023, representing a CAGR of approximately 43.3% during the period from 2021 to 2023. Due to their non-discretionary nature, demand for our babycare products is generally not subject to seasonality.

We hold a strong presence in several key emerging markets in Eurasia, benefiting from favourable demographic trends. Europe and Asia accounted for approximately 23.8% and 37.8%, respectively, of the global hygienic disposable industry in 2022 with a CAGR of approximately 3.9% and 3.9%, respectively, from 2022 to 2027, according to the Frost & Sullivan Report. Whilst the population is expected to be relatively stable in these countries, rising living standards and hygiene consciousness will result in consumers increasingly purchasing affordable premium brands or private labels for babycare hygienic disposables instead of historical leading brands. The increasing number of working women and ageing population across many emerging markets are also major growth factors propelling the overall personal hygienic disposable industry. The growth potential for baby and feminine care sectors is also substantial in Southeast Asia where market penetration is significantly lower than in mature markets and where urbanisation, infrastructure and the retail trade standards of living and more people prioritising hygiene and health. Our Directors believe that our product portfolio across attractive categories allows us to dynamically capitalise on and respond to current trends impacting our categories and geographic markets.

As advised by our International Sanctions Legal Advisers, our babycare products can be viewed as medical supplies in accordance with applicable International Sanctions, and thus are subject to less restrictive set of export control restrictions due to the humanitarian nature of our products. Consistent with the humanitarian nature of our products, we have seized growth opportunities from the surging demand for private labels in Russia by expanding our contract manufacturing solutions to leading Russian nationwide retailers. This has provided resilience across economic cycles, as exemplified during the COVID-19 pandemic, where increased demand for our private label products from Russian retailers balanced the reduced demand from lost usage occasions due to lockdowns and other factors affecting the sale of our branded products in China. Our sales attributable to our contract manufacturing business largely for our private label products grew from approximately RMB170.4 million in FY2021 to RMB448.4 million in FY2023, representing a CAGR of approximately 62.2% during the period from 2021 to 2023. Our Directors believe that we have the potential to grow at a rate faster than that of the overall baby and personal hygienic disposable industry by growing the share of private label brands.

Strong relationships with large retailers and renowned brands

We are a leading Chinese manufacturer for export sale of babycare hygienic disposables. We were ranked as the second largest Chinese supplier of babycare hygienic disposables to Russia in terms of export value in 2022 according to Frost & Sullivan Report. Having long years of international trade and proven track record of serving renowned baby diaper brands in Eurasia, we are among the early movers in offering private label products and solutions to leading retailers in Russia and across Eurasia and have established relationships with them for over eight years. We have become a significant Chinese source provider of hygienic disposable products to our Russian retailer customers. Our Directors believe that our babycare products are of strategic importance to our retailer customers in Russia, as they are key drivers of traffic in their stores and attract key demographics, including households with children, and therefore are drivers of revenue and profit. This has been demonstrated by incremental increases in order volume placed by Russian Top-tier Retailer to us for four consecutive times since the supply agreement first entered into in 2020 with several supplemental agreements until December 2023. We have also successfully renewed the supply agreement for a term up to 31 December 2030. Our Directors believe that the exit of historical international brands in Russia has further heightened the strategic importance of our babycare products to retailers due to their need for credible alternatives and partners that can develop their private label brands with them. Our Directors believe that we leverage these relationships to enable us to grow with our business customers as they expand their businesses.

Other than Russian Top-tier Retailer, one of the largest children's goods retailers in Russia, we also provided private label products to a leading Japanese children's goods chain listed on the Tokyo Stock Exchange with over approximately 1,000 stores across Japan in 2023 and revenue of over approximately JPY160 billion for the year ended 28 February 2023. Our Directors believe that our early mover advantage and proven track record of offering private label products and solutions enables us to reinforce our leading position and continuously capture the fast growth of private label sector in the industry. In addition to private labels by leading retailers, we also served a number of major international brand owners during the Track Record Period, including but not limited to a Fortune 500-listed American multinational personal care product manufacturer listed on the New York Stock Exchange with sales in more than approximately 175 countries and revenue of over approximately US$20 billion in 2023 for its Indonesia market and a baby diaper brand marketed as Australian certified, cruelty-free and eco-friendly in, among other regions, its Malaysia market. Since 2023, we also commenced producing products for a major Chinese manufacturer of household paper and personal care hygiene products listed on the Main Board of the Stock Exchange with revenue of over approximately HK$19 billion in 2023 for its Malaysia and Singapore markets.

Expanding D2C presence to drive accessibility

Our curated and purposeful portfolio of brands was built allowing us to deliver essential hygiene solutions to consumers across multiple categories, that helps create deep bonds with our consumers. Our flagship babycare brands "Insoftb" (嬰舒寶) was recognised by Government of Fujian Province as a "2016 Fujian Famous Brand Products" (2016年度福建名牌產品). We were also recognised as a "2018 China Diaper Industry Top 10 Enterprise" (2018年度中國嬰兒紙尿褲行業十強企業) by the Household Paper Professional Committee of the China Paper Association (中國造紙協會生活用紙專業委員會). We strive to meet evolving consumer values, including growing interests in sustainability and inclusivity, which further deepens consumers' trust in and loyalty to our brands. We recognise that developing and maintaining the reputation of our brands is a critical component of our relationship with consumers, customers and other third-party partners.

We have deepened our consumer relationships based on our D2C strategy primarily in China during the Track Record Period. We produce highly relevant content and engage with consumers through multiple touchpoints, including our social media presence where we reached more than approximately two million followers across our social media accounts, and other digital mediums as at 31 December 2023. Our Directors believe that our ability to own and nurture our consumer relationships represents a meaningful competitive advantage over traditional industry players, who largely rely on retailers and traditional mediums to sell their products. These relationships with our consumers inform our product innovation and allow us to move faster to bring new and improved products to the market. We activate it via our social media and digital marketing capabilities, to differentiate our brand and build direct consumer relationships.

Our multi-channel D2C presence across our complementary digital and retail channels allows us to meet our consumers however they want to shop, mirroring their shopping behaviour and providing availability and accessibility. Our integrated omnichannel approach has driven brand building and organic lead generation, while maximising consumer connection, experience and accessibility to encourage long-term consumer relationships. Our digital channels are comprised of third-party pureplay digital platforms, as well as social media, live streaming and short video channels, which enable us to maintain direct relationships with our consumers, influence brand experience and better understand consumer preferences and behaviour. Our retail channels mainly include retailers and traditional mediums that increase accessibility of our products to more consumers. Our omnichannel strategy has allowed us to efficiently scale our Branded Business while making us agnostic to the channel where consumers purchase our branded products.

Operational efficiency driven by strong manufacturing capabilities

Through our continuous investment in our production facilities and our deep expertise regarding raw materials and production technologies, which we have accumulated over a long period of time, we have mastered these technologies and are able to manage a high level of complexity, which is demonstrated by the wide range of SKUs that we produce, which involve different sizes, concepts and absorption levels while maintaining high quality standards. This enables us to meet our customers' demands for new and differentiated products and to provide them with high quality products that are competitive with those offered by our competitors. Our ability to supply high quality products is of paramount importance in terms of retaining and winning business from our business customers as well as driving consumer satisfaction of our branded products.

We have established a significant scale of manufacturing capacity consisting a total of 16 fully automated production lines for all our major product categories as at 31 December 2023. Our overall scale has also allowed us to develop strong manufacturing capabilities, which have enabled us to continuously optimise our cost base, while the breadth of our production lines allows us to respond quickly and effectively to changes in customers' requirements. We believe our scale also supports our product innovation and allows us to maintain a R&D and quality control team of more than approximately 40 personnels as at 31 December 2023. This in turn permits us to conduct continuous research development in order to consistently offer products of comparable quality and product features to those of our competitors and to continue to deliver innovations and cost saving opportunities. Our research and development capability is reflected from, among other things, the 34 registered patents in the PRC that we have obtained as at 31 December 2023. In addition, we were shortlisted as one of the major drafters of the formulation of the currently applicable national standard for baby disposable diapers revised in 2021.

Our Directors believe that the quality of nonwoven fabrics used in our hygienic disposable products is critical to their quality, which will further differentiate us from our competitors and foster a barrier to entry. Leveraging our insights into fabrics and materials accumulated in the hygienic disposable production process, we have been able to apply our know-how and offer recommendations on nonwoven fabrics to be applied in our production process and to suit our customers' needs. Besides, our inhouse Nonwoven Fabric Facilities enable us to save procurement costs of nonwoven fabrics to protect ourselves against volatility in commodity prices, ensure stable supply as well as giving us greater control and thus assurance over the quality of this key raw material.

Our fully automated warehousing facilities are the backbone of our D2C e-commerce operations, acting as hubs for storing and managing inventory. Our warehousing facilities make extensive use of automation technologies in existence for order fulfilment, with rapid processing and dispatch, leading to shorter delivery times and increased consumer satisfaction. The real-time tracking of inventory in our warehousing facilities helps businesses maintain optimal stock levels. This, in turn, reduces costs associated with overstocking or understocking. By reducing the need for human labour and minimising errors, our warehousing facilities can significantly reduce operational costs. The speed and accuracy of our warehousing facilities translate to improved customer experiences, which is crucial for retaining and attracting customers and consumers.

Visionary, dedicated and experienced management team

We have an experienced and dedicated management team led by our founder, Chair, and Controlling Shareholder, Mr. Ngan Pui Kuan (顏培坤), and our executive Director, Mr. Zeng Guodong (曾國棟), both of whom have been instrumental in spearheading the growth of our Group and have over 20 years of experience in the baby and personal hygienic disposables industry in China. In particular, Mr. Ngan and our Company were shortlisted as one of the major drafters of the currently applicable national standard for baby disposable diapers revised in 2021. They are responsible for the overall business strategy, development, planning, operational and sales management of our Group. Over the years, they have executed sound business strategies to guide our expansion and the establishment and maintenance of our long-term and stable relationships with international and domestic customers and suppliers.

Both Mr. Ngan and Mr. Zeng are supported by other members of our senior management team, who bring considerable expertise in their respective areas and in-depth understanding of the baby and personal hygienic disposables industry in China. We believe that the extensive knowledge and experience of our Chairman, executive Directors and other senior management team members have been instrumental in our success and the development, execution, and optimisation of our business model, and we are well-positioned to achieve further growth and to take advantage of various market opportunities in the future.

OUR BUSINESS STRATEGIES

Market dynamics and potential

Hygienic disposables are non-discretionary consumer staples that benefit from a relative inelasticity of demand, which contributes to stable demand regardless of general economic trends. Our babycare products can be viewed as medical supplies in accordance with applicable International Sanctions, and thus are subject to less restrictive set of export control restrictions due to the humanitarian nature of our products, as advised by our International Sanctions Legal Advisers. According to the Frost & Sullivan Report, the hygienic disposable industry keeps growing in Eurasia, but it has undergone a remarkable transformation in recent years, mainly driven by a combination of digitalisation and evolving consumer preferences of the younger generation. Traditionally, consumers were known for their preference for established international brands. However, the younger generation of consumers, in particular Millennials and Gen Z consumers, desire affordable premium brands that offer personalisation and inclusivity, giving rise to the fast growth of D2C brands and private labels across many emerging markets in Eurasia.

As many consumers search for more affordable options, private labels readily seized this opportunity, rapidly capturing market share of various emerging markets in Eurasia, especially in Russia. The most popular baby diaper brands among Russians are private labels of local retailers. Many Russian retailers have seen a rapid increase in demand for private-label babycare products, further propelled by a shortage of raw materials for production, as well as an increase in logistics costs because of the sanctions imposed against Russia since spring 2022. In 2023, most of the private label baby diapers that were supplied to Russian retailers were made in China and Turkey. According to the Frost & Sullivan Report, the export value of babycare hygienic disposables to Russia from China were approximately RMB1,087.3 million in 2022 and is forecasted to continue to increase to approximately RMB2,406.4 million in 2027, representing a CAGR of approximately 17.2% from 2022 to 2027.

In China, Chinese consumers now have higher disposable incomes, leading to an increased focus on quality and brand experience rather than just price. Also thanks to the rise of Guochao, meaning "national wave", homegrown Chinese D2C brands of affordable and personalised babycare hygienic disposables have gained immense popularity among consumers. Feminine care and adult incontinence sectors are also on the rise in China mainly due to rising living standards, improved consumer awareness in addition to the continually ageing population. According to the Frost & Sullivan Report, the babycare hygienic disposables, feminine care hygienic disposables and adult incontinence disposables markets in China were approximately RMB50.5 billion, RMB63.1 billion and RMB12.1 billion in 2022, respectively, and are forecasted to grow to approximately RMB58.1 billion, RMB72.1 billion and RMB16.8 billion in 2027, respectively, representing a CAGR of approximately 2.8%, 2.7% and 6.8%, respectively, from 2022 to 2027.

As competition is heating up in China, Chinese hygienic disposable manufacturers are looking abroad to vie for customers in Southeast Asia such as Vietnam, Indonesia and Thailand. These countries register an increasing population well above the global average, representing the third largest global market for babycare hygienic disposables. According to the Frost & Sullivan Report, the hygienic disposables market in Asia was approximately US$88.0 billion in 2022 and is projected to grow to approximately US$106.8 billion by 2027 at a CAGR of approximately 3.9% from 2022 to 2027.

Our business strategies

Our business mission is to provide essential and holistic hygiene solutions for consumer needs in various occasions of all life stages. We aim to achieve this by pursuing the following strategies:

Reinforce the strength and scale of our babycare category and expand our feminine care category

We intend to leverage our decades of experience in baby hygienic disposable industry to further enhance penetration of our babycare products in Eurasia, one of the world's largest addressable markets for baby and personal care products. We also seek to capture further market opportunities in the growing Eurasian feminine care hygienic disposables market. Our planned initiatives include the following:

- *Solidify our relationships with existing retailer customers:* We strive to increase our share of sales and earnings in emerging markets. We plan to capitalise on the explosive growth of private labels in Russia suppliers and attain growth from our existing customer base. We will continue to meet or exceed our customers' requirements for quality and reliability of service and further enhance our ability to deliver diverse value-added services spanning from innovative product development, strong manufacturing capabilities and efficient supply chain. Our Directors believe these initiatives will enable us to maintain customer loyalty, achieve incremental sales and facilitate the launch of new product offerings. This has been exemplified by the renewal of the supply agreement in December 2023 with Russian Top-tier Retailer for a term up to 31 December 2030. We will continue to build deep relationships with leading retailers and aim to act as a main source provider for them across all categories and the various geographies in which they operate, so that we can grow with these customers as they expand their business into other categories or geographies.

- *Selectively enlarge customer base:* We believe that our rapid growth and success is partly attributable to our ability to identify and work with the right customers. We intend to enlarge and diversify our customer base on a strategic basis. When selecting our customers, we consider and evaluate a number of factors, including their brand position, growth potential and innovation requirements. We intend to strategically focus on leading regional retailers and unique lifestyle diaper brands to allow us to efficiently expand our market coverage and reach.

- *Drive our D2C e-commerce sales:* We will continue to increase our D2C e-commerce sales by solidifying our relationships with consumers in China through innovation, increased premiumization, leading brands and increased omnichannel presence. Please refer to "— Grow brand awareness and accelerate D2C presence" below for further details.

- *Extend our geographic footprint:* In addition to prioritising expansion in our existing markets where we have identified the most attractive opportunities, we also intend to invest in other sizable, growing and underpenetrated geographic markets. We intend to extend our geographical footprint in Southeast Asia, such as Vietnam, Indonesia and Thailand. According to the Frost & Sullivan Report, the size of the hygienic disposables market in Asia was approximately RMB88.0 billion in 2022, and is forecasted to grow to approximately RMB106.8 billion in 2027, representing a CAGR of approximately 3.9% from 2022 to 2027. In April 2024, we entered into a memorandum of understanding with a Vietnamese company for exploring business cooperation involving the distribution of our babycare and feminine care products in Vietnam, under which our business partner agrees to participate in the brand building and marketing of our products and introduce potential buyers to us with an expected sales of approximately two million pieces from 2024 to 2025.

To keep up with the market trend and demand, our production facilities is one of the crucial factors in determining our manufacturing capabilities. Our Directors believe that expanding production capacity and upgrading manufacturing facilities will, inter alia, help to attract and successfully undertake purchase orders of larger size or multiple purchase orders at the same time from existing and/or new customers. Our existing babycare production facilities were increasingly utilised throughout the Track Record Period and reached approximately 84.1% for FY2023, while our existing feminine care production facilities already had a utilisation rate of over approximately 138.3% for FY2023 due to increased demand for our feminine care products during the year. In view of the positive market outlook of baby hygienic disposable markets in Russia and China as well as indicative orders solicited from existing and potential customers in FY2024, we plan to acquire machineries to establish three new babycare product full servo production lines with a total designed annual production capacity of not less than approximately 320 million pieces, as well as one new feminine care product full servo production line with a total designed annual production capacity of not less than approximately 80 million pieces.

Based on the best estimation of our Directors in light of the current market conditions, the estimated initial costs for setting up additional new babycare and feminine care product production lines would be approximately HK$[**REDACTED**] mainly for acquiring machines and equipment, primarily including the full servo production line (comprising the main machine and glue applicator) as well as ancillary equipment such as stain camera system and air compressor, based on quotations obtained by our Group and the historical costs for purchasing such items.

We expect to apply approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), representing approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**], for reinforcing the strength and scale of our babycare category and expanding our feminine care category, among which (i) approximately HK$[**REDACTED**] is expected to be used for purchasing one full servo baby diaper production line; (ii) approximately HK$[**REDACTED**] is expected to be used for purchasing two full servo baby pant production lines; and (iii) approximately HK$[**REDACTED**] is expected to be used for purchasing one full servo feminine care product production line. We expect to apply approximately HK$[**REDACTED**] in FY2025 and approximately HK$[**REDACTED**] in FY2026 and/or thereafter.

It is estimated that, based on our Directors' knowledge and experience, the payback period will be not more than approximately [four] years. Furthermore, we will closely monitor our cash flow position to ensure that we have sufficient working capital available to meet the establishment of our new babycare production line and feminine care product production line.

Grow brand awareness and accelerate D2C presence

We are continuously investing in D2C e-commerce that propelled our branded product sales, which represented approximately 14.7% of our total sales in 2023 and grew at a CAGR of approximately 54.8% from 2021 to 2023. According to the Frost & Sullivan Report, the online baby and feminine hygiene disposables market size in China has reached approximately RMB52.0 billion in 2022 at a CAGR of approximately 10.0% from 2018 to 2022 and is expected to grow to approximately RMB74.1 billion in 2027 representing a CAGR of approximately 7.3% during the period from 2022 to 2027. As such, we plan to continue to invest in promotion and marketing in order to accelerate our omnichannel D2C strategy by building brand awareness and promoting our new products primarily in China through the following key elements:

- *Deepen consumer relationships*: We plan to deepen our existing consumer relationships to improve our revenue retention and increase our wallet share. We intend to further promote our strong brand equity, develop a more holistic offering for all life stages through strategic product innovation and enhance our consumer experience and product accessibility through coordinated D2C omnichannel efforts with the goal of increasing purchase frequency and overall customer spend. We also intend to draw new consumers through increased brand awareness and investing in performance marketing.

- *Grow brand awareness*: Our Directors believe there are significant opportunities to further increase our category and brand penetration by continuing to deepen our brand relevance and salience across our portfolio. We will focus on increasing brand awareness and consumer touchpoints by leveraging our differentiated content, engaged community and omnichannel strategy with continued investment in innovative brand and performance marketing. We plan to participate in both domestic and international exhibitions, workshops, trade shows and live shows to further elevate our brand recognition and awareness. We also intend to place targeted advertisements or sponsor TV programmes, etc.

- *Continued execution of omnichannel D2C strategy*: Additionally, we intend to leverage our successful relationships with our third-party e-commerce partners with an aim to capture the growing portion of baby and personal hygienic disposable sales transacted online in China.

Based on the best estimate of our Directors in light of the current market conditions, the estimated branding, marketing and promotion costs would amount to approximately HK$[**REDACTED**] based on quotations obtained by our Group.

We expect to apply approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), representing approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**], for growing brand awareness and accelerate D2C presence and expanding in attractive categories by enhancing branding, marketing and promotion activities, including but not limited to marketing campaigns through social media, live streaming and short video channels, advertisements and festive sale campaigns on traditional e-commerce platforms and IP cross-over collaborations, among which approximately HK$[**REDACTED**] is expected to be used in FY2025, and approximately HK$[**REDACTED**] is expected to be used in FY2026 and/or thereafter.

Expand in attractive categories

Our Directors believe it is vital for us to stay with the market trend and broaden our product offerings to constantly satisfy the increased sophistications of our consumers' needs. We will plan to increase accessibility and penetration of our products by expanding in attractive categories.

- *Rolling out new products under feminine care category:* According to the Frost & Sullivan Report, the feminine care hygienic disposables market size by revenue in China has reached approximately RMB63.1 billion in 2022, at a CAGR of approximately 2.9% from 2018 to 2022 and is expected to grow to approximately RMB72.1 billion in 2027 representing a CAGR of approximately 2.7% during the period from 2022 to 2027. We plan to roll out more feminine care products by leveraging our deep connection with existing consumers and drawing new consumers through increased brand awareness and investing in performance marketing.

- *Satisfy the increased sophistications of our consumers' needs:* According to the Frost & Sullivan Report, the adult incontinence hygienic disposables market size by revenue in China has reached approximately RMB12.1 billion in 2022, at a CAGR of approximately 14.7% from 2018 to 2022 and is expected to grow to approximately RMB16.8 billion in 2027 representing a CAGR of approximately 6.8% during the period from 2022 to 2027. As light incontinence products are increasingly becoming staples that consumers are purchasing through retail distribution channels, we will seek to launch and promote new branded adult incontinence products direct to consumers to fulfil the increasing needs in adult incontinence products in China. In addition, drawing upon our expertise in product development and manufacturing, we aim to seek cooperation with third-party business owners to supply our products to institutional consumers abroad. Such cooperation would create a mutually beneficial scenario, allowing our Company to secure a consistent demand, expanding our market coverage and penetration, while delivering high-quality products to our business clients.

Our plans for expanding in attractive categories are closely related to and generally form part of our broader plan for enhancing our branding, marketing and promotion activities. See "— Grow brand awareness and accelerate D2C presence" above for details.

Drive accretive product innovation

We aim to establish our market position by continuously investing in product innovation and production technologies and we have identified nonwoven fabric production and innovation as highly complementary to our existing business portfolio and also to capitalise on the growth of the market. We expect that it will enable us to drive product premiumization and enhance accessibility to all consumers.

- *Improve existing products:* We strive for continuous improvement in our existing products' safety, comfort, sustainability, efficacy and packaging, as exemplified by the introduction of the wide range of SKUs that we produce, which involve different specifications, sizes, concepts and absorption levels. Our Directors believe continuous innovation is important to accelerating our growth, deepening consumer connections and improving the profitability of our product offering.

- *Introduce innovative products in existing categories:* We plan to leverage our direct interactions with our consumers based on omnichannel D2C presence, consumer-centric product development and product on-demand capabilities to drive agile innovation in our existing categories and gain market share. We are currently reviewing our hygiene disposable offerings and ingredients to capitalise on advancements in eco-friendly formulations and sustainable packaging.

We intend to closely monitor the technological trends of nonwoven fabric manufacturing and develop innovative nonwoven fabrics, including the development of synthetic materials with functional characteristics. We also intend to supply our nonwoven fabrics to the market to fulfil the demand of this crucial raw material for hygienic disposables. According to the Frost & Sullivan Report, the nonwoven fabric market size by revenue in China has reached approximately RMB164.6 billion in 2022, at a CAGR of approximately 7.5% from 2018 to 2022 and is expected to grow to approximately RMB180.0 billion in 2027 representing a CAGR of approximately 1.8% during the period from 2022 to 2027. With our intention to increase the use of our inhouse nonwoven fabrics to enhance our cost competitiveness and capture the demand of nonwoven fabrics in China, we plan to expand our Nonwoven Fabric Facilities by acquiring machineries to establish two new production lines with a total designed annual production capacity of not less than approximately 7,000 tonnes.

Based on the best estimation of our Directors in light of the current market conditions, the estimated initial costs for establishing additional full-servo nonwoven fabric production lines would be approximately HK$[**REDACTED**] mainly for acquiring our full servo nonwoven fabric machines, comprising machines and equipment such as suction machine, extruder, drafting machine and web formation machine, based on quotations obtained by our Group and the historical costs for purchasing such items.

We expect to apply approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), representing approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**], for driving accretive product innovation, all of which is expected to be used for purchasing two full servo advance nonwoven fabric production lines. We expect to apply approximately HK$[**REDACTED**] in FY2025 and approximately HK$[**REDACTED**] in FY2026 and/or thereafter.

It is estimated that, based on our Directors' knowledge and experience, the payback period will be not more than approximately [six] years. Furthermore, we will closely monitor our cash flow position to ensure that we have sufficient working capital available to meet the establishment of our new nonwoven fabric production lines.

Continuous improvements in operational efficiencies

We work with continuous improvements through its constant focus on efficiency and quality. We strive to improve productivity through greater efficiency in our production facilities, material rationalisations and digitalisation of processes. We intend to continue to accelerate digitalisation in warehousing and inventory management. The deployment of 5G infrastructure would enable us to enhance warehouse efficiency and optimise its overall functions. The high-speed, low-latency, and reliable connectivity offered by 5G technology enable various advancements that can revolutionise warehouse operations.

- *Real-time Inventory Management:* With 5G connectivity, warehouse management systems can provide real-time updates on inventory levels, allowing for precise monitoring and control. This ensures accurate stock tracking, minimising errors, and enabling timely replenishment, improving overall inventory management efficiency.

- *Connectivity and Sensor Integration:* 5G infrastructure supports the massive connectivity required for handheld devices and sensors. By collecting and analysing data from these devices, warehouse managers can make data-driven decisions to optimise operations, reduce downtime, and improve overall efficiency.

- *Supply chain and warehousing*: We intend to enhance our existing warehousing facilities that will enable us to work with digital analysis and planning of demand, deliveries, stocks and transportation by deploying 5G connection. We will then achieve much more efficient management of our logistics and distribution, resulting in cost savings and better service levels than our competitors.

We also plan to improve our IT infrastructure to increase our operational efficiency, streamline processes, enhance productivity, and achieve higher levels of accuracy:

- *Production operation management*: We plan to upgrade our existing operational management system at our headquarters to centralise the operation of Jinjiang Production Facilities and Nonwoven Fabric Facilities and our sale office in Xiamen. This will allow us to optimise the operational structure and achieve higher service levels through data analysis for more effective control of operational flows, production planning, and better decision data.

- *Raw material procurement*: We plan to implement a centralised information system in the area of raw material procurement that allows us to achieve cost savings through negotiating and pricing our raw material purchases. We are also exploring e-sourcing opportunities for raw materials, which have the potential to reduce our costs.

- *Logistics management*: We use a range of transport companies to transport our products. We plan to collaborate with logistics companies and leverage our data analytics capabilities to design more efficient transportation routes, maximise our supply chain flexibility and lower logistics costs.

The estimated costs for upgrading our warehouse with 5G connection and infrastructure together with the necessary IT infrastructure would be approximately HK$[**REDACTED**] based on quotations obtained by our Group and the historical costs for purchasing such items.

We expect to apply approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), representing approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**], for continuous improvements in operational efficiencies, among which (i) approximately HK$[**REDACTED**] will be used for upgrading our warehouse with 5G connection and infrastructure; and (ii) approximately HK$[**REDACTED**] will be used for upgrading and developing our IT software and purchasing new IT hardware and equipment. We expect to apply approximately HK$[**REDACTED**] in FY2025, and approximately HK$[**REDACTED**] in FY2026 and/or thereafter.

OUR BUSINESS ACTIVITIES

Our business activities can be broadly categorised into the following segments by sales modes, the type of our customers and the nature of our commercial relationships:

(i) ***Contract Manufacturing***, which primarily manufacture and sell our babycare products as an ODM to business customers, primarily to independent retailers and diaper brand owners, carrying on their brands or private labels exported from China into countries in Eurasia. We have dedicated ourselves to manufacturing quality products on our business customers' behalf that compete with comparable products, customising products to their specifications and incorporating the latest product features and innovations. We focus primarily on building, retaining and solidifying strong relationships with our business customers that drive our long-term business; and

(ii) ***Branded Product Business***, which primarily manufacture, market and sell products for all categories under our own brands direct to end consumers primarily based on a D2C sales model through multiple third-party pureplay digital platforms extensively in China such as (i) traditional e-commerce platforms such as Pinduoduo, Tmall and JD.com; and (ii) social media, live streaming and short video channels such as Douyin and Kuaishou. We have applied various tactics of influencer marketing, live streaming, content marketing, peer recommendation and group purchases. Based on direct interaction with consumers, we obtain data, gain insights into user needs, drive product innovation and discover upcoming product categories, and continue to strengthen consumer engagement. In each year during the Track Record Period, our D2C online sales accounted for approximately 69.7%, 80.6% and 62.4% of our total revenue from our Branded Product Business respectively, whereas our offline sales accounted for approximately 30.3%, 19.4% and 37.6% of our total revenue from our Branded Product Business, respectively.

OUR PRODUCTS AND BRANDS

We offer a multi-category assortment of nonwoven hygienic disposables that is intentionally designed to serve consumers every day, at every age and through every life stage from infancy to old age.

Our core product categories broadly include babycare, feminine care and adult incontinence products:

Babycare products

Our babycare product category consists of three product lines: baby diapers, baby pants and baby wipes. Baby diapers and baby pants are the principal products within our babycare category. We produce and supply a wide spectrum of affordable to luxury premium quality baby diapers and baby pants for use by premature babies to toddlers (typically up to 3 years old). The definition of a diaper or a pant from affordable to luxury premium is based on the parameters of absorption, leakage avoidance, rewet capacity, softness and fit. Our affordable premium diaper meets the basic absorption and fit requirements and has no extra features, whereas our luxury premium diaper offers better stretch, softness and absorption.

Baby diapers: Baby diapers are disposable garments made of a waterproof layer, an absorbent core (fluff pulp and super-absorbent powder) and mainly made of nonwoven and elasticized materials. Our baby diapers targeted premature babies to older infants aged typically up to 3 years old.

Baby pants: Baby pants have the absorption and features of a taped diaper, but the stretching sides allow the child to independently pull the diaper up and down. Baby pants are made of a cloth-like waterproof outer layer, an absorbent core and elasticised and nonwoven materials. When babies reach toddler age, they move from using baby diapers to baby pants, which are absorbent garments resembling underwear used for toilet, swimming and other training purposes toddlers. The target age for baby pants is 1-3 years of age.

Baby wipes: Baby wipes are synthetic cloths used for cleaning or drying and are designed specifically for use on babies.

During the Track Record Period, we sold our babycare products under third-party brands or private labels to other emerging markets in Eurasia abroad whilst we focused on selling our babycare products under our own brands in China.

Examples of our key babycare products:


S-shape diaper


T-shape pant


Q-shape pant

Our major own brand and examples of key branded product series:

Major brand | **Sample products**

Baby diapers

Baby pants

Baby pants

Baby pants

Wipes

Wipes

Innovations in the babycare category in recent years has concentrated on skin comfort, leak protection and innovative core designs, the push for environmentally friendly and more sustainable ingredients as well as an evolution towards thinner products with equal or better performance. We have consistently developed and introduced highly successful new products. For example, our babycare product, namely "Silky Milk Custard" (絲滑雙皮奶) pant diapers, which our Directors considered to feature an exceptionally smooth texture, has become one of our most popular offerings, achieving impressive sales during livestreaming sessions. To satisfy the needs of different consumer demographics, we plan to develop and launch more differentiated products and features. As at 31 December 2023, we had approximately six assortments, consisting of over approximately 140 SKUs incorporating over various vibrant character designs available in seven key sizes from newborn to XXXL.

Feminine care products

Our feminine care product category consists of sanitary pants and wipes, which are used outside the body. During the Track Record Period, we sold our feminine care products primarily under our own brand "Misecr" (五月私語) in China with over approximately 20 SKUs as at 31 December 2023. Our feminine care products are targeted at female consumers on menstrual cycle.

Sanitary pants: Sanitary pants are disposable absorbent pants made of absorbent materials based on fluff or airlaid and superabsorbent powder and nonwoven fabrics, which are used by women to absorb menstrual flow. We produce a range of sanitary pants in different formats and shapes. Some sanitary pants are comparable to baby pants in terms of product characteristics. Our sanitary pants are shaped for women and may be produced with or without super-absorbent powder.

Our own brand and examples of key branded product series:

Brand | **Sample products**

misecr® 五月私語

Sanitary pants

Wet toilet paper

Adult incontinence products

Our adult incontinence products are specifically designed for elderly adults to manage light, moderate and heavy incontinence, such as diapers, pull-ups, wipes and underpads. During the Track Record Period, we focused on selling our adult incontinence products primarily under our own brand "Cosoftb" (康舒寶) in China with over approximately 15 SKUs as at 31 December 2023. The target audience for our adult incontinence products include but is not limited to individuals who are bedridden for a prolonged period, post-operative patients, individuals with reduced mobility, postpartum women as well as those in special occupations or circumstances who have limited access to toilets for an extended time, such as workers in high-altitude operations and long-haul drivers.

Diapers: Belt diapers are disposable diapers for adults featuring a specific closure system with an absorbent core and nonwoven materials. The belt product offers an alternative to all-in-one tape systems and the two-piece shaped pad system. The use of a belt with resealable hook and loop fasteners removes the need for separate fixation pants, making the pad easier to fit and more comfortable. The product also features anti-leak cuffs to minimise leakage.

Pull-ups: Pull-ups are disposable adult garments resembling underwear with an absorbent core (fluff and super absorbent powder), a plastic layer, elastics and soft nonwoven fabrics. Pull-ups are designed for users with an active lifestyle and can prolong independence. The pants are typically fully elasticised to ensure a close fit.

Our major own brands and examples of key branded product series:

Major brand	Sample products		
Cosoftb 康舒宝			
	Adult pants	Adult diapers	Nursing pads

Pet care, household and other products

We also sell household care disposables such as kitchen, shoe and other wipes under our "Growth Champion" (成長冠軍) brand; and supply pet care products under our "Heynckes" (亨克斯) brand. Some of these products are purchased from Independent Third Parties.

OUR SALES AND CUSTOMERS

Our customers vary by our business activities and geographies which can be broadly categorised into two main types: (i) business customers including several top-tier children's good retailers and established diaper brand owners primarily in Russia, China, and Southeast Asia, resellers primarily in China, as well as personal hygiene raw materials suppliers and product manufacturers in China; and (ii) end consumers of our branded products primarily in China. Set forth below is a breakdown of our revenue by types of our customers for the periods indicated: –

	FY2021		FY2022		FY2023	
	RMB'000 (approx.)	*%*	*RMB'000 (approx.)*	*%*	*RMB'000 (approx.)*	*%*
Business customers						
– Retailers	39,439	15.0	130,564	32.0	319,980	48.9
– Brand owners	107,051	40.7	102,306	25.1	89,350	13.7
– Resellers and others	57,459	21.8	122,882	30.1	150,132	22.9
Subtotal	203,949	77.5	355,752	87.2	559,462	85.5
End consumers	59,277	22.5	52,314	12.8	95,098	14.5
Total	263,226	100.0	408,066	100.0	654,560	100.0

Our major customers

The table below sets out information of our five largest customers, all being business customers, for each of the respective periods indicated:

FY2021

Rank	Customer	Background	Major products sold	Year of commencement of business relationship	Credit period/ payment terms	Payment method	Revenue	% of our total revenue
							(RMB'000) approximately	*approximately*
1 . .	Customer A	See Note 1.	Babycare products under its own Japanese-inspired diaper brand	2015	30% advance payment; 70% before delivery date	Telegraphic transfer	31,555	12.0
2 . .	Russian Top-tier Retailer		Babycare products under its Japanese-inspired private label	2020	90 days	Letter of credit (90-day maturity)	31,053	11.8
3 . .	Customer B	See Note 2.	Babycare products under its own Japanese-inspired diaper brand	2019	30% advance payment; 70% within 45 days after shipment date, subject to a US$0.2 million credit limit; remaining balance payable before shipment	Telegraphic transfer	25,371	9.6
4 . .	Customer C	See Note 3.	Our branded babycare products	2020	Prepayment	Bank transfer	16,140	6.1
5 . .	Customer D	See Note 4.	Babycare products under its own brand	2016	30% advance payment; the remaining 70% payable after shipment within seven days	Telegraphic transfer	16,095	6.1
							120,214	45.6

FY2022

Rank	Customer	Background	Major products sold	Year of commencement of business relationship	Credit period/ payment terms	Payment method	Revenue	% of our total revenue
							(RMB'000) approximately	*approximately*
1 . .	Russian Top-tier Retailer		Babycare products under its Japanese-inspired private label	2020	90 days	Letter of credit (90-day maturity)	128,429	31.5
2 . .	Customer B	See Note 2.	Babycare products under its own Japanese-inspired diaper brand	2019	30% deposit; the remaining 70% within one bank day upon shipment arrival	Telegraphic transfer	33,257	8.1
3 . .	Customer A	See Note 1.	Babycare products under its own Japanese-inspired diaper brand	2015	20% advance payment; the remaining 80% payable within 60 working days upon shipment arrival	Telegraphic transfer	25,350	6.2
4 . .	Customer E	See Note 5.	Nonwoven fabrics and fluff pulp	2022	Prepayment	Bank transfer	18,514	4.5
5 . .	Customer D	See Note 4.	Babycare products under its own brand	2016	30% advance payment; the remaining 70% payable after shipment within seven days	Bank transfer	15,561	3.8
							221,111	54.1

FY2023

Rank	Customer	Background	Major products sold	Year of commencement of business relationship	Credit period/ payment terms	Payment method	Revenue	% of our total revenue
							(RMB'000) approximately	*approximately*
1 . .	Russian Top-tier Retailer		Babycare products under its Japanese-inspired private label	2020	90 days	Letter of credit (90-day maturity up to October 2023; 120-day maturity since October 2023)	318,983	48.7
2 . .	Jinjiang Libaida	See Note 6.	Our branded feminine care products	2015	30 days	Bank transfer	41,263	6.3
3 . .	Customer B	See Note 2.	Babycare products under its own Japanese-inspired brand	2019	30% deposit; the remaining 70% within one bank day upon shipment arrival	Telegraphic transfer	30,061	4.6
4 . .	Customer D	See Note 4.	Babycare products under its own diaper brand marketed as Australian certified, cruelty-free and eco-friendly	2016	30% upon issuance of purchase order; the remaining 70% payable before shipment	Bank transfer	18,339	2.8
5 . .	Customer F	See Note 7.	Babycare products	2020	30% advance payment; balance of 70% payable after shipment within seven days	Telegraphic transfer	11,440	1.7
							420,086	64.1

Notes:

1. Customer A is a privately-owned brand owner, manufacturer and wholesaler of baby hygienic products in Russia which offers Japanese-inspired products across Russia and a number of Eurasian countries. Based on public information, Customer A recorded revenue of over US$50 million in 2022 and net assets of over US$14 million as at 31 December 2022, and has over 40 employees in 2022.

2. Customer B is a subsidiary of a privately-owned Russian group, principally engaged in sales of impacted products including Japanese-inspired baby diapers and feminine hygiene products and household chemicals in Russia, Belarus and Kazakhstan.

3. Customer C is an e-shop on Taobao principally engaged in reselling babycare products and personal hygienic disposables.

4. Customer D is a subsidiary of a Bursa Malaysia-listed group, principally engaged in sales and marketing of an Australian certified, eco-friendly marketed baby diapers, wet wipes, skincare essentials, as well as homecare products across US, Europe, Southeast Asia and Africa. Such listed group recorded a revenue of over US$10 million for the year ended 31 December 2023, net assets of over US$12 million as at 31 December 2023 and a market capitalisation of over US$15 million as at 30 April 2024.

5. Customer E is a privately-owned wholesaler in the PRC principally engaged in the wholesale of various products including footwear materials, chemical products, clothing, textiles, daily necessities etc., with an operation history of approximately 10 years and a registered share capital of RMB10 million.

6. Jinjiang Libaida was our customer prior to our acquisition in October 2023. See "History, Reorganisation and Corporate Structure — Reorganisation — 3. Acquisition of Jinjiang Libaida" and note 30 to the Accountants' Report for details.

7. Customer F is a privately-owned wholesaler of babycare hygienic disposables in Russia and other countries in the Eurasian Economic Union with more than 5 years of operation and more than approximately 15 employees.

To the best knowledge and belief of our Directors, save for Jinjiang Libaida which was owned as to 51% by Mr. Zeng Guodong, our executive Director, prior to our acquisition in October 2023, none of our Directors or Shareholders who own more than 5% of the issued share capital of our Company immediately following completion of the Capitalisation Issue and the [**REDACTED**], nor any of their respective associates, had any interest in any of the five largest customers of our Group during each year of the Track Record Period. See "History, Reorganisation and Corporate Structure — Reorganisation" for further details.

Our relationship with Russian Top-tier Retailer

Russian Top-tier Retailer, our second largest customer in FY2021 and our largest customer in FY2022 and FY2023 in terms of revenue, is the largest children's goods retailer in Russia operating over approximately 1,100 stores in Russia and Kazakhstan with approximately 450 million users in Russia in 2021, based on public information. It has been operating for more than approximately 75 years with its annual revenue of approximately US$1.8 billion in 2021 according to its audited financial statements for the year ended 31 December 2021, and a market capitalisation of over approximately US$350 million as at 30 April 2024. The predecessor company of Russian Top-tier Retailer (established as a public joint stock company) has been listed on the Moscow Stock Exchange since early 2017 but announced its privatisation in late 2023, upon which it underwent a corporate reorganisation and commenced to transact with us under the name of a limited liability company established in Russia. To the best of our Directors' knowledge, information and belief, Russian Top-tier Retailer had a diverse shareholder base including a number of international institutional investors prior to its privatisation and delisting from the Moscow Stock Exchange, and had since been ultimately owned by an individual third party independent of our Company, our subsidiaries, their shareholders, directors, senior management, employees or any of their respective associates.

We have built a long-term stable relationship with Russian Top-tier Retailer, supplying our products to them since October 2020. Meanwhile, as consumers search for more affordable options and relevant demand increases, Russian Top-tier Retailer as a leading Russian retailer seized this opportunity and launched its Japanese-inspired baby hygienic disposable private label marketed as offering premium quality at a medium price in 2020. Leveraging our expertise in the baby hygienic disposable industry, we had been engaged by Russian Top-tier Retailer as the only contract manufacturer to manufacture and supply baby disposable diapers and baby wipes under such private label during the Track Record Period and up to the Latest Practicable Date. We believe the development of private label is one of the important business focus of Russian Top-tier Retailer in the foreseeable future. During the Track Record Period, we entered into four consecutive supplemental agreements with Russian Top-tier Retailer for incremental sales volume increases. In December 2023, we renewed a supply agreement with Russian Top-tier Retailer with a term up to 31 December 2030.

Our Directors believe we have developed a mutually beneficial and complimentary relationship with Russian Top-tier Retailer because we are the single source supplier of babycare products for such private label for over three years; and it relies on us as a stable source of supply for babycare products in terms of quality, quantity, price and delivery to avoid any unforeseen disruption to its operations. During the Track Record Period and up to the Latest Practicable Date, we had no material product return, disruption in delivery of our products or complaint as to product quality or late delivery alongside the increasing amount of orders we received from Russian Top-tier Retailer. Our success in meeting Russian Top-tier Retailer's quality requirements enable it to build its private label over time, driving its sales growth. Russian Top-tier Retailer is subject to risks and costs for switching to other contract manufacturers in China. For risks relating to our business dealings with Russian Top-tier Retailer, see "Risk Factors — Risks Related to Our Industry and Business — We generated a significant portion of our revenue during the Track Record Period from Russian Top-tier Retailer" for details.

Other than Russian Top-Tier Retailer, we also maintained a large number of customer base of over approximately 100 customers and always seek opportunities to grow our business. During the Track Record Period, we have been supplying babycare products for one of the best-selling Russian baby diaper brands owner in terms of import volume with annual revenue of over approximately US$50 million in 2022, and for a baby diaper brand marketed as Australian certified, cruelty-free and eco-friendly and distributed in, among other regions, Malaysia. We also supply babycare products to various brand owners in Thailand, Indonesia, Japan and other countries]. In addition, we have recently entered into a memorandum of understanding with a Vietnamese company for exploring business cooperation in Vietnam. See "Summary — Recent Development and No Material Adverse Change" for further details.

Business activities in countries subject to International Sanctions

After the military conflict between Russia and Ukraine in February 2022, the U.S., the EU and many other countries introduced several rounds of economic sanctions and trade restrictions targeting certain industries or sectors within Russia. As part of the International Sanctions, a number of import and export restrictions were imposed on Russia under which certain products are not allowed to be sold to Russia. However, there are certain exceptions to the export and import restrictions in relation to products related to health, pharmaceuticals, food and agriculture due to humanitarian concerns. Based on the information publicly available to our Directors and to their best belief and knowledge having reasonable due diligence, it is noted that certain of the world's largest diaper companies, namely Kimberly-Clark, Procter & Gamble, Ontex, and Unicharm, have still been continuing to produce, supply and sell diapers, feminine care and other essentials in Russia needed for basic health, hygiene or personal care whilst halting capital spending and advertising following the International Sanctions imposed against Russia since February 2022 and up to the Latest Practicable Date.

Set forth below is a breakdown of our revenue by geographical locations for the periods indicated.

	FY2021		FY2022		FY2023	
	RMB'000 (approx.)	*%*	*RMB'000 (approx.)*	*%*	*RMB'000 (approx.)*	*%*
Russia	105,371	40.0	205,506	50.4	377,452	57.7
The PRC	92,683	35.2	140,188	34.4	205,759	31.4
Southeast Asia	31,771	12.1	27,940	6.8	34,423	5.3
Kazakhstan	5,237	2.0	12,232	3.0	6,890	1.0
Others	28,164	10.7	22,200	5.4	30,036	4.6
Total	263,226	100.0	408,066	100.0	654,560	100.0

Consistent with the humanitarian nature of our products, we sold our babycare products to customers located in the Relevant Regions for the Track Record Period. Revenue generated from such transactions with customers based in the Relevant Regions amounted to approximately RMB105.4 million, RMB205.5 million and RMB377.5 million, representing approximately 40.0%, 50.4% and 57.7% of our total revenue during each year of the Track Record Period, respectively.

Legal advice given by our International Sanctions Legal Advisers

Our International Sanctions Legal Advisers have performed the following procedures which it considers necessary to evaluate our International Sanctions risk exposure:

(a) reviewing transaction documents provided by us for our sales to customers in the Relevant Regions during the Track Record Period;

(b) reviewing the list of customers in the Relevant Regions to whom sales have been made during the Track Record Period against the lists of Sanctioned Persons; and

(c) receiving written confirmation from us that except as otherwise disclosed in this document, neither our Group nor any of our affiliates (including any representative office, branch, subsidiary or other entity which forms part of our Group) has conducted during the Track Record Period any business dealings in or with any other regions or persons that are subject to International Sanctions.

After performing the procedures above, our International Sanctions Legal Advisers are of the view that our sales in the Relevant Regions did not represent a violation of the relevant International Sanctions for the purpose of the Chapter 4.4 of the Guide for New Listing Applicants issued by the Stock Exchange effective from January 2024 on the basis of the following factors:

(1) our activities with customers in the Relevant Regions did not represent a violation of the International Sanctions laws are unlikely to result in any material sanctions risk on such parties, including our Company, our potential investors, Shareholders, the Stock Exchange and the Listing Committee and group companies (the "**Relevant Persons**") because:

(a) business activities undertaken by our Group in the Relevant Regions during the Track Record Period were limited to sales of babycare products, and did not involve industries or sectors and are not export-controlled that are currently subject to International Sanctions;

(b) None of the Relevant Regions is a country or territory subject to a general and comprehensive export, import, financial or investment embargo during the Track Record Period, and thus not a Comprehensively Sanctioned Country;

(c) Our direct and indirect transactions with Sanctioned Targets were limited to sales of our babycare products to one sanctioned customer in Russia (excluding Crimea, LPR, DPR, Kherson and Zaporizhzhia regions) ("**Sanctioned Russian Customer**"), receiving RMB payments through three sanctioned clearing banks ("**Sanctioned Russian Clearing Banks**") engaged by our non-sanctioned customers in Russia (excluding Crimea, LPR, DPR, Kherson and Zaporizhzhia regions), and delivery of our babycare products to non-sanctioned customers in Russia (excluding Crimea, LPR, DPR, Kherson and Zaporizhzhia regions) through a sanctioned shipping company engaged by them ("**Sanctioned Russian Shipping Company**"), these sanctioned counterparties are collectively referred as "**Sanctioned Russian Counterparties**":

(i) The Sanctioned Russian Customer and the Sanctioned Russian Shipping Company are subject to sanctions because they are both owned as to 50% or more indirectly by an entity identified on the SDN List maintained by OFAC in July 2023, this entity was also sanctioned by the UK in August 2023. Consequently, the Sanctioned Russian Customer and the Sanctioned Russian Shipping Company were subject to the same sanctions applicable to their shareholder because of ownership. During the Track Record Period, our sales attributable to the Sanctioned Russian Customer subsequent to the sanction designation were nil, approximately RMB1.9 million and RMB1.8 million, representing nil, approximately 0.5% and 0.3% of our total revenue, respectively. Due to the inadvertent oversight to International Sanctions on the Sanctioned Russian Customer, and pursuant to framework supply contract entered with it prior to the sanction designation, the Group sold two batches of babycare products to the Sanctioned Russian Customer in October 2023, intending to complete existing contractual obligations under the framework supply contract. Our Directors confirmed that our Group had ceased business dealings with this Sanctioned Russian Customer subsequent to the sanction designation as at the Latest Practicable Date. Due to the nature of the products involved in these sales (i.e. sales of babycare products), that these sales were denominated in RMB with no involvement of US or UK persons, or any US or UK nexus otherwise, and for indirect activities with the Sanctioned Russian Shipping Company, the shipping company was engaged by our customers out of our control under the FOB shipping term, our International Sanctions Legal Advisers are of the view that such transactions to Sanctioned Russian Customer did not represent a violation of the applicable sanctions to Sanctioned Russian Customer and Sanctioned Russian Shipping Company, and are unlikely to result in the imposition of sanctions on the Relevant Persons;

(ii) three Sanctioned Russian Clearing Banks engaged by some of our Russian customers were designated as SDNs by OFAC, and were sanctioned by the UK and Australia during the period from February to July 2023. Due to the nature of the products involved in these sales (i.e. sales of babycare products), that these sales were denominated in RMB with no involvement of US or UK persons, or any US or UK nexus otherwise, and the Sanctioned Russian Clearing Banks were engaged by our customers out of our control, our International Sanctions Legal Advisers are of the view that such transactions to Sanctioned Russian Customer did not represent a violation of the applicable sanctions to Sanctioned Russian Customer and Sanctioned Russian Shipping Company, and are unlikely to result in the imposition of sanctions on the Relevant Persons;

In view of the above, our International Sanctions Legal Advisers are of the view that our transactions in the Relevant Regions did not represent a violation of the sanction measures applicable to each Sanctioned Russian Counterparties.

Our Directors further advised that sales proceeds of our products to customers in Russia during the Track Record Period were received through our bank accounts in China. During the Track Record Period and up to the Latest Practicable Date, we had not notified the relevant banks through which we received payments for our sales of products to Russia of the fact that the payments were made from Russia because to the best belief, knowledge and information of our Directors having reasonable due diligence, the relevant banks should have had access to the information of the originating countries of remittance when processing the payments. The relevant banks could have declined to process the payments if they were to identify sanctions risk in accordance with their internal procedures. We are not subject to loan covenants under existing loan agreements that require us to report payments received being related to sales to Russia or prohibit us from making sales to Russia. As we have not been notified that any International Sanctions will be imposed on us for our sales and/or deliveries to Russia during the Track Record Period, our Directors are of the view that it is highly unlikely that we will be subject to suspension or termination of loans or banking facilities currently available to us.

(2) it is unlikely that our activities (including the business dealings with customers in Russia) would result in the imposition of sanctions on the Relevant Persons (including designation as a Sanctioned Target or the imposition of penalties), given that:

(i) our Group had no activity targeted by extra-territorial provisions of International Sanctions laws;

(ii) our Directors confirm that as at the Latest Practicable Date, we had not been designated as a Sanctioned Target nor is it located, incorporated, organised or resident in Russia;

(iii) our Directors also confirm that as at the Latest Practicable Date, our Group is not subject to penalties due to any violation of International Sanctions;

(iv) in view of the scope of the [**REDACTED**] and the expected use of [**REDACTED**] as set out in this document, the involvement by parties in the [**REDACTED**] will not implicate any applicable International Sanctions on such parties, including our Company, our potential investors, Shareholders, the Stock Exchange and the Listing Committee and group companies and accordingly, the sanctions risk exposure to our Company, potential investors and Shareholders, and persons who might, directly or indirectly, be involved in permitting the [**REDACTED**], trading and clearing of our Shares (including the Stock Exchange, the Listing Committee and related group companies) is very low;

(3) based on the analysis set out in paragraph (1) and (2) above, we are not subject to material contingent liabilities in relation to the Primary Sanctioned Activity or Secondary Sanctionable Activity during the Track Record Period; and

(4) we are not a Sanctioned Trader (i.e. a person or entity that does a material portion (10% or more) of its business with Sanctioned Targets and Comprehensively Sanctioned Country entities or persons) because we did not derive a material portion of our revenue (10% or more) during the Track Record Period from business activities with Comprehensively Sanctioned Countries, or with Sanctioned Targets.

Our International Sanctions Legal Advisers have not identified any apparent violations of the International Sanctions by our Group after evaluating the sanctions risks of our historical business activities relating to Relevant Regions during the Track Record Period. Therefore, our International Sanctions Legal Advisers have not recommended reporting of our historical business activities relating to Russia during the Track Record Period, including voluntary self-disclosure to OFAC, and such reporting is not necessary as at the date of this document.

Our undertakings to the Stock Exchange

We have undertaken to the Stock Exchange that:

- we will not use the net [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange, whether directly or indirectly, to finance or facilitate any activities or businesses with, or for the benefit of, any Sanctioned Countries or any other government, individual or entity sanctioned by the U.S., the EU, the UN, the UK and Australia, including but not limited to, any government, individual or entity that is the subject to any OFAC-administered sanctions or that would be in breach of sanctions imposed by the U.S., the EU, the UN, the UK and Australia;

- we will not undertake any future business that would cause us, the Stock Exchange, HKSCC, HKSCC Nominees, our Shareholders or potential investors to violate or become a target of International Sanctions laws;

- we will make timely disclosure on the website of the Stock Exchange and our website if we believe that any of our business activities would put our Group or our Shareholders and investors at risks of being in breach of the International Sanctions laws; and

- we will also include such disclosures in our annual reports and the discussion of our efforts on monitoring our business exposure to sanctions risk, the status of our future business (if any) in any country subject to International Sanctions and our business intention relating to customers from any such country.

Our internal control measures to minimise sanctions risk

As we intend to continue to sell our products to customers in Russia except for the Sanctioned Countries and Sanctioned Persons if and when suitable business opportunity arises, subject to our strict adherence to our internal control and risk management measures, in order to identify and monitor our exposure to risks associated with sanctions laws relating to these sales, we will implement the following measures before the [**REDACTED**], including:

- our Board has established a sanctions oversight committee to manage our exposures to sanctions risks and oversee the implementation of internal control policies. The sanctions oversight committee will comprise two executive Directors and one non-executive Director, namely Mr. Zeng Guodong, Mr. Zhou Jiahao and Mr. Cai Hao. Their responsibilities include, among others, monitoring our exposure to sanctions risks and our implementation of the related internal control procedures. Our sanctions oversight committee will hold at least two meetings each year to monitor our exposure to sanctions risks. In addition, our finance manager will be specifically responsible for matters relating to International Sanctions (the "**Finance Manager**");

- the Finance Manager will open and maintain separate bank account(s) which is/are designated for [**REDACTED**] from the [**REDACTED**], as well as any other funds raised through the Stock Exchange. Our sanctions oversight committee will monitor and regulate the use of the net [**REDACTED**] from the [**REDACTED**] to ensure that we will not breach our undertaking to the Stock Exchange;

- the Finance Manager will maintain a control list of countries/regions subject to International Sanctions and persons and entities designated pursuant to the International Sanctions which is provided and updated by the external legal advisers from time to time. The sanctions oversight committee will review existing and potential customers' information against the list to identify the sanctions risk;

- for new customers from countries subject to International Sanctions, the sanctions oversight committee must review and approve these potential customers before we enter into any agreement or embark on any business opportunities with these potential customers;

- including a compliance clause in contracts with our customers or request a separate certification from the customers, requesting them to undertake (i) to comply with all the International Sanctions applicable to them and us; (ii) not to take any action, including the sale, distribution or delivery of our products which could cause them or us to violate any applicable International Sanctions; and/or (iii) not to take any action, including the sale, distribution or delivery of any products to our Group which could cause them or us to violate any applicable International Sanctions;

- including a condition in our contracts and/or purchase orders with our customers to the effect that our Group may take any action that we deem appropriate for us to confirm compliance with applicable International Sanctions in order to provide additional contractual deterrence to our customers;

- the sanctions oversight committee may engage external legal advisers with relevant expertise and experience in sanctions matters to evaluate the sanctions risk as and when necessary and will formulate risk management measures taking into account the advice and recommendations provided by such external legal advisers; and

- if necessary, we will arrange external international legal counsel to provide compliance and training programs for International Sanctions issues to our Directors, senior management members and other relevant personnel to ensure that they keep abreast of the material developments in the International Sanctions related issues.

Our Directors have reviewed and evaluated these internal control measures and are of the view that these measures are adequate and effective for our Company to comply with applicable International Sanction laws and our undertakings to the Stock Exchange.

Having taken into account the above measures, our Directors are of the view that our measures provide a reasonably adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to International Sanctions laws so as to protect the interests of our Shareholders and us.

Contracting, pricing and settlement

Business customers

We typically enter into framework agreements with our major business customers, generally for a term from one to three years. These agreements are generally on a non-exclusive basis and contain no minimum purchase obligations. We typically receive purchase orders from our business customers that set out the specific terms for each order on a regular basis according to the terms of the framework agreements including pricing terms, product specifications, quantity and date of delivery.

We generally set prices of our products on a cost-plus basis after taking into account a combination of factors, among other things, production factors such as cost of raw materials and other manufacturing costs, expected profit margins, type of product sold, product features, quality and production techniques involved, extent of customisation (if any), and research and development efforts involved; as well as market factors such as market trends and demand, target markets and customers and their purchasing power, business relationship with our business customers (such as duration of business relationship and historical sales volume to such customers), and comparable product prices set by our competitors. See "— Key salient terms of framework agreements with our major business customers" in this section for details of the material terms of framework agreements we generally enter into with our major customers.

With respect to the sales of nonwoven fabrics and other raw materials, we generally do not enter into long term or fixed-term contracts with our customers for sales of nonwoven fabrics. We provide quotations to these customers on a case-by-case basis based on our negotiations with them. We price our nonwoven fabrics generally on a cost-plus basis, taking into account various production factors and our relationship with them plus an expected margin. We generally require full payment of the purchase price before delivery. Our nonwoven fabric customers mainly settled our payments by way of bank transfer in RMB.

Our general credit policy and practice for business customers is to require payment of deposit equivalent to a certain percentage of the total purchase price, generally 20% to 30%, upon issuance of our invoice or confirmation of the purchase order, while the balance of 70% to 80% is generally payable before shipment; we may also grant a credit period for part or all of the purchase price for up to 90 days. Our customers generally pay us by way of bank or telegraphic transfer in RMB or USD.

Alongside with our credit policy, we also adopt a series of credit control measures which include credit check such as obtaining credit reports from third party agents. The results of these assessments are then reviewed by our sales and marketing department and our finance department on a periodic basis. Our finance department is responsible for payment collection, invoice issuance and the management of receivables. During the Track Record Period, we had not experienced any major defaults in payments or bad debts from our customers which may materially affect our financial condition and operating results.

During the Track Record Period and as at the Latest Practicable Date, we did not have material disputes with our business customers.

Key salient terms of framework agreements with our major business customers

Set out below are the material terms of the framework agreements we generally enter into with our major business customers:

Service scope . . .	:	We are responsible for the supply of products according to the product requirement set by our business customers.
Payment terms and method . . .	:	We generally require our business customers to make advance payment of 20 to 30% of the total amount for each purchase order upon issuance of our invoice or confirmation of the purchase order, with the balance of 70 to 80% to be paid in full before shipment. We may also grant a credit period for part or all of the purchase price for up to 90 days. Our business customers generally pay us by way of bank or telegraphic transfer in RMB or USD, or letter of credit with a maturity of 90 to 120 days.

Delivery	:	We deliver our products generally on FOB terms, under which we arrange delivery of our products to the designated port in the PRC for shipment. We are generally responsible for arranging customs clearance in China and bear freight, insurance, customs and other associated costs. We are generally required to deliver our products within 30 to 45 days upon receiving the prepayment. Late delivery is subject to a daily fine based on the purchase amount.
Exclusivity	:	Generally on a non-exclusive basis for both parties.
Indicative sales quantity	:	We may agree with our business customers on a non-binding annual sales target or expected purchase volume; our business customers do not commit to any minimum purchase amount, and actual orders shall be based on the purchase orders placed with us. We do not require our customers to purchase any fixed or minimum amount per order.
Quality control and product return	:	Our business customers generally have the right to inspect our factories and our products. We generally do not accept any product return upon our customers' inspection and acceptance save for quality issues. Our business customers are responsible for handling local customs clearance and import procedures, as well as conducting quality check upon arrival of shipment.
Term	:	Generally for one to three years from the date of signing.
Termination	:	We and our business customers are both entitled to terminate the agreement with 30 days' prior notice.

End consumers

We do not sign any contract with end consumers directly with respect to our D2C e-commerce of our branded products. In addition to the aforementioned factors (where applicable), we may also take into account other considerations such as brand and product positioning of each product, and our marketing strategy for each third-party pureplay digital platform on which we offer our branded products. We seek to price our branded products appropriately to attract and retain consumer customers on the one hand and to protect our profit margin on the other hand. We believe we are able to focus on competing on quality, and not solely on price, to meet the needs of our stable and loyal consumer base.

Under our D2C sales model, we directly sell our products to our individual customers only through online sales channels in China, primarily third-party pureplay digital platforms. As such, we do not offer any credit period for our individual customers, and they are required to pay the purchase price in full through the relevant online sales channel before our products are delivered to them. In general, upon the individual customer confirming the receipt of our products, the third-party pureplay digital platform will settle transfer to us such payment with the relevant service fees deducted at the same time.

Product return policy

For our business customers, we generally do not accept any product return upon their inspection and acceptance save for quality issues. For our D2C sales to individual customers, subject to the rules of certain third party pureplay digital platforms, we provide a seven-day return policy for our online customers. We have a toll-free customer service hotline to answer customers' questions or troubleshoot problems on issues such as product quality, order status inquiry and product return. Our customer service centre compiles reports on return/exchange data and customer complaints regarding quality issues and regularly passes them to our quality management team.

During the Track Record Period, we did not, due to material product quality issues, (i) receive fines, product recall orders or other penalties from the PRC government or other regulatory bodies, (ii) receive any material products return requests from our customers or (iii) receive any material complaints from consumers.

Marketing

We established dedicated sales teams to serve our business customers and formulate our marketing initiatives and overall sales strategy. Our sales staff is generally responsible for the daily communication with our customers, provision of assistance in purchase order confirmation and follow-up, after-sales customer services, execution and monitoring of our promotional events and policies, collecting feedback from our customers in order to improve our product quality, and conducting market research to better understand the industry trends and customer needs.

Third-party pureplay digital platforms

With the younger generation of Chinese consumers embracing affordable premium brands that offer personalisation and inclusivity, we have adopted the D2C model to market and sell our branded products direct to end consumers largely through multiple third-party pureplay digital platforms in China. In particular, we had established our online shops on more than 10 well-known independent third party pureplay digital platforms as at 31 December 2023, including Pinduoduo, Tmall and JD.com. These third-party pureplay digital platforms provide us with an access to online stores managed and operated by us that we may list our products.

For the Track Record Period, our sales on the five largest third-party pureplay digital platforms on which we offered our products amounted to approximately RMB62.6 million, RMB58.1 million and RMB94.1 million, respectively, representing approximately 99.1%, 98.3% and 98.0% of our total D2C revenue during the respective periods. As at 31 December 2021, 2022 and 2023, our trade receivable (net off loss allowance) from these five largest third-party pureplay digital platforms amounted to approximately RMB4.8 million, RMB2.3 million and RMB5.9 million, representing approximately 12.1%, 3.4% and 16.9% of our total trade receivable (net off loss allowance) as at the same dates.

Set out below are the key salient terms of the agreements we generally enter into with major third-party pureplay digital platforms:

Service scope . . . :	The third-party pureplay digital platform shall allow us to establish online stores on its platform and provide us with ancillary services, such as displaying our store and product information on its platform, use of credit system maintained by the platform, etc.
Service and platform fees . . :	We shall pay the third-party pureplay digital platform (i) a fixed annual or monthly platform fee; (ii) a service fee based on a percentage of our total transaction amount through the platform; and (iii) promotion fees and other fees depending on the services and support provided by the platform, such as credit system software service fees. We are required to pay such amounts of fees by such method in accordance with the rules published on the platform's website from time to time. In addition, we are generally required to make deposits to the platform to ensure our performance of and compliance with the agreement.
Settlement . . . . . :	In general, upon the individual customer confirming the receipt of our products, the third-party pureplay digital platform will settle with us the gross merchandise value with the relevant service fees and promotion fees deducted at the same time. The net balance will then be remitted to us in 15 to 30 days in RMB by bank transfer. Some third-party pureplay digital platforms may also conduct settlement with us at fixed intervals (generally once to twice per month).
Term and termination. . . . :	In general, our agreements with third-party pureplay digital platforms have no fixed term. Either party may terminate the agreement by prior written notice, notice period of which varies for each platform. Prior to termination of the agreement, we are generally required to apply for cessation of operation of our online stores which is subject to the platform's review. The third-party pureplay digital platform is also entitled to terminate the agreement if, among other things, we fail to observe the platform rules as published by the platform from time to time.

During the Track Record Period, our online sales and promotion expenses related to digital platform amounted to approximately RMB20.1 million, RMB22.5 million and RMB53.3 million, respectively. See "Financial Information — Selling and distribution expenses" for details.

We have been making efforts to build our brand image to attain greater market share by increasing advertising activities featuring our brands on the Internet, particularly through livestream marketing on major livestreaming platforms such as Douyin and Kuaishou. In addition to livestreaming sessions hosted by our employees, we may also cooperate with social media influencers to promote and sell our products.

To capture the market potentials and better serve our potential and existing customers, since 2015, we have established a dedicated team to operate our D2C e-commerce business. This team is responsible for the management and marketing of our products specifically for online sales and provide high quality customer services for online customers.

Celebrities, KOLs and ambassadors

We believe endorsement of our products by public figures can assist in promoting interest of the general public and expanding our brand awareness. Since our establishment, we have engaged a number of celebrities, KOLs and ambassadors to conduct our branding campaigns. For example, we engaged celebrities in Hong Kong as spokesperson for our "Insoftb" and "Cosoftb" brands.

Traditional media and advertisements

As regards our Branded Product Business, we market our brands and products across a wide variety of media, ranging from traditional channels such as print and television media, to Internet, promotional events, domestic and international trade exhibitions and fairs.

Exhibitions and trade shows

We actively participate in trade shows, exhibitions and large-scale events at national and international levels to market our production capabilities and new products, in particular among our potential Business Customers such as overseas wholesalers and trading companies. In addition, we attend various overseas and domestic trade shows, such as PLMA's 2023 Private Label Show, China-ASEAN (Thailand) Commodity Fair and INDEX 2023, to establish our presence in the industry, reach more potential customers and promote our brands and products both in the PRC and internationally. Such trade fairs represent an important avenue through which we expand our customer base. We believe that these fairs have assisted us to promote our products and enhance our corporate image and will facilitate us to generate orders for our products from our customers.

IP cross-over collaboration

As part of our efforts to expand our brand awareness and enhance our corporate image, we have undertaken several branding initiatives, including, without limitation, our use of animated cartoon characters that are appealing to children and mothers alike on our babycare products. For instance, in 2020, we acquired a licence to use the image of a popular Chinese cartoon character on our babycare products in the PRC. We were also licenced to sell products bearing the image of a popular Japanese manga and anime character on our babycare products in the PRC from May 2019 to April 2021.

Seasonality

Given the nature of our products, being non-discretionary consumer staples with relatively inelastic demand, we are generally not subject to any material seasonality factors. During the Track Record Period, we did not observe material fluctuations in our revenue and sales volume throughout each financial year.

OUR PRODUCTION FACILITIES

We have technologically advanced and highly automated production facilities. We currently have two production facilities in Quanzhou, Fujian Province, for our production and warehousing. Substantially all production and warehousing of our finished products are conducted at our Jinjiang Production Facilities, while we manufacture and store nonwoven fabrics at our Nonwoven Fabric Facilities.

Our production facilities are situated in Jinjiang, Fujian Province with a total designed capacity of over approximately 1,000 million pieces per annum as at 31 December 2023. Our Jinjiang Production Facilities had a total of 16 production lines producing our core products, each primarily comprising a full-servo machine as at 31 December 2023. We have been awarded with a number of certifications, including but not limited to Categories I and II medical device production licences. Due to the mechanical design of our production machines, the usage of our production lines are not interchangeable, and they can only be used to produce specific types of hygienic disposables. Our production lines are generally fully automated in all material aspects.

We own all of our production machinery and equipment. The average life span of our production machines and equipment is approximately 10 years under normal usage and fair wear and tear and their average remaining useful lives ranged from approximately zero to eight years as at 31 December 2023. We have implemented a comprehensive maintenance system for our facilities and equipment, including scheduled downtimes for maintenance and repairs and regular inspections of facilities and equipment. We carry out cleaning and maintenance of our production machinery and equipment on a monthly basis to prolong their useful life. We did not experience any material or prolonged interruptions to our production process due to equipment or machinery failure during the Track Record Period.

Below is a summary of the annual production capacity in terms of the number of products produced and utilisation rates for each of our product categories in our production facilities for the periods indicated.

	FY2021			FY2022			FY2023		
Product category	Number of production lines	Designed capacity(1)	Utilisation rate(2)	Number of production lines	Designed capacity(1)	Utilisation rate(2)	Number of production lines	Designed capacity(1)	Utilisation rate(2)
		approximately '000 pieces/year	*approximately*		*approximately '000 pieces/year*	*approximately*		*approximately '000 pieces/year*	*approximately*
(i) Existing production facilities									
Babycare									
– Baby diapers	4	262,080	41.0%	4	262,080	50.5%	4	262,080	85.3%
– Baby pants	5	345,072	58.7%	6	421,512	82.8%	8	587,496	83.4%
Feminine care	1	61,152	1.5%	1	61,152	34.9%	2	144,144	138.3%
Adult incontinence	2	54,600	13.7%	2	54,600	7.4%	2	54,600	14.7%
Total	**12**	**722,904**		**13**	**799,344**		**16**	**1,048,320**	
(ii) New production line pursuant to ongoing capital expenditure in FY2024									
Feminine care							2	165,984	
Total							**17(3)**	**1,153,152**	
(iii) New production line pursuant to planned capital expenditure in FY2025 and onward									
Babycare							[3]	[323,232]	
Feminine care							[1]	[82,992]	
Total							**[21]**	**[1,559,376]**	

Notes:

(1) The designed capacity is the maximum number of products which can be produced at our facilities based on 260 effective production days per year and 14 hours per day assuming full year operation.

(2) The utilisation rate is calculated by dividing the actual number of products produced during the relevant period by the production capacity, based on the operation days for the same period.

(3) One of our existing feminine care production lines was replaced by a newly acquired one.

As stated above, the basis for calculating the utilisation rate of our feminine care products lines is based on the usual two shifts in total of 14 hours which is constantly applied to the calculation of the utilisation rates of other production lines. The utilisation rate of our feminine care product production lines reached approximately 138.3% for FY2023. However, in reality, due to an explosive growth of our D2C feminine care product sales in FY2023, in order to cope with the increased demand for our feminine care products, we have arranged workers in three shifts instead of the usual two shifts totalling approximately 21 hours. Based on this, the utilisation rates of our feminine care production lines would be approximately 92.2%. In this regard, we entered into a contract to acquire full-servo machine for setting up two additional feminine care production lines at a consideration of approximately RMB10.8 million, of which approximately RMB6.9 million as capital commitment has been committed. See "Financial Information — Capital Expenditures and Commitments" for details.

We also possess our own nonwoven fabric production facilities strategically located in Shishi, Fujian Province in close proximity to our production facilities, enabling us to continuously optimise our production costs and uniform product quality. Our Nonwoven Fabric Facilities offers a wide range of hygiene nonwoven fabric manufacturing technologies, such as web forming and finishing including air-through, spunlace and bicomponent.

Below is a summary of the annual production capacity in terms of the amount of nonwoven fabrics manufactured and utilisation rates for our nonwoven fabrics in our production facilities for the periods indicated.

	FY2021			FY2022			FY2023		
Nonwoven fabric category	Number of production lines	Designed capacity(1)	Utilisation rate(2)	Number of production lines	Designed capacity(1)	Utilisation rate(2)	Number of production lines	Designed capacity(1)	Utilisation rate(2)
		approximately tonnes/year	*approximately*		*approximately tonnes/year*	*approximately*		*approximately tonnes/year*	*approximately*
(i) Existing production facilities									
Spunlace	2	6,916	31.2%	2	6,916	54.4%	2	6,916	94.5%
Air-through	1	4,004	96.5%	2	6,552	90.8%	2	6,552	98.9%
Bicomponent	–	–	–	–	–	–	1	1,310	86.2%
Total	**3**	**10,920**			**13,468**		**5**	**14,778**	
(ii) New production line pursuant to planned capital expenditure in FY2025 and onwards									
Advance							[2]	[7,352]	
Total							**[7]**	**[22,130]**	

Notes:

(1) The designed capacity is the maximum number of products which can be produced at our facilities based on 260 effective production days per year and 14 hours per day assuming full year operation.

(2) The utilisation rate is calculated by dividing the actual number of products produced during the relevant period by the production capacity, based on the operation days for the same period.

During the Track Record Period, the utilisation rate of our production lines fluctuated mainly due to changes in demand for different types of our products. Moreover, we conduct periodic repair and maintenance on our production lines to ensure production quality and efficiency, which idle time may also result in a decrease in the overall utilisation rate of our production lines. Adjustments or improvements to production lines from time to time and trial productions of new products may also result in a lower utilisation rate during the relevant periods.

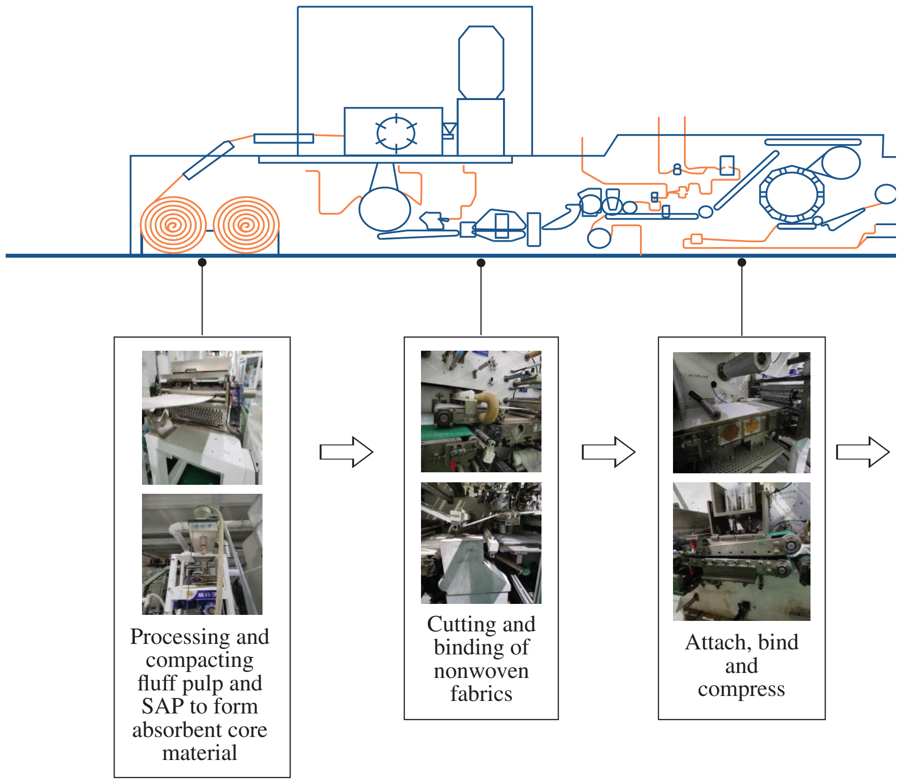
To cope with the everchanging customers' and consumers' demand, we will continue to make investment in babycare, feminine care and nonwoven fabrics facilities. See "— Our Business Strategies" for more details.

Our production process

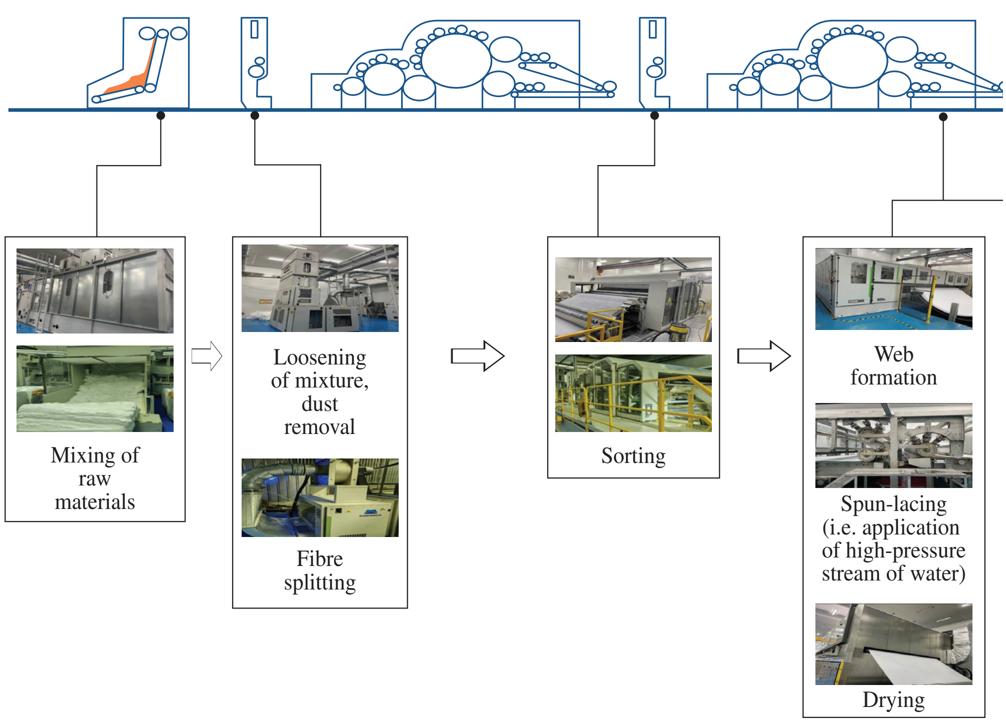
The typical production process of our end products generally involves the following steps: (i) fluff pulp is crushed and added with SAP to form core absorbent material; (ii) the core absorbent material is wrapped with paper to form a cotton core; (iii) nonwoven fabrics are cut to the appropriate size and assembled with other components, such as breathable film, elastic bands and waist patches (where applicable) to form the front and back layers of the product; (iv) the different layers are combined, cut and folded into the desired shape to form the end product; and (v) the end product is packaged into individual packaging by an automatic packaging machine, and are ready for shipment or storage in our warehouse subject to inspection, counting and final packing.

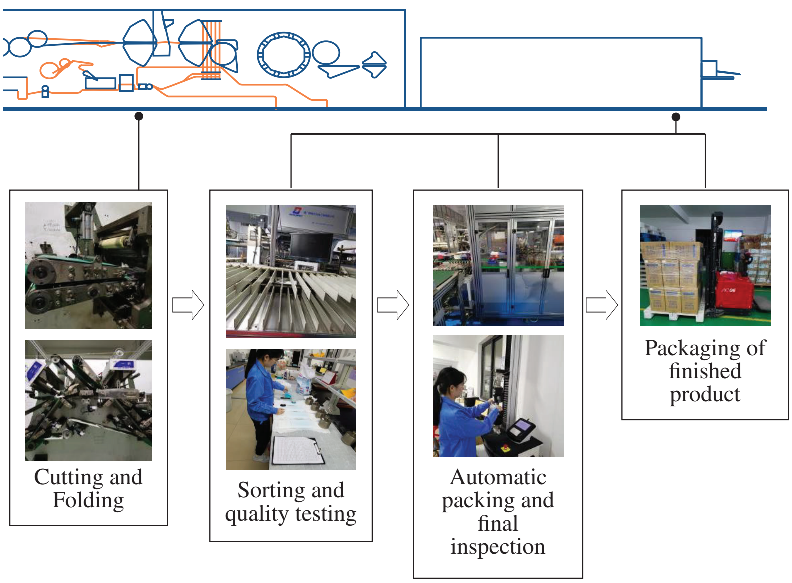
The following flow charts illustrate the general manufacturing process of diapers, pants, wipes and our nonwoven fabrics:

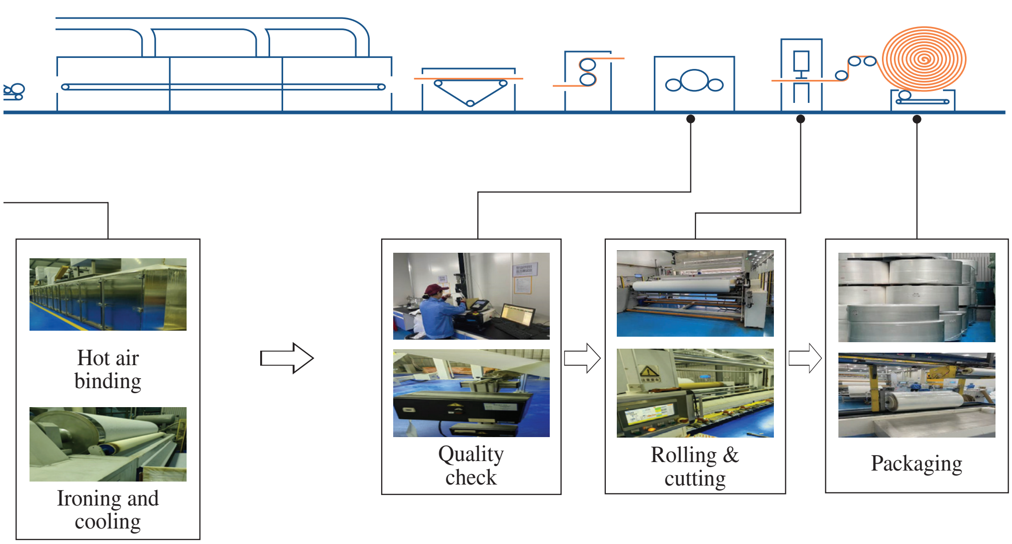
Diapers, pants and wipes



Nonwoven fabrics




Cutting and Folding
Sorting and quality testing
Automatic packing and final inspection
Packaging of finished product


Hot air binding
Ironing and cooling
Quality check
Rolling & cutting
Packaging

It typically takes no more than two days to complete the entire manufacturing process of all of our major products. In general, it also takes no more than two days to complete the entire manufacturing process of our nonwoven fabrics. During the Track Record Period, the lead time between orders from our customers and delivery of our end products and nonwoven fabrics was generally not more than approximately 45 and approximately 15 calendar days, respectively, depending on the availability and production complexity of the relevant product and taking into account the time required for shipment to our overseas customers.

OUR SUPPLIERS AND RAW MATERIALS

We maintained a diverse base of approximately 35 raw material suppliers as at 31 December 2023 to supply us with the principal raw materials we use, including fluff pulp, superabsorbent polymer, various kinds of chemicals such as polypropylene and high-density polyethylene, as well as packing materials. We source the majority of our materials from domestic suppliers and the majority of our material purchases are denominated in RMB. We also source certain raw materials, including fluff pulp and SAP, from overseas suppliers and such purchases were denominated in US dollars.

We only procure raw materials from companies that have satisfied our supplier evaluation. Our procurement department evaluates various aspects of a supplier, including its overall business operations, product quality, track record, and financial health. In addition, we follow all applicable laws and regulations in our procurement, and seek to only procure raw materials from legal and non-controversial sources of known origin. Some suppliers require payment in full before they supply their goods to us, while others typically provide us with a credit term of up to 60 days for our material purchases. We have not experienced any shortage of raw materials, quality issues with our raw materials or legality and non-compliance issues associated with our procurement during the Track Record Period that materially affected our operations.

We generally do not enter into any long-term purchase agreement with our suppliers. Our purchases are made on a purchase order basis. Due to the frequent price fluctuations of certain key raw materials, the purchase price for each batch of procurement is determined by both parties by referring to indicative prevailing market prices as mutually agreed. We specify the product type, unit price, quantity, delivery timeline and other detailed items in each purchase order we send to our suppliers from time to time. Delivery charges are generally borne by our suppliers. We may return defective products and seek replacements. We typically settle our trade payables in RMB by bank transfers.

We obtain fee quotes from multiple suppliers before each purchase to control our procurement costs and to manage fluctuations in raw material costs. In addition, based on our cost-plus pricing approach, we seek to pass on the increase in procurement costs to our customers. However, in order to maintain business relationships with our customers and level of market demand for our products, we may not be able to increase our product prices to cover the increase in raw material costs. See "Financial Information — Significant Factors Affecting Our Results of Operations and Financial Condition — Availability and costs of our critical raw materials" for a sensitivity analysis of our raw material costs and "Risk Factors — Risks Related to Our Industry and Business — Our business and financial performance could be materially affected by fluctuations in the price of raw materials" for details of the associated risks.

Our major suppliers

The table below sets out information of our top five suppliers for each of the respective periods indicated:

FY2021

Rank	Supplier	Background and business nature	Principal items supplied	Year of commencement of business relationship	Credit and payment terms	Payment method	Transaction amount	% of our purchase cost
							(RMB'000) approximately	*approximately*
1 . . .	Supplier A	See Note 1.	Fluff pulp	2018	Payment in full before shipment	Letter of credit	41,997	21.2
2 . . .	Supplier B	See Note 2.	Nonwoven fabrics	2020	30 days	Bank transfer	20,026	10.1
3 . . .	Supplier C	See Note 3.	Superabsorbent polymers	2021	30 days	Bank acceptance notes	10,642	5.4
4 . . .	Supplier D	See Note 4.	Adhesives for hygienic disposables	2013	30 days	Bank acceptance notes	9,469	4.8
5 . . .	Supplier E	See Note 5.	Polypropylene	2021	Prepayment	Bank transfer	7,141	3.6
							89,275	45.1

FY2022

Rank	Supplier	Background and business nature	Principal items supplied	Year of commencement of business relationship	Credit and payment terms	Payment method	Transaction amount	% of our purchase cost
							(RMB'000) approximately	*approximately*
1 . . .	Supplier A	See Note 1.	Fluff pulp	2018	Payment in full before shipment	Letter of credit	54,296	18.7
2 . .	Supplier C	See Note 3.	Superabsorbent polymers	2021	30 days	Bank acceptance notes	21,991	7.6
3 . .	Sumitomo Seika (China) Co., Ltd.*	See Note 6.	Superabsorbent polymers	2022	Prepayment	Bank transfer	20,345	7.0
4 . . .	Supplier F	See Note 7.	Synthetic fibre for manufacturing of nonwoven fabrics	2022	Prepayment	Bank transfer	18,369	6.3
5 . . .	Supplier D	See Note 4.	Adhesives for hygienic disposables	2013	30 days	Bank acceptance notes	13,928	4.8
							128,929	44.4

FY2023

Rank	Supplier	Background and business nature	Principal items supplied	Year of commencement of business relationship	Credit and payment terms	Payment method	Transaction amount	% of our purchase cost
							(RMB'000) approximately	*approximately*
1 . . .	Sumitomo China	See Note 6.	Superabsorbent polymers	2022	Prepayment	Bank transfer	44,032	13.4
2 . . .	Supplier F	See Note 7.	Synthetic fibre for manufacturing of nonwoven fabrics	2022	30 days	Bank transfer	29,746	9.0
3 . . .	Supplier G	See Note 8.	Superabsorbent polymers	2021	60 days up to a credit limit of RMB2 million; payment in full if exceeding such limit	Bank transfer	27,113	8.2
4 . . .	Supplier A	See Note 1.	Fluff pulp	2018	Payment in full before shipment	Letter of credit	22,756	6.9
5 . . .	Supplier D	See Note 4.	Adhesives for hygienic disposables	2013	30 days	Bank acceptance notes	17,258	5.2
							140,905	42.7

Notes:

1. Supplier A comprises (i) a U.S. company established in 2006 principally engaged in manufacturing and sales of fluff pulp and paper products ("**Supplier A1**"); and (ii) its Hong Kong exclusive agent after its business transition since November 2022. Based on public information, Supplier A1 is a leading pulp and paper company, formerly listed on the New York Stock Exchange until November 2021 upon completion of its merger with its current parent company, a privately owned pulp and paper manufacturer headquartered in Canada. Immediately prior to its privatisation, Supplier A1 had a market capitalisation of over approximately US$2.7 billion.

2. Supplier B is a privately-owned PRC company principally engaged in manufacturing and sales of nonwoven fabrics with a registered share capital of RMB8 million. Based on public information, it has over approximately 100 employees.

3. Supplier C is a PRC wholly owned subsidiary of a leading Chinese chemicals manufacturer listed on the Shanghai Stock Exchange and included in the SSE 50 Index which recorded revenue and net profit of over approximately RMB175 billion and over approximately RMB16 billion for FY2023, respectively, net assets of over approximately RMB88 billion as at 31 December 2023 and a market capitalisation of over approximately RMB279 billion as at 30 April 2024.

4. Supplier D is a PRC company listed on the Shenzhen Stock Exchange principally engaged in the manufacturing and sales of hot-melt adhesives for hygienic disposables, which recorded revenue and net profit of over approximately RMB1.6 billion and over approximately RMB100 million for FY2023, respectively, net assets of over approximately RMB1.5 billion as at 31 December 2023 and a market capitalisation of over approximately RMB2.5 billion as at 30 April 2024.

5. Supplier E is a privately-owned PRC company principally engaged in wholesale of plastics and chemical products with a registered share capital of RMB10 million. Based on public information, it has over approximately 15 employees.

6. Sumitomo China is a PRC wholly owned subsidiary of Sumitomo Seika Chemicals Company, Ltd., a leading Japanese chemical products manufacturer listed on the Tokyo Stock Exchange (stock code: 4008) which recorded revenue and net profit of over approximately US$1 billion and over approximately US$60 million for the year ended 31 March 2023, respectively, net assets of over approximately US$600 million as at 31 March 2023 and a market capitalisation of over approximately US$400 million as at 30 April 2024.

7. Supplier F is a PRC subsidiary of a leading Chinese developer and manufacturer of polyester filament yarns listed on the Main Board of the Stock Exchange which recorded revenue and net profit of over approximately RMB17 billion and over approximately RMB350 million for FY2023, respectively, had net assets of over approximately RMB10 billion as at 31 December 2023 and a market capitalisation of over approximately RMB8 billion as at 30 April 2024.

8. Supplier G is a privately-owned PRC company principally engaged in manufacturing and sales of superabsorbent polymers and other chemical products with a registered share capital of RMB220 million. Based on public information, it has over approximately 800 employees.

To the best knowledge and belief of our Directors, none of our Directors or Shareholders who own more than 5% of the issued share capital of our Company immediately following completion of the Capitalisation Issue and the [**REDACTED**], nor any of their respective associates, had any interest in any of the five largest suppliers of our Group during each year of the Track Record Period.

Salient terms of typical purchase transactions with our major suppliers

We generally procure raw materials on a purchase order basis. Set out below are the salient terms of our purchase orders which we generally issue to our suppliers:

Product description and order details.	:	Specifications of the product to be ordered including type, product code (if any), purchase volume and unit price.
Credit terms	:	Our suppliers generally require us to pay the purchase price in full in advance or grant us a credit period of not more than 60 days.
Payment method	:	Generally by bank transfer or bank acceptance notes with maturities of less than six months in RMB.

Logistics arrangement . . .	:	Delivery date, method and destination, generally on FOB terms for delivery by overseas suppliers. Our suppliers generally bear the freight, insurance and other associated costs.
Quality and acceptance . .	:	We are entitled to inspect the products before acceptance, and to reject any products that do not meet our quality requirements or otherwise not conforming to our specifications in the purchase order.
Termination	:	Not specified in the purchase order.

In addition, to help us maintain our long-term relationship with our major suppliers, we have entered into annual supply framework agreements with a few of our major suppliers which set out our key cooperation terms, including but not limited to term, scope of products to be provided, logistic arrangements, credit terms, payment method and termination. Particulars of each order, including type, quantity, price and date of delivery, are to be specified in each purchase order we make. These framework agreements do not impose any minimum or fixed purchase requirement on us.

PRODUCT DEVELOPMENT

We place great emphasis on research and development. Our research and development activities mainly focus on developing new products as well as improving our existing products and production processes. As at 31 December 2023, we had two new product series in the pipeline at various stages of development. We believe that our effort and capabilities in research and development give us a competitive edge to set us apart from our competitors in the baby and personal hygienic disposables market, as reflected by our certification as a National High and New Technology Enterprise (國家高新技術企業) with the latest approval obtained in December 2023 and effective up to December 2026.

In each year during the Track Record Period, our research and development costs were approximately RMB9.8 million, RMB12.9 million and RMB20.6 million, respectively, accounting for approximately 3.7%, 3.2% and 3.2%, respectively, of our revenue during the same periods. We plan to continue to invest in product design, research and development and focus on innovations in order to remain competitive.

Our in-house research and development efforts

We have focused on product design and development which enables us to timely refine existing products and develop new products to cater to changing demands of our customers and maintain our competitiveness. As at 31 December 2023, we had an in-house research and development team of over 30 personnel with an average experience of more than six years in the baby and personal hygienic disposables industry.

We adopt a market-oriented product development approach. We closely monitor the types of competing products available on the market, and our sales and marketing team and business customers also provide us with direct customer feedback to assist in our product development efforts. As such, we are able to enhance our research and development capabilities and stay abreast of the latest developments in the industry which enables us to respond swiftly to market changes.

Our research and development process is typically as follows:

Market research and analysis ⇨ Project proposal ⇨ Initial feasibility study ⇨ Trial production and data collection ⇨ Final feasibility assessment ⇨ Pilot production and customer trial ⇨ Improvement of product designs and production process ⇨ Commercial production and launch

Our research and development effort also extends to the manufacturing of our nonwoven fabrics. We strive to improve the design and workmanship of our nonwoven fabrics in tandem with the development and optimisation of our finished products, as well as to better serve our potential nonwoven fabric customers. As at 31 December 2023, our nonwoven fabrics offering primarily included (i) air-through nonwoven fabrics (熱風無紡布), where fabrics are formed by applying hot air on webs of fibre to cause bonding and are commonly used for back sheet of diapers and sanitary pads; (ii) spunlace nonwoven fabrics (水刺無紡布), where fabrics are formed by applying a high-pressure stream of water on fibres to cause entangling, and generally performs better than other types of nonwoven fabrics in absorbency, flexibility and breathability, and are commonly used in wipes, home furnishing products and filtering products; and (iii) bicomponent nonwoven fabrics (雙組份無紡布), where fabrics are formed by spinning, stretching and spreading synthetic fibres and are commonly used in the production of sanitary products. Our Directors believe that we are one of the few domestic D2C brands that manufacture our own nonwoven fabrics, enhancing our overall recognition and competitiveness in the industry.

INVENTORY MANAGEMENT, WAREHOUSING AND LOGISTICS

Inventory management

Our inventory primarily consists of finished products and raw materials including packaging materials. We have implemented an effective inventory control system that requires close coordination among our various departments, including our sales, marketing, raw material procurement, production, quality control and storage departments to ensure that raw materials procurement meets production requirements, and production and storage meets sales projections and actual demand. The shelf life of our finished products are generally three years.

We produce an annual master budgeting plan based on our production plan, sales forecast and existing inventory level, which is subject to adjustment from time to time according to the actual purchase orders we receive. We believe that we effectively manage our inventory at a reasonable level by considering historical sales and conducting regular assessments. This approach minimizes storage space and carrying costs, enhances working capital efficiency, and reduces the risk of product ageing during storage. We consider these factors are crucial for maintaining our stringent quality control policy.

In order to maintain accurate inventory records, we conduct full stocktake at least once every year and assess the effectiveness of our historical inventory levels on a regular basis.

Warehousing facilities

To support our sales across different business segments and demands from different customers, including our D2C e-commerce sales which require fast and accurate fulfilment of small-item, high-variability orders, we had built fully automated warehouse strategically located next to our production facilities for seven storeys with a total GFA of approximately 8,800 sq.m. and total storage capacity of over approximately 50 million pieces. It is equipped with fully automated material handling equipment, warehouse execution systems, and automatic inventory and shipment identification that allows autonomous and intelligent action that can pick, move, and pack packages, while conveying packages to loading docks and trucks. The highly-automated sorting technology is capable of sorting over approximately 900,000 pieces per hour. It requires minimal human workers to monitor the automation systems only.

Our automated storage and retrieval system in our Jinjiang Production Facilities facilitates efficient storage and retrieval, monitoring and record-keeping of finished products, stored immediately after production. This vertical integration from supply chain management to distribution allows greater cost control and efficiency. We believe this seamless sourcing-to-manufacturing-to-inventory connection enabled by automation is key to maintaining attractive margins as production scales. Furthermore, our modern warehouses enhance inventory tracking and forecasting accuracy, which proves particularly beneficial for rapidly growing online sales. Real-time inventory visibility allows close coordination of sales and production planning to avoid shortages or excess. Our integrated facilities establish a robust supply chain, improving inventory turnover while ensuring timely order fulfilment and capacity to meet demand fluctuations. In each year during the Track Record Period, the average utilisation rate of our automated warehouse in our Jinjiang Production Facilities was approximately 92.9%, 95.8% and 97.6%, respectively.

Logistics

We engage logistics service providers for products delivery, comprising over approximately 60 services providers as at 31 December 2023. We typically enter into annual transportation agreements. We select logistics services providers on the basis of their track record, distribution network coverage and scale of operation. All logistic service providers were Independent Third Parties save for Jinjiang Zhihua Logistics Co., Ltd.* (晉江市志華物流有限公司) ("**Zhihua Logistics**"). Zhihua Logistics is a company wholly owned by Mr. Gao Yue, our executive Director. See "Continuing Connected Transactions — Summary of Continuing Connected Transaction — Service Agreement" for details.

With respect to Branded Product Business, we engage logistics service providers to deliver our products by road from our production facilities directly to customers and consumers across China. We generally dispatch the relevant products within 24 hours after a purchase order is made through one of our online sales channels and, in general, we bear the corresponding logistics costs.

For our overseas customers, we deliver our products in accordance with our contract with them on FOB terms, under which the risks of loss or damage of goods transported are passed to our customers when the products are on board of the vessel. We normally arrange delivery of our products to the port in China for shipment designated by our overseas customers through logistics service providers we engage on substantially the same terms as those for delivery to our customers within China.

We are also responsible for handling export clearance and domestic transportation and bear the associated costs, while our overseas customers will generally be responsible for the international shipment cost and import duties of the importing countries. Our staff may handle the relevant procedures, while we may also engage third party agents to handle such procedures on our behalf. Among such third party agents is Jinjiang Foreign Trade, a company which was owned as to 30% by Mr. Ngan, our founder, Chairman, and Controlling Shareholder prior to his disposal of such interests in April 2024. See "Relationship with Our Controlling Shareholders — Our Controlling Shareholders" for details.

QUALITY CONTROL

We emphasise quality control in all aspects of our production processes from the sourcing of raw materials to manufacturing, packaging, storage and transportation, with a view to ensuring the highest quality standards. In order to monitor the production quality and ensure that our products meet all our internal benchmarks and requirements, we have implemented various quality-control checks into our production process.

Our Jinjiang Production Facility is ISO 9001 (Quality Management System) and ISO 14001 (Environmental Management System) certified. Our manufacturing standards are based on relevant national standards and industry standards, including any standards as may be specified in our contracts with our customers, and are updated according to any changes of such national and industry standards. During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaint on quality standards or product return due to quality issues. To uphold our stringent quality standards, we maintain a Cleanroom in our Jinjiang Production Facilities in compliance with national standards onsite to facilitate our research and product development activities.

Quality control team

We have established a quality management team and devote significant resources to quality management of our products. As at 31 December 2023, we had 18 staff in our quality management team. The quality management team is responsible for ensuring that we are in compliance with all applicable laws, regulations and internal policies as well as conducting relevant tests and inspections. It also collects and analyses feedback on complaints from our customers in order to improve the quality of our products.

Quality control process

We only purchase raw materials from suppliers who have passed our quality and reliability assessment and have been admitted to our list of qualified vendors. Our quality management team inspects incoming raw materials upon delivery, and we return materials that fail to pass inspection and seek replacement at no additional cost. We assess our suppliers regularly and those who fail our evaluation are removed from our qualified vendor list. None of our suppliers who had business relationship with us failed the evaluation during the Track Record Period.

We implement rigorous quality control throughout the entire production process. We conduct quality checks at critical control points to ensure proper operations and detect any contamination or impurities that could impact our product quality. We also conduct comprehensive production process inspections throughout the entire production process to ensure that all of our production equipment and machinery satisfy national hygiene and safety standards. After the production process has finished, we also ensure that the packaging in strict accordance with national standard requirements. Our production personnel are required to go through dust elimination process periodically when they are on duty.

COMPETITION

The markets in which we operate are highly competitive and rapidly evolving, with many new brands and product offerings emerging in the marketplace. According to the Frost & Sullivan report, the baby and personal hygienic disposable market in China has polarised into luxury premium segment dominated by international and established brands on one hand; and on the other hand affordable premium segment with around 500 players in 2023. Certain of our competitors are multinational corporations that may have greater financial, marketing, research and development or other resources than we do, as well as greater market share within certain of our categories or geographic markets. We also face significant competition from smaller players, especially, emerging D2C brands which have benefited from the substantial growth in e-commerce and focus extensively on D2C or other non-traditional, digital business models. In addition, competition is likely to intensify in the overseas markets as we may be required to compete with other contract manufacturers in the areas of product innovation, manufacturing capabilities and operational efficiency. Our Directors consider that our consumer-centric and products on-demand capability with proven track record can differentiate ourselves and tap into growth opportunities in the industry.

EMPLOYEES

As at 31 December 2023, we had 467 full-time employees in the PRC. A breakdown of our employees by function as at 31 December 2023 is set forth below:

	Number of Employees
Senior management	5
Production and procurement	248
Sales and marketing	117
R&D and quality control	49
Finance	24
Administration and human resources	14
Warehousing and logistics	10
Total	467

Recruitment

We do not use any employment agent. We currently recruit our employees primarily through on-campus recruiting programmes and posting advertisements on recruitment websites. We enter into individual employment contracts with our employees to cover matters such as wages, employee benefits, safety and sanitary conditions in the workplace, confidentiality obligations for commercial secrets, and grounds for termination. Our employment contracts with our senior management and core research and development personnel also impose confidentiality obligations on them.

Remuneration and benefits

As required under the applicable PRC laws and regulations, we are obliged to provide our employees with social welfare schemes covering pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance, housing provident funds and housing benefits. The total amount of social insurances premiums we paid for employee benefit plans for each year during the Track Record Period was approximately RMB0.5 million, RMB0.7 million and RMB0.7 million, respectively. We have established a labour union and our employees may join the labour union voluntarily. We have not experienced any significant difficulty in recruiting employees nor have we had any significant staff compensation or labour disputes. We consider we have maintained satisfactory relations with our employees.

Training

We believe our success depends heavily upon our employees' provision of consistent, quality and reliable services. In order to attract, retain and develop the knowledge, skill level and quality of our employees, we place a strong emphasis on training our employees. We provide training periodically and across operational functions, including introductory training for new employees, technical training, professional and management training, team-building and communications training.

INSURANCE

We maintain insurance policies to safeguard against risks and unexpected events. We purchased property insurance covering our facilities, machinery and inventories in our warehouses and general product liability insurance. We also purchased motor vehicle insurances and participate in government sponsored social security programs including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. As is typical in the PRC, however, we do not maintain business interruption insurance, including insurance for natural disasters or general third-party liability insurance, or key-man life insurance. Our Directors believe that our Group's insurance policies are adequate and consistent with the common industry practice in the PRC.

OCCUPATIONAL HEALTH AND SAFETY

We have established work safety policies and procedures to ensure that our operations are in compliance with applicable work safety laws and regulations. As confirmed by our PRC Legal Advisers, we are currently in compliance with all applicable work safety laws and regulations. Our operations are subject to regulation and periodic monitoring by local work safety authorities. If we fail to comply with present or future laws and regulations, we would be subject to fines, suspension of business or cessation of operations.

During the Track Record Period, we did not experience any material accidents during our manufacturing process.

PROPERTIES

Owned properties

As at the Latest Practicable Date, we owned all our production facilities and warehouse used in our production process, which are located in Quanzhou, Fujian Province for non-property activities as defined under Rule 5.01(2) of the Listing Rules. In addition, we owned an industrial real estate development in Chuzhou, Anhui Province ("**Chuzhou Property**") which is currently leased out to independent third parties, details of which are set out in the property valuation report from BonVision International Appraisals Limited, an independent property valuer, in Appendix III to this document. The following table sets out a summary of our owned properties as at the Latest Practicable Date:

Address	Registered owner	Site area	Number of Properties	Usage/ permitted use	Gross floor area
		(sq.m.) *(approx.)*			*(sq.m.)* *(approx.)*
1. Jinjiang Site					
Intersection of Zhizao Avenue and Wu'an Road, Jinjiang City, Quanzhou, Fujian Province (福建省泉州市晉江市智造大道與梧安路交叉口)	Insoftb	36,609	5	Factory, warehouse, office and dormitory for use in our Jinjiang Production Facilities	49,873
2. Shishi Site					
No. 28 Caobing North District, Hongshan Road, Hongshan County, Shishi City, Quanzhou, Fujian Province (福建省泉州市石獅市鴻山鎮鴻山路草柄北區28號)	Insoftb New Material	41,970	7	Factory and warehouse for use in our Nonwoven Fabric Facilities	28,008
3. Chuzhou Property					
488 Suzhou North Road, Langya District, Chuzhou City, Anhui Province, the PRC (安徽省滁州市琅琊區蘇州北路488號)	Chuzhou Insoftb	66,502	7	Factory and office	18,182

As advised by our PRC Legal Advisers, save as disclosed in "— Legal Proceedings and Non-compliance" and "Risk Factors", our ownership of the land use rights in our owned properties and the lease of our Chuzhou Property to independent third parties were in compliance with the applicable PRC laws and regulations in all material respects as at the Latest Practicable Date.

Leased properties

The following table sets out a summary of our leased properties from Independent Third Parties as at the Latest Practicable Date:

Address	Gross floor area	Usage	Term	Rent
	(sq.m.) (approx.)			*(RMB) (approx.)*
1. Room 501, No. 95 Anling 2nd Road, Huli District, Xiamen, Fujian (福建省廈門市湖里區安嶺二路95號501室)	636.2	Sale office	15 August 2023 to 14 August 2026	74,435 every three months
2. Floor 2-3, Public Housing Building No. 3, Yuanxing Industrial Park, Shishi, Fujian (福建省石獅市元興工業園公租房3號樓2-3層) . . .	2,194.76	Dormitory	5 December 2023 to 4 December 2026	6,584 per month

Non-registration of lease agreements

As at the Latest Practicable Date, certain lease agreements entered into between Insoftb China and our other PRC subsidiaries and the lease agreement for our office premises in Xiamen have not been registered with the relevant PRC authorities.

As advised by our PRC Legal Advisers, the non-registration of the lease agreements will not affect the validity of such lease agreements. However, we, either as landlord or as tenant, may be subject to a risk of being imposed with administrative penalties ranging from RMB1,000 to RMB10,000 for each unregistered lease agreement if such lease agreement was not registered within a specified time frame upon request by the relevant municipal land and real estate administration bureau. As at the Latest Practicable Date, we had not received any such request. Further, some of our leases may be deemed invalid due to the absence of valid title or proper authorisation, and we may be subject to the risk of cessation of use. In the case of us having to cease our operations, our Directors do not anticipate any material difficulty in identifying comparable alternative premises for our operations.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

There were no material litigation or arbitration or administrative proceedings pending or threatened against our Group or any of our Directors which could have a material adverse effect on our Group's financial condition or results of operations as at the Latest Practicable Date. We may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of our business.

Save as disclosed below, our Directors, as advised by our PRC Legal Adviser, confirm that during the Track Record Period and up to the Latest Practicable Date, we have complied with all relevant PRC laws and regulations in all material respects and have obtained all requisite licenses, approvals and permits from relevant regulatory authorities for our operations in the PRC. The following sets out the details of our non-compliance incidents during the Track Record Period:

Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and other measures
1. Property interests related			
(a) Land and buildings on the Jinjiang Site with title defects			
During the Track Record Period and up to the Latest Practicable Date, we have not completed the obtaining of the land use right certificate (土地使用權證書) with an aggregate site area of approximately 14,806 sq.m. in our Jinjiang Production Facilities. As we had not yet obtained the land use right certificate for the Jinjiang Land, we could not obtain the building ownership certificates (房屋所有權證書) and the relevant construction permits for the buildings built thereon, with an aggregate gross floor area of approximately 49,873 sq.m, which were used by our Group for production, warehousing, office and dormitory use in respect of our Jinjiang Production Facilities. In addition, we have not yet completed the inspections of fire safety and acceptance (消防驗收) and construction acceptance (建設工程竣工驗收) in respect of our Jinjiang Production Facilities.	Due to the COVID – 19 pandemic, additional time was required for the approval of the relevant authorities for converting the use of the Jinjiang Land from collective agricultural land to construction land. which was successfully granted on 13 December 2023. Shortly after that, we have submitted necessary documents to Jinjiang Natural Resources Bureau (晉江市自然資源局) for application of the land use right certificate of the Jinjiang Land. The application is currently being processed by Jinjiang Natural Resources Bureau and the land use right certificate of the Jinjiang Land will be granted to us upon going through the relevant procedures. As we have not yet obtained the land use right certificate of the Jinjiang Land, we are unable to obtain the relevant permits and certificates in respect of the buildings constructed thereon.	As advised by our PRC Legal Advisers, we may face the risks of (i) not being able to prove our title to the Jinjiang Land for lack of land use right certificate if there arises a dispute over land ownership, (ii) not being able to dispose, transfer, lease or mortgage the Jinjiang Land and the buildings constructed thereon in accordance with the PRC laws and regulations; and (iii) being requested to rectify such incidents, demolish the buildings on the Jinjiang Land and paying penalties for not obtaining planning and construction certificates. As advised by our PRC Legal Advisers, the maximum exposure for not completing the fire safety inspection procedures is a fine of RMB30,000 or more and RMB300,000 or less, and if the Jinjiang Facilities fails to complete or pass the fire safety inspection, we may be ordered to suspend the production and business operations of the Jinjiang Facilities. In addition, if the buildings have been delivered for use prior to completion of inspection acceptance, the competent authority may order rectification and impose a fine of 2% or more and 4% or less of the contract price of the construction projects.	(i) We have conducted an interview with and obtained confirmations from the competent PRC governmental authorities that (i) there had been no administrative penalty imposed on us for our use of the Jinjiang Land and related properties in respect of our Jinjiang Production Facilities during the Track Record Period and up to the Latest Practicable Date, (ii) we will not be subject to any administrative penalties for our use of such properties and (iii) the Group meets the requirements for obtaining relevant real estate certificates and is expected to obtain the land real estate certificate in a near future. (ii) Mr. Ngan, our Controlling Shareholder, has given an undertaking to provide indemnities in respect of, any fines, late payment fees, damages, loses, attorney fees, litigation fees and public relationship costs which might be payable by our Group in relation to our Group's occupation of land and property before obtaining the certificate of title. See "Statutory And General Information – F. Other Information – 1. Deed Of Indemnity" set out in Appendix V to this document. (iii) Based on the confirmations from the PRC authorities and indemnities given by our Controlling Shareholder as stated above, our PRC Legal Advisers are of the view that (i) the risk that the relevant governmental authorities will impose a material administrative penalty on us, including suspending production and business operations, demolishing the buildings in a prescribed period and confiscating the buildings in respect of the Jinjiang Production Facilities, due to our use of such properties before completing the related procedures for obtaining the legal and beneficial titles, construction and other permits of the Jinjiang Land and related properties in respect of Jinjiang Production Facilities is remote, and (ii) there is no material legal impediment for us to obtain the legal and beneficial title of such properties in respect of Jinjiang Production Facilities if we submit the application along with the required materials and documents to the relevant governmental authorities to their satisfaction.

Particulars of non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and other measures
(b) Buildings on Shishi Site with title defects			
During the Track Record Period and up to the Latest Practicable Date, we have not completed the application of the building ownership certificates (房屋所有權證書) for the buildings built on the Shishi Site, with an aggregate gross floor area of approximately 41,970 sq.m, which were used by our Group for production and warehouse in respect of our Nonwoven Fabric Facilities. In addition, we have not yet completed the inspections of fire safety and acceptance (消防驗收) and construction acceptance (建設工程竣工驗收) in respect of our Nonwoven Fabric Facilities.	As the construction of our Nonwoven Fabric Facilities was completed in 2021 during the period of the COVID – 19 pandemic, time was required for application of the building ownership certificate and related permits of the buildings in our Nonwoven Fabric Facilities which is beyond our reasonable control. We have been undergoing the relevant procedures and the submission of the necessary documents to the Shishi Housing and Urban-Rural Development Bureau (石獅市住房和城鄉建設局) for such application. The application is currently being processed by Shishi Housing and Urban Rural Development Bureau.	As advised by our PRC Legal Advisers having taking into consideration the confirmations from the competent PRC governmental authorities, the lack of such building ownership certificate of the properties on the Shishi Site does not subject us to any administrative penalty under applicable PRC laws and regulations, but we may not transfer, mortgage or dispose of the underlying properties until we obtain the relevant building ownership certificates. As advised by our PRC Legal Advisers, the maximum exposure for not completing the fire safety inspection procedures is a fine of RMB30,000 or more and RMB300,000 or less, and if we fail to complete or pass the fire safety inspection, we may be ordered to suspend the production and business operations of the Nonwoven Fabric Facilities. In addition, if the buildings have been delivered for use prior to completion of inspection acceptance, the competent authority may order rectification and impose a fine of 2% or more and 4% or less of the contract price of the construction projects.	(i) We have conducted an interview with and obtained confirmations from the competent PRC governmental authorities, that (i) there had been no administrative penalty that was imposed on us for our use of the buildings constructed on the Shishi Site in respect of our Nonwoven Fabric Facilities during the Track Record Period and up to the Latest Practicable Date, (ii) we will not be subject to any administrative penalties for our use of such properties; and (iii) there is no substantial obstacles for our PRC subsidiary to obtain the relevant real estate certificate. (ii) Mr. Ngan, our Controlling Shareholder, has given an undertaking to provide indemnities in respect of, any fines, late payment fees, damages, loses, attorney fees, litigation fees and public relationship costs which might be payable by our Group in relation to our Group's occupation of land and property before obtaining the certificate of title to real estate by our Group. See "Statutory And General Information – F. Other Information – 1. Deed Of Indemnity" set out in Appendix V to this document. (iii) Based on the confirmations from the PRC authorities and the indemnity given by our Controlling Shareholders as stated above, our PRC Legal Advisers are of the view that (i) the risk that the relevant governmental authorities impose a material administrative penalty on us, including suspending production and business operations, demolishing the buildings in a prescribed period and confiscating the buildings in respect of the Nonwoven Fabric Facilities, due to our use of such properties before completing the certain related procedures for obtaining the building ownership certificates and related permits in respect of our Nonwoven Fabric Facilities is remote, and (ii) there is no material legal impediment for us to obtain the building ownership certificates and other permits in respect of our Nonwoven Fabric Facilities if we submit the application along with the required materials and documents to the relevant governmental authorities to their satisfaction.

Particulars of immaterial non-compliance incidents	Reasons for the non-compliance	Legal consequences and potential impact on our Group	Rectification actions and enhanced internal control measures
2. Under Social insurance and housing provident fund			
During the Track Record Period, we did not make full contributions to the social insurance and housing provident funds for certain employees in accordance with the applicable PRC laws and regulations. We estimate that the shortfall in the aggregate amount of contributions made by our Group to the employees' social insurance payments and housing provident fund contributions was approximately RMB4.9 million, RMB7.4 million and RMB9.3 million, respectively during the Track Record Period.	These non-compliance incidents were mainly due to insufficient understanding and incorrect interpretation by our human resource personnel in relation to the applicable PRC laws and regulations relating to social insurance and housing provident fund contribution.	As advised by our PRC Legal Advisers, our failure to timely pay the full amount of social insurance contributions for our employees may subject us to being required to pay or make up the corresponding amount within a period of time, and a late payment fee will be calculated from the date of non-payment. Our failure to pay after being required to make such payment may subject us to the fine of not less than one and not more than three times of the outstanding payment. As advised by our PRC Legal Advisers, our overdue non-payment or underpayment of housing provident fund may subject us to the payment within a period of time, and further failure to make such payment may subject us to the enforcement of the court at the application of the management authority of the provident fund. Based on (i) no punishment record stated in the credit reports during the Track Record Period; (ii) the current policy prohibiting organising centralised payment regarding historical shortfall contribution; (iii) the Company confirms that the relevant competent government authorities have not initiated any proceedings requesting us to make up for the shortfall amount or imposed any penalty on us; and (iv) the indemnities provided by the Controlling Shareholder, as advised by our PRC Legal Advisers, these non-compliance incidents are not expected to have any material adverse impact on our business operations and financial conditions.	As at the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Group to settle the outstanding amount of social insurance payments and housing provident fund contributions. As advised by our PRC Legal Advisers, according to the undertaking letter issued by Mr. Ngan, our Controlling Shareholder has given an undertaking to provide indemnities in respect of compensation responsibility for any loss caused to our Group due to these non-compliance incidents. We have adopted certain measures to strengthen our internal control in this regard, including (i) assigning our human resources department to be responsible for the calculation of the amount to be paid, and requiring them to provide a monthly updated list of social insurance and housing provident fund contributions to our management for review; and (ii) consulting our Legal Advisers on the relevant laws and regulations on social insurance and housing provident fund contributions from time to time. Our internal control consultant has reviewed the corresponding enhanced internal control policies which our Group has adopted. Based on the above, our Directors are of the view that the enhanced internal control measures adopted by our Group are adequate, effective and sufficient in preventing recurrence of similar future non-compliance.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, patents, trade secrets and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, customers and others to protect our product design, trade secrets and other intellectual property rights. As at 30 April 2024, we had obtained 339 registered trademarks in the PRC, and one registered trademark in Hong Kong. We also had three pending trademark applications in the PRC. In addition, as at 30 April 2024, we had obtained a total of 34 patents in the PRC, all of which being utility model patents, and had pending applications for another two invention patents. We also obtained seven copyrights in connection with the design of our products, and one domain name in the PRC as at the same date.

In addition, we engage third party professional solution providers to assist us in monitoring infringing products relating to our "Insoftb" branded products offered on various traditional e-commerce platforms. Once the solution providers identify potential infringements of our "Insoftb" trademark on the e-commerce platform, they will assist us in filing complaints to the relevant e-commerce platform. Our Directors believe this practice leads to a better marketing environment for our D2C online sales.

As at the Latest Practicable Date, we had not been sued for infringement of intellectual property rights by any third party, and we were not aware of any threatened material proceedings or claims relating to intellectual property rights against us. On the other hand, despite our best efforts, we cannot be certain that third parties will not infringe or misappropriate our intellectual property rights or that we will not be sued for intellectual property infringement. See "Risk Factors — Risks Related to Our Industry and Business — If our research and development efforts, trademarks, trade names, copyrights, patents and other intellectual property rights do not adequately protect our product design or trade secrets, we may lose market share to our competitors and be unable to operate our business profitably".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Overview

We are committed to fostering sustainable practices, promoting social responsibility, and maintaining strong governance standards, reflecting our dedication to Environmental, Social, and Governance ("ESG") principles. We will establish a set of ESG policies ("ESG Policy") in accordance with the standards of Appendix C2 to the Listing Rules, which outlined, among others, (i) the appropriate risk governance on ESG matters, including climate-related risks and opportunities, (ii) ESG strategy formation procedures, (iii) ESG risk management and monitoring, (iv) the identification of key performance indicator ("KPI") and (v) the relevant measurements and mitigating measures.

Our ESG Policy will set out different parties' respective responsibilities and authority in managing ESG matters. Our Board will have overall responsibility for overseeing and determining our environmental, social, and climate-related risks and opportunities impacting us, establishing and adopting the ESG Policy and our targets, and reviewing our performance annually against the ESG targets and revising the ESG strategies as appropriate if significant variance from the target is identified.

Our Board will establish an ESG working group to support our Board in implementing the agreed ESG Policy, targets and strategies; conducting materiality assessments of ESG related risks; collecting ESG data from different parties while preparing for the ESG report; and continuous monitoring of the implementation of measures to address our Group's ESG-related risks. The ESG working group has to report to our Board on an annual basis on our ESG performance and the effectiveness of the ESG systems.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material claim or penalty or accident in relation to health, work safety, social and environmental protection, as advised by our PRC Legal Advisers we had been in compliance with the relevant PRC laws and regulations in all material aspects.

Potential Impacts of ESG-related Risks

Given the nature of our business, we do not produce any material generation of emissions and wastes and no heavy pollutions. Nonetheless, we monitor environmental and climate-related risks that may impact on our business, strategy and financial performance as our key agenda. Supervised by our Board, we actively identify and monitor the ESG-related risks and opportunities, and we seek to incorporate such climate-related issues into our businesses, strategy and financial planning.

We regularly check and analyse the carbon emissions caused by our own business operations, and continuously explore solutions to reduce carbon emissions. Based on the tracking and review of emission indicators, we actively explored actions to reduce carbon emissions and disposal. Non-hazardous waste is handled by the property in compliance. During the track record period, we have not incurred significant capital expenditure or compliance costs related to climate and environmental protection.

Metrics and Targets

The ESG working group sets targets for each material KPI at the beginning of each financial year in accordance with the disclosure requirements of Appendix C2 to the Listing Rules and other relevant rules and regulations upon [**REDACTED**]. The relevant targets on material KPIs will be reviewed by the board on an annual basis to ensure that they remain appropriate to the needs of our Group. In setting targets for the KPIs, we have taken into account their respective historical levels and have considered our future business expansion thoroughly and prudently with a view of balancing business growth and environmental protection to achieve sustainable development.

We monitor the following indicators to assess and manage our environmental and climate-related risks arising from our business operations.

Indicators		**For year ended December 31,**		
		2021	**2022**	**2023**
		(approximately)	*(approximately)*	*(approximately)*
Greenhouse gases	Total greenhouse gas emission (tons of carbon dioxide)	8,234.4	11,614.4	18,810.7
	Total greenhouse gas emission per unit of revenue (tons of carbon dioxide/RMB in million)	31.3	28.5	28.7
	Year-over-year change of total greenhouse gas emission per unit of revenue	–	-8.9%	0.7%
Energy consumption	Total energy consumption (MWh)	14,626.8	21,319.9	34,554.7
	Total energy consumption per unit of revenue (MWh/RMB in million)	55.6	52.2	52.8
	Year-over-year change of total energy consumption per unit of revenue	–	-6.0%	1.0%
Water consumption	Total water consumption (m^3)	52,113.0	57,622.0	95,853.0
	Total water consumption per unit of revenue (m^3/RMB in million)	198.0	141.2	146.4
	Year-over-year change of total water consumption per unit of revenue	–	-28.7%	3.7%
Waste generation	Total amount of paper waste (tons)	N/A[1]	0.3	0.1
	Total amount of paper waste per unit of revenue (tons/RMB in million)	N/A[1]	0.0007	0.0002
	Year-over-year change of total amount of paper waste per unit of revenue	N/A[1]	N/A[1]	-71.4%

1. The data of paper waste is not available because no relevant information has been gathered in FY2021.

LICENCES, PERMITS AND APPROVALS

Our PRC Legal Advisers confirm that as at the Latest Practicable Date, we had obtained the requisite licences, permits, approvals and the relevant renewals in all material aspects which are necessary for our business and operation. Our Directors confirm and our PRC Legal Advisers concur, that during the Track Record Period and up to the Latest Practicable Date, our Group has not experienced any difficulties in renewing any of our licences, permits and approvals necessary for our business and operation in the PRC.

Below are the key licences, permits and approvals our Group currently holds, all of which are held by Insoftb China:

Licence/permit/approval	Issuing Authority	Publication Date/Duration
Medical-grade product certification certificate (醫護級產品認證證書)	China Health & Safety (Beijing) Certification Centre (中衛安(北京)認證中心)	24 November 2023 to 23 November 2026
Pollutant discharge permit (排污許可證)	Quanzhou Bureau of Ecology and Environment (泉州市生態環境局)	30 July 2023 to 29 July 2028
Disinfection product manufacturing enterprise hygiene permit (消毒產品生產企業衛生許可證)	Fujian Health and Family Planning Commission (福建省衛生和計劃生育委員會) and Quanzhou Health Commission (泉州市衛生健康委員會)	9 September 2022 to 8 September 2026
Medical device manufacturing permit (Category II – protective equipment for medical staff) (醫療器械生產許可證(二類 – 醫護人員防護用品))	Fujian Drug Administration (福建省藥品監督管理局)	1 June 2020 to 31 May 2025

CERTIFICATES, AWARDS AND RECOGNITIONS

Our reputation and products have won us a number of certificates, awards and recognitions. The table below sets forth certain key certificates, awards and recognitions held by us as at the Latest Practicable Date.

Certificate/Award/Recognition	Awarding/Publishing Body	Grant/Publication Date/Duration
Technology Small Giant Enterprise of Fujian Province (福建省科技小巨人企業) . . .	Fujian Provincial Department of Science and Technology (福建省科學技術廳), Fujian Provincial Development and Reform Commission (福建省發展和改革委員會), Fujian Provincial Department of Industry and Information Technology (福建省工業和信息化廳) and Fujian Provincial Department of Finance (福建省財政廳)	1 September 2021
Major drafting unit of the national standard for baby disposable diapers (GB/T24001.1-2021)	State Administration for Market Regulation (SAMR) (國家市場監督管理總局) and Standardisation Administration of China (中國國家標準化管理委員會)	13 April 2021
National High and New Technology Enterprise (國家高新技術企業)	Fujian Provincial Department of Science and Technology (福建省科學技術廳), Fujian Province Department of Finance (福建省財政廳) and Fujian Provincial Taxation Bureau of the State Taxation Administration (國家稅務總局福建省稅務局)	1 December 2020 to 30 November 2023; 28 December 2023 to 27 December 2026
Top 10 Enterprises in the PRC's Baby Diaper Industry in 2018 (2018年度中國嬰兒紙尿褲行業十強企業)	Household Paper Professional Committee of the PRC Paper Association (中國造紙協會生活用紙專業委員會)	16 April 2019
Fujian Famous Brands in 2016 (2016年度福建名牌產品) . . .	Fujian Provincial People's Government (福建省人民政府)	June 2017

INTERNAL CONTROL AND RISK MANAGEMENT

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an internal control consultant in September 2023 to conduct a review of our internal control system and to assist us in reviewing our internal control system. The Group enhanced the internal control system by taking into account the internal control review result by the internal control consultant. As our business continues to expand, we will continue to refine and enhance our internal control system to respond to the evolving requirements of our business operations. We will continue to review our internal control system to ensure due compliance with the applicable laws and regulations.

We have decided to adopt the following measures to ensure on-going compliance with the applicable laws and regulations and to strengthen our internal control upon [**REDACTED**]:

1. Our Board includes three Independent non-executive Directors to ensure transparency in management and fairness in business decisions and operations. Our independent non-executive Directors contribute to the enhancement of corporate value by providing advice and insights based on their extensive administrative experience and specialised knowledge;

2. establishing internal control policies and procedures on corporate governance, finance and auditing setting out the internal approval and review procedures pursuant to which our employees at different departments shall comply with, and the policies and procedures shall be reviewed periodically and approved by the Board;

3. supervision and guidance by our Audit Committee comprising our independent non-executive Directors which is empowered to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process etc; and

4. engage external professional advisers (including Compliance Adviser with effect from [**REDACTED**], as well as legal advisers as to Hong Kong laws, and tax advisers) to provide professional advice and guidance to our Group to ensure compliance with the applicable laws and regulations. We also expect our external professional advisers will provide internal training to our employees from time to time to ensure our employees are kept up-to-date to any legal and regulatory developments.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish an internal control system and procedures to enhance the control environment at both the working and management levels, and that the internal control measures are adequate and effective for our business operations.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Ngan beneficially owns approximately [90]% of our Shares through companies 100% directly or indirectly owned by him, namely, Softo BVI, Wish BVI, and Galaxey BVI. These companies are Mr. Ngan's investment holding entities with no operation other than holding our Shares. Softo BVI, Wish BVI, and Galaxey BVI are respectively holding approximately [58.95]%, [16.00]% and [15.05]% of our Shares as at the Latest Practicable Date. As such, for the purpose of the [**REDACTED**] and under the Listing Rules, Softo BVI, Wish BVI and Galaxey BVI, as well as Mr. Ngan, are considered as our Controlling Shareholders.

Immediately after completion of the [**REDACTED**], the Controlling Shareholders, namely, Mr. Ngan, Softo BVI, Wish BVI and Galaxey BVI will control, in aggregate, the exercise of voting rights of approximately [**REDACTED**]% of the Shares eligible to vote in the general meeting of our Company (assuming that the [**REDACTED**] is not exercised). None of our Controlling Shareholders or their respectively associates has any interest in any company which may, directly or indirectly, compete with the business of our Group as at the Latest Practicable Date.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save and except for the interest in our Group, Mr. Ngan, our Controlling Shareholder, individually owned 30% equity interest in Jinjiang Foreign Trade and also was the legal representative and a director since 2004 and up to the disposal of his entire equity interest therein on 24 April 2024. For the same period, the remaining equity interest in Jinjiang Foreign Trade was held by three individual Mainland Chinese and Jinjiang State-owned Assets Management Co., Limited (晉江市國有資產投資經營有限責任公司) (formerly held by Jinjiang Finance Bureau (晉江市財政局)), a PRC stated-owned enterprise, as to 60% and 10%, respectively, all of which are Independent Third Parties. Jinjiang Foreign Trade was initially established as a Chinese stated-owned entity and converted into a joint-stock company principally engaged in wholesaling, import and export trading and processing of children shoes and goods and other consumer goods in China. Having recognised its core strengths and network, Jinjiang Foreign Trade mainly provided custom declaration and clearing services for export trade to our Group since our inception in 2010. The agency fees paid by our Group to Jinjiang Foreign Trade were approximately RMB0.8 million, RMB0.8 million and RMB0.8 million in each year during the Track Record Period, respectively. See the section headed "Business — Inventory Management, Warehousing and Logistics — Logistics" for details.

Based on its audited accounts prepared by local auditors, Jinjiang Foreign Trade has recorded revenue of approximately RMB357.1 million, RMB737.1 million and RMB541.2 million, respectively, for the Track Record Period whereas it recorded net profit of approximately RMB0.1 million, RMB0.3 million and RMB0.3 million, respectively, for the same period. Other than our Group, Jinjiang Foreign Trade has served approximately more than 20 customers which has contributed to approximately 65%, 85% and 85% of its total revenue, respectively, for the Track Record Period. To focus on the development and growth of our Group, Mr. Ngan disposed of his entire equity interest in Jinjiang Foreign Trade to an Independent Third Party for a consideration of approximately RMB9.3 million pursuant to an equity transfer agreement dated 31 March 2024. Such consideration was determined based on an independent valuation of 100% equity interest of Jinjiang Foreign Trade as at 18 January 2024 prepared by an independent valuer. The disposal was completed and fully settled on 30 April 2024. Mr. Ngan also resigned as the legal representative and a director of Jinjiang Foreign Trade on 24 April 2024.

Save for Mr. Ngan being a common director of both our Group and Jinjiang Foreign Trade, the business and operation of our Group and that of Jinjiang Foreign Trade are independent of and separate from each other. As such, our Directors do not expect there will be any overlap nor competition between the business of our Group and Jinjiang Foreign Trade.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on its business independently of our Controlling Shareholders and their respective close associates after the [**REDACTED**]:

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the [**REDACTED**], our Board will consist of four executive Directors, one non-executive Director and three independent non-executive Directors. Please refer to the section headed "Directors and Senior Management" in this document for details. Mr. Ngan, one of our Controlling Shareholders, is our executive Director.

Our Directors believe that our Board and senior management have been and will continue to be able to independently manage our business and function independently from our Controlling Shareholders based on the following grounds:

(i) each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;

(ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between us and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;

(iii) our daily management and operations are carried out by our executive Directors and our senior management team. Other than Mr. Ngan, who is one of our Controlling Shareholders, the other executive Directors and senior management are independent from our Controlling Shareholders and have substantial experience in the industry in which our Company is engaged and/or business management in general, and will therefore be able to make business decisions that are in the best interest of our Group;

(iv) we have three independent non-executive Directors who have extensive experience in different professions. They have been appointed to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of our independent non-executive Directors from different backgrounds provides a balance of views and opinions; and

(v) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See "— Corporate Governance Measures" in this section below.

Having considered the above factors, our Directors are satisfied that our Board together with the senior management team as a whole is able to perform their roles independently from our Controlling Shareholders and close associates after the [**REDACTED**].

Operational Independence

We operate independently from our Controlling Shareholders and their respective close associates, including:

(i) we have established its own organizational structure, which comprises individual departments and each department has its own administrative and corporate governance infrastructure;

(ii) we hold all of the relevant licenses and intellectual property rights material to our business operation and has sufficient capital, facilities, equipment and employees to operate our business independently;

(iii) our Controlling Shareholders have no interest in any of our top five suppliers and customers. We do not rely on our Controlling Shareholders or their close associates and have independent access to our suppliers and customers; and

(iv) we have established a set of internal control procedures to facilitate the effective operation of our business independent from our Controlling Shareholders.

Despite that we continued to engage Jinjiang Foreign Trade, a company previously owned as to 30% by Mr. Ngan, details of which is set out in "— Disclosure under Rule 8.10 of the Listing Rules" in this section, to transact with certain existing customers, Mr. Ngan no longer had any interests nor held any position in Jinjiang Foreign Trade upon completion of disposal of his interests in April 2024 and Jinjiang Foreign Trade has since then been an Independent Third Party.

Having considered the above factors, our Directors are of the view that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial, internal control and accounting system. We make financial decisions according to our own business needs. We also have an independent finance department responsible for discharging the treasury function, and an audit committee of the Board (the "**Audit Committee**") comprising solely of independent non-executive Directors to oversee our accounting and financial reporting processes. We have sufficient capital to operate our business independently, and has adequate internal resources and a strong credit profile to support our daily operations. During the Track Record Period, our Group obtained certain banking facilities where Mr. Ngan, one of our Controlling Shareholders, and his associates provided personal guarantees which are expected to be released and replaced by a corporate guarantee to be given by the Group before the [**REDACTED**]. Our Group also had certain amounts due to Mr. Ngan or his associate which have been [fully settled and/or waived] as at the Latest Practicable Date. See note 22 to the Accountants' Report in Appendix I to this document for more information.

Other than the above, our source of funding and our finances are independent from our Controlling Shareholders and none of our Controlling Shareholders or their respective close associates financed our operations during the Track Record Period. Our Directors confirm that our Group does not intend to obtain any further borrowing, guarantees, pledges and mortgages from any of our Controlling Shareholders or their respective close associates. Having considered the above factors, our Directors are of the view that we have no financial dependence on our Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code in Appendix C1 to the Listing Rules which sets out principles of good corporate governance in relation to, among other matters, directors, the chair, chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and communications with shareholders, details of which are set out in "Directors and Senior Management" in this document.

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to manage the conflict of interests arising from the competing business, if any, and to safeguard the interests of our Shareholders:

(a) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;

(b) the Articles of Association provided that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend;

(c) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) each of our Controlling Shareholders undertakes to provide all information necessary including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;

(e) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating either in its annual reports or by way of announcements as required by the Listing Rules, including if any conflict of interests between our Group and our Controlling Shareholders is found;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expense;

(g) we have agreed to appoint Sunny Fortune Capital Limited as our compliance adviser in compliance with Rule 3A.19 to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance;

(h) we have established our Audit Committee, Remuneration Committee and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code in Appendix C1 to the Listing Rules. All of the members of our Audit Committee, including the chair, are independent non-executive Directors; and

(i) pursuant to our executive Directors' respective service agreements, our executive Directors will not at any time during their terms of service with our Group without the prior written consent of the Board be or become a director of any company (other than our Company, any other member of our Group, our joint ventures or our associated companies) or be engaged, concerned or interested directly or indirectly in any other business, trade or occupation.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the [**REDACTED**].

Our Group has entered into a number of agreements with our connected persons (as defined under Chapter 14A of the Listing Rules) in our ordinary and usual course of business, and the transactions disclosed in this section will constitute continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**].

CONNECTED PERSONS

The table below sets forth the connected person of our Company which conducts or will continue to conduct connected transactions with our Group after the [**REDACTED**] and its relationship with our Company:

Name	Connected relationship
Jinjiang Zhihua Logistics Co., Ltd.* (晉江市志華物流有限公司) ("**Zhihua Logistics**")	As at the Latest Practicable Date, Mr. Gao, being an executive Director, directly held 100% equity interest in Zhihua Logistics. Accordingly, Zhihua Logistics is an associate of Mr. Gao pursuant to Rule 14A.12(1)(c) of the Listing Rules and hence a connected person of our Company pursuant to Rule 14A.07(4) of the Listing Rules. Mr. Gao is the nephew of Mr. Ngan, our Controlling Shareholder and executive Director, and cousin of Mr. Zhou, our executive Director.

SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our continuing connected transactions:

Non-fully exempt Continuing Connected Transactions

Historical transaction amounts	FY2021	FY2022	FY2023	For the three months ended 31 March 2024
	RMB *(approx.)*	*RMB* *(approx.)*	*RMB* *(approx.)*	*RMB* *(approx.)* *(unaudited)*
Logistics and transportation services	4.7 million	5.0 million	15.7 million	7.4 million

Proposed annual caps	For the year ended 31 December 2024	2025	2026
	RMB *(approx.)*	*RMB* *(approx.)*	*RMB* *(approx.)*
Logistics and transportation services .	29.6 million	32.6 million	35.9 million

Service Agreement

Background and Principal Terms

During the Track Record Period, Zhihua Logistics provided logistics and transportation service (the "**Logistics Services**") to Insoftb China. With a view to regulating the provision of the Logistics Services provided by Zhihua Logistics in compliance with the Listing Rules, on 25 December 2023, Insoftb China entered into the logistics and transportation service agreement (the "**Service Agreement**") with Zhihua Logistics, pursuant to the Service Agreement, Zhihua Logistics agreed to provide the Logistics Services to Insoftb China. The Service Agreement is for a term of three years with effect from 1 January 2024 to 31 December 2026.

Our Directors (including Mr. Zeng, who is our executive Director, our non-executive Director and our independent non-executive Directors but excluding Mr. Ngan, Mr. Zhou and Mr. Gao) are of the view that the transactions contemplated under the Service Agreement are on normal commercial terms or terms more favourable to our Group.

Reasons for the Transaction

Zhihua Logistics has been providing Logistics Services to our Group prior to the Track Record Period. The entering into of the Service Agreement shall establish long-term, stable and satisfactory logistics service support to our Group and is also expected to help improve the efficiency of our supply chain management of our Branded Product Business, in particular, D2C sales.

Pricing

The pricing policy for the service fees paid to Zhihua Logistics by our Group shall be the same as our Group's pricing policy for the service fees paid to Independent Third Parties logistics service provider. The service fees for the provision of Logistics Services shall be determined on arm's length basis with reference to the fee scale issued by Zhihua Logistics, which takes into account a number of factors and details of the Logistic Services, including the number and type of vehicles used, distance involved, the geographic area covered and other specific delivery requirements. The fee scale issued by Zhihua Logistics is applicable to all of its customers who they provide similar Logistics Services.

Historical Amount and Proposed Annual Caps

The service fees charged by Zhihua Logistics to Insoftb China for the years ended 31 December 2021, 2022 and 2023 and for the three months ended 31 March 2024 amounted to approximately RMB4.7 million, RMB5.0 million, RMB15.7 million and RMB7.4 million, respectively.

The annual cap for the Service Agreement for each of the years ending 31 December 2024, 2025 and 2026 is expected to be approximately RMB29.6 million, RMB32.6 million and RMB35.9 million, respectively.

The Basis of the Annual Caps

The annual caps are estimated based on the service fees payable as determined with reference to (i) the historical transaction amounts with Zhihua Logistics during the Track Record Period and for the three months ended 31 March 2024, (ii) the estimated growth of our demand for the Logistics Services by making reference to the historical sales growth rate, (iii) general market price of the Logistics Services and (iv) general inflationary pressures in the PRC.

Listing Rules Implications

Zhihua Logistics is owned as to 100% by Mr. Gao, an executive Director of our Company. Mr. Gao is the nephew of Mr. Ngan, our Controlling Shareholder and executive Director, and cousin of Mr. Zhou, our executive Director. Therefore, Zhihua Logistics is an associate of Mr. Gao and a connected person of our Company.

As each of the applicable percentage ratios (other than the profit ratio) in respect of the annual caps under the Service Agreement is expected to be more than 0.1% but less than 5% and thus the transactions contemplated under the Service Agreement constitute continuing connected transactions of our Company which will be subject to the annual review, reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirement pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Application for Waiver

In respect of these continuing connected transactions contemplated under the Service Agreement, pursuant to Rule 14A.105 of the Listing Rules, we [have applied] for, and the Stock Exchange [has granted], waivers exempting us from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules provided that the aggregate amounts of the continuing connected transactions contemplated under the Service Agreement for each financial year shall not exceed the relevant amounts set out in the respective annual caps (as stated above).

Our Company will comply with the applicable requirements under the Listing Rules if any of the proposed caps set out above are exceeded, or when there is a material change in the terms of these transactions. Apart from the announcement and independent shareholders' approval requirements for which waiver have been sought, our Group will comply with the relevant requirements under Chapter 14A of the Listing Rules.

If any terms of the transactions contemplated under the abovementioned agreements are altered or if our Company enters into any new agreements with any connected persons in the future, we will fully comply with the relevant requirements under Chapter 14A of the Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as at the Latest Practicable Date on this non-exempt continuing connected transaction, our Company will take immediate steps to ensure the compliance with such new requirements within a reasonable time. Such transactions will continue to be subject to the annual reporting requirement under the Listing Rules.

Views of our Directors

Our Directors (including Mr. Zeng who is one of our executive Directors, our non-executive Director and our independent non-executive Directors but excluding Mr. Ngan, Mr. Zhou and Mr. Gao) are of the view that the continuing connected transactions contemplated under the Service Agreement as described above have been and will continue to be carried out: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms that are no less favourable to our Group than the terms offered by Independent Third Parties; and (iii) the terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole. In addition, the annual caps for the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

View of the Sole Sponsor

The Sole Sponsor is of the view that the Service Agreement was entered into in the ordinary and usual course of business of our Group and on normal commercial terms that are no less favourable to our Group than the terms offered by Independent Third Parties and that the terms of the Service Agreement and the annual caps set out above are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

Internal Control Measures

In order to ensure that the terms under the continuing connected transactions described above Requirements" in this section and continuing connected transactions contemplated thereunder are fair and reasonable, and the connected transactions are carried out under normal commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee is responsible for conducting reviews on compliance with relevant laws, regulations, our Company's policies and the Listing Rules in respect of the connected transactions. In addition, the Audit Committee, the Board and various other internal departments of our Company (including but not limited to the finance department) are jointly responsible for evaluating the terms under the framework agreements for connected transactions, in particular, with respect to the fairness of the pricing policies and annual caps under each agreement;

- the Audit Committee, the Board and various other internal departments of our Company also regularly monitor the fulfilment status and the transaction updates under the framework agreements. In addition, the management of our Company also regularly reviews the pricing policies of the continuing connected transactions;

- our independent non-executive Directors and auditors will conduct annual reviews of the continuing connected transactions and provide annual confirmations to ensure that, pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;

- our finance department will maintain and update the list of connected persons of our Group. Such list will be circulated to members and relevant departments of our Group on a quarterly basis; and

- when considering service fees for the services to be provided by our Group to the above connected persons, our Group will constantly research prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to ensure that the pricing and terms offered to the above connected persons from mutual commercial negotiations are fair, reasonable and are no less favourable than those to be offered to Independent Third Parties.

BOARD OF DIRECTORS

Our Board consists of four executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of our Board include, but not limited to, convening the general meetings, reporting on the performance of our Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conformed in accordance with the Articles of Association.

The following table sets forth the information regarding our Directors and senior management:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director/ senior management	Relationship with other Directors and senior management
Directors						
Mr. Ngan Pui Kuan (顏培坤)	[59]	Chair of our Board and executive Director	Our overall management and strategic development	1 November 2010	4 December 2023	Father of Ms. Ngan, one of our senior management team members, father-in-law of Mr. Zhou, one of our executive Directors, and uncle of Mr. Gao, one of our executive Directors
Mr. Zeng Guodong (曾國棟)	[48]	Chief executive officer and executive Director	Administration and human resources	1 October 2010	8 May 2024	None
Mr. Zhou Jiahao (周家豪)	[33]	Director of production department and executive Director	Overseeing of our D2C branded product business	1 March 2015	8 May 2024	Son-in-law of Mr. Ngan, Chair of our Board and one of our executive Directors, brother-in-law of Ms. Ngan, one of our senior management team members, and cousin of Mr. Gao, one of our executive Directors
Mr. Gao Yue (高躍)	[33]	Assistant to the Chair of our Board and director of the purchasing department and executive Director	Overseeing of our procurement operation	1 October 2011	8 May 2024	Nephew of Mr. Ngan, Chair of our Board and one of our executive Directors, cousin of Mr. Zhou, one of our executive Directors and Ms. Ngan, one of our senior management team members

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as Director/ senior management	Relationship with other Directors and senior management
Mr. Cai Hao (蔡昊)	[29]	Non-executive Director	Providing advice on our business strategy	1 May 2024	8 May 2024	None
Ms. Leong Kai Weng Subrina (梁佳穎)	[37]	Independent non-executive Director	Providing independent advice on the business strategies, operations and management of our Board	[●]	[●]	None
Mr. Wong Tai Wai David (黃大維) .	[65]	Independent non-executive Director	Providing independent advice on the business strategies, operations and management of our Board	[●]	[●]	None
Mr. Ng Brian Hong Jing (吳康政) . .	[39]	Independent non-executive Director	Providing independent advice on the business strategies, operations and management of our Board	[●]	[●]	None
Senior management						
Ms. Ngan Ka Wai (顏嘉瑋)	[25]	Vice president of the Group	Responsible for export trade and assisting the chair, Mr. Ngan, in our overall management	1 March 2021	1 July 2023	Daughter of Mr. Ngan, Chair and one of our executive Directors, sister-in-law of Mr. Zhou, one of our executive directors, and cousin of Mr. Gao, one of our executive directors
Mr. Jiang Shukun (江樹坤)	[43]	Manager of research and development department	Responsible for daily management of quality control of our products	1 November 2010	1 November 2010	None
Mr. Zhan Guoqiang (詹國強)	[36]	Manager of warehousing and logistics department	Responsible for daily management of warehousing and logistics department	1 March 2011	1 March 2011	None

DIRECTORS

Executive Directors

Mr. NGAN PUI KUAN (顏培坤), aged [59], is the founder of our Group. He is the chairman of our Board, our executive Director, and our Controlling Shareholder. He was appointed as a director on 4 December 2023 and designated as an executive Director and the chair of our Board on 8 May 2024. He currently holds directorship in Insoftb China, Insoftb New Material, Chuzhou Insoftb, and Jinjiang Libaida, the subsidiaries of our Company. Mr. Ngan is in charge of overall management and strategic development of our Group. Mr. Ngan is also father of Ms. Ngan, one of our senior management members, father-in-law of Mr. Zhou, one of our executive Directors and uncle of Mr. Gao, one of our executive Directors.

Mr. Ngan has over [27] years of experience in the manufacturing and trading industries. Prior to founding our Group in November 2010, Mr. Ngan served as executive director and manager at Jinjiang Foreign Trade which was primarily engaged in import and export trading of children's products from September 2002 to April 2024.

Mr. Ngan graduated from Yangzheng High School, the PRC in July 1981, and he was appointed as an executive supervisor of the school board of Yangzheng High School in March 2024. Mr. Ngan was appointed as a member of the Quanzhou City High-level Talents Level 3* (泉州市高層次人才第3層次) in August 2021. He was awarded the title of "The 17th Outstanding Entrepreneur in Fujian Province" (第十七屆福建省優秀企業家) by Fujian Federation of Enterprises and Entrepreneurs (福建省企業及企業家聯合會) in March 2018.

Mr. Ngan was previously a director and/or supervisor of the following PRC companies at the time of their respective dissolution:

Name of company	Nature of business	Date of dissolution	Status	Reasons of dissolution
Jinjiang Jinshan Needle Textile Co., Ltd.* (晉江金山針紡有限公司)	Production of various chemical fibre plush and knitted products	7 March 2007	Revocation	Cessation of business
Liangshan Maofeng Clothing Co., Ltd.* (梁山茂豐服裝有限公司)	Manufacture and sale of all kinds of fashion underwear	8 January 2002	Revocation	Cessation of business

Mr. Ngan confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on her part leading to the dissolutions of each of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against his as a result of the dissolutions of each of the above companies; and (iv) no misconduct or misfeasance had been involved on her part in the dissolution of each of the above companies.

Mr. ZENG GUODONG (曾國棟), aged [48], was appointed as an executive Director on 8 May 2024. He currently holds directorship in Insoftb China, a subsidiary of our Company. Mr. Zeng is responsible for overall administration and human resources of our Group.

Mr. Zeng has over [27] years of experience in sales and management. Prior to joining our Group in October 2010, Mr. Zeng worked for Beijing Xinruique Trading Centre* (北京鑫瑞鵲商貿中心), which was primarily engaged in sales of household goods, needlework and textiles, as a business manager from August 1996 to September 1998. He joined Shanghai Ruique Investment Co., Ltd.* (上海瑞鵲投資有限公司), which was primarily engaged in enterprise investment management and business information consulting in Shanghai as the deputy general manager from October 1998 to July 2000. Mr. Zeng served as a general manager in the Beijing Xinshunlong Technology Co., Ltd.* (北京鑫順隆科技有限公司) from August 2000 to November 2011.

Mr. Zeng graduated in foreign trade English from Beijing-U.S.A. College of English (北京美國英語語言學院) in Beijing, PRC in July 1996.

Mr. Zeng was previously a director and/or supervisor of the following PRC companies at the time of their respective dissolution:

Name of company	Nature of business	Date of dissolution	Status	Reasons of dissolution
Fujian Jinjiang Dongshi Fudong Rock Products Factory* 福建省晉江東石福東岩石製品廠	Processing of stone slabs	13 July 2015	Deregistration	Cessation of business
Chenghua District Zeng Guodong Trade Department* 成華區曾國棟商貿部	Sale of cosmetics and closing	11 June 2018	Deregistration	Never commenced business operation
Shenzhen Yaoxinsheng E-Commerce Co., Ltd.* (深圳市耀信盛電子商務有限公司)	Sale of electronic products and daily necessities	26 October 2023	Deregistration	Cessation of business
Beijing Yuzhongqing Outdoor Products Co., Ltd.* (北京雨中晴户外用品有限公司)	Sale of umbrellas	14 January 2024	Deregistration	Cessation of business
Shanghai Zengjia Trading Co., Ltd.* 上海曾嘉貿易有限公司	Sale of daily necessities	23 January 2024	Deregistration	Never commenced business operation

Mr. Zeng confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on her part leading to the dissolutions of each of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against his as a result of the dissolutions of each of the above companies; and (iv) no misconduct or misfeasance had been involved on her part in the dissolution of each of the above companies.

Mr. ZHOU JIAHAO (周家豪), aged [33], was appointed as our executive Director on 8 May 2024. He is in responsible overseeing of our D2C branded product business. Mr. Zhou is also son-in-law of Mr. Ngan, chair of our Board and one of our executive Directors, brother-in-law of Ms. Ngan, one of our senior management members and cousin of Mr. Gao, one of our executive Directors.

Mr. Zhou has over [9] years of experience in the manufacture and sale of disposable sanitary products. In March 2015, he joined Insoftb China as a sales manager. From March 2017, he was promoted to director of the marketing department. He has been acting as the director of the production department since December 2022.

Mr. Zhou obtained a bachelor's degree in business administration in business economics with specialisation in service economics from University of Macau (澳門大學) in Macau in July 2014.

Mr. GAO YUE (高躍), aged [34], was appointed as our executive Director on 8 May 2024. He currently holds directorship in Blue Giant Hygiene Products, and Heynckes Trading, the subsidiaries of our Company. Mr. Gao is responsible for overseeing our production and procurement. Mr. Gao is also nephew of Mr. Ngan, chair of our Board and one of our executive Directors, cousin of Mr. Zhou, one of our executive Directors, and Ms. Ngan, one of our senior management members.

Mr. Gao has over [12] years of experience in production and procurement field. In October 2011, he joined Insoftb China as a procurement officer. From October 2012, he was promoted to procurement manager. He has held the position of assistant to the chair, Mr. Ngan since November 2020.

Mr. Gao graduated in accounting from Fujian Agricultural Vocational and Technical College* (福建農業職業技術學院) in the Fujian Province, PRC in July 2012.

Mr. Gao was previously a supervisor of the following PRC companies at the time of their respective dissolution:

Name of company	Nature of business	Date of dissolution	Status	Reasons of dissolution
Fujian Yiqi Technology Co., Ltd.* 福建奕奇科技有限公司	Research and development of technologies for the production of sanitary products	27 October 2020	Deregistration	Cessation of business
Shenzhen Yaoxinsheng E-Commerce Co., Ltd.* (深圳市耀信盛電子商務有限公司)	Sale of electronic products and daily necessities	26 October 2023	Deregistration	Cessation of business

Mr. Gao confirmed that (i) to the best of his knowledge, information and belief after making reasonable enquiries, each of the above companies was solvent immediately prior to its dissolution; (ii) there is no wrongful act on her part leading to the dissolutions of each of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against his as a result of the dissolutions of each of the above companies; and (iv) no misconduct or misfeasance had been involved on her part in the dissolution of each of the above companies.

Non-executive Director

Mr. CAI HAO (蔡昊), aged [29], was appointed as our non-executive Director on 8 May 2024. Mr. Cai has around three years of experience in the finance industry and is responsible for providing advice on our business strategy.

Mr. Cai served as a research assistant in the Sinolink Securities Co., Ltd. (國金證券股份有限公司), which was engaged in securities business, from July 2021 to November 2023. Since December 2023, Mr. Cai started to work as an executive vice president of the investment department in Fujian Panpan Food Co., Ltd.* (福建盼盼食品集團有限公司), which was principally engaged in deep processing of agricultural products.

Mr. Cai obtained a bachelor's degree in business administration from Kansas State University in the U.S. in December 2017. In December 2019, he obtained a master's degree in financial risk management from University of Connecticut in the U.S..

Independent Non-executive Directors

Ms. LEONG KAI WENG SUBRINA (梁佳穎), aged [37], was appointed as our independent non-executive Director on [●]. Ms. Leong has over [10] years of experience in the fields of financial reporting, corporate finance, company secretarial and auditing. She is responsible for providing independent advice on the business strategies, operations and management of our Board.

Ms. Leong served as a senior associate in assurance department in Pricewaterhousecoopers, a firm providing multinational professional services, from October 2009 to October 2013. From October 2013 to May 2016, she was a finance manager attached to Ares Asia Limited, a company listed on the Stock Exchange (stock code: 0645). Ms. Leong served as a financial consultant in China International Development Corporation Limited, a company listed on the Stock Exchange (stock code: 0264), from May 2016 to November 2020. From May 2016 to June 2020, she worked as the financial controller in China Apex Group Limited, a company listed on the Stock Exchange (stock code: 2011). From July 2020 to December 2021, Ms. Leong was attached to Hon & Co Group, a corporate finance firm, as the financial controller. From September 2021 to 6 December 2023, she has served as the company secretary of Target Insurance Holdings Limited, a company previously listed on the Stock Exchange (stock code: 6161). Since October 2021, Ms. Leong is the company secretary of International Genius Company, a company listed on the Stock Exchange (stock code: 0033). She is currently the chief financial officer and company secretary of Kelfred Holdings Limited, a company listed on the Stock Exchange (stock code: 1134). Ms. Leong is the chief financial officer of Sincere Watch (Hong Kong) Limited, a company listed on the Stock Exchange (stock code: 0444) since January 2024.

Ms. Leong obtained her bachelor's degree in business administration in professional accountancy from The Chinese University of Hong Kong in December 2009 and a master's degree in corporate governance from The Hong Kong Polytechnic University in September 2017. Ms. Leong was admitted as a member of Hong Kong Institute of Certified Public Accountants in January 2013 and an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in December 2017, respectively.

Mr. NG BRIAN HONG JING (吳康政), aged [39], was appointed as our independent non-executive Director on [●]. Mr. Ng has over [13] years of legal experience in the legal industry and is responsible for providing independent advice on the business strategies, operations and management of our Board.

Mr. Ng was previously an associate in several PRC law firms from November 2010 to July 2018. Subsequently from July 2018 to November 2019, he worked as an associate in Locke Lord LLP. From November 2019 to March 2023, Mr. Ng was attached to Holman Fenwick Willan and his last position was as a senior associate. As a solicitor, Mr. Ng has mainly employed in the field of corporate finance, including IPOs and secondary offerings, as well as mergers and acquisitions.

Mr. Ng obtained a bachelor's degree in double major in history and political science from University of Toronto in Canada in June 2006. In June 2009, he completed the juris doctor degree from City University of Hong Kong. Mr. Ng qualified as a solicitor in Hong Kong in February 2013, and a New York State attorney in June 2014.

Mr. WONG TAI WAI DAVID (黃大維), aged [65], was appointed as our independent non-executive Director on [●]. Mr. Wong has over [20] years of experience in IT management and practice development and is responsible for providing independent advice on the business strategies, operations and management of our Board.

Mr. Wong previously served as a practice director at Timeless Software Limited, a company listed on GEM of the Stock Exchange (stock code: 8028), a company primarily engaged in the provision of software development cycle consultation. He has been serving as the chief operating officer of Four Directions Limited, a company specialising in digital marketing and communication solution, mobile and web based IT product and platform development since September 2018.

Mr. Wong obtained diploma in Business Data Processing from St. Clair College, Canada in August 1985.

Save as disclosed in "Substantial Shareholders" and "Statutory and General Information — E. Disclosure of Interests" in Appendix V to this document, none of our Directors has any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Each of our Directors has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was 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

Please refer to the section headed "Executive Directors" above for biographical details of Mr. Ngan, Mr. Zeng, Mr. Zhou, and Mr. Gao.

Ms. NGAN KA WAI (顏嘉瑋), aged [25], is our vice president. Ms. Ngan joined our Group in March 2021. She is responsible for foreign trade and assisting the chair, Mr. Ngan, in the organisation and management of the Group. Ms. Ngan is also daughter of Mr. Ngan, sister-in-law of Mr. Zhou, one of our executive Directors and cousin of Mr. Gao, one of our executive Directors.

Ms. Ngan has over [two] years of experience in the manufacture and sale of hygienic disposable products. Prior to serving as the vice president of our Group in July 2023, she served as associate director of e-commerce department in Insoftb China from March 2021 to September 2022. From September 2022 to July 2023, Ms. Ngan was assistant to the chair, Mr. Ngan in Insoftb China.

Ms. Ngan obtained a bachelor's degree in business administration in global business management in University of Macau (澳門大學) in the Macau in June 2019. In January 2021, she obtained a master's degree in management (international business) from University of Durham in Durham, England.

Mr. JIANG SHUKUN (江樹坤), aged [43], is the manager of our research and development department and is responsible for daily management of quality control of our products.

Mr. Jiang has more than 10 years experiences in hygienic disposables industry. He joined our Group in November 2010 and has been acting as the manager of our research and development since then.

Mr. Jiang studied mechatronic engineering at South China University Of Technology (華南理工大學) in Guangdong Province, PRC from September 1999 to July 2003.

Mr. ZHAN GUOQIANG (詹國強), aged [36], is the manager of our warehousing and logistics department and is responsible for daily management of our warehousing and logistics department.

Mr. Zhan has more than 10 years experiences in hygienic disposables industry. He joined our Group in March 2011 and has been acting as the manager of our warehousing and logistics department since then.

Mr. Zhan studied mechatronics at Longyan Senior Technical School (龍岩市高級技工學校) in Fujian Province, PRC from September 2004 to July 2008.

JOINT COMPANY SECRETARIES

Ms. NGAN KA WAI (顏嘉瑋), aged [25], was appointed as the one of the joint company secretaries of our Company on 8 May 2024. Ms. Ngan is the vice president of our Group and is responsible for foreign trade and assisting the chair, She has over [two] years of experience in the manufacture and sale of hygienic disposable products. Ms. Ngan obtained a bachelor's degree in business administration in global business management in University of Macau (澳門大學) in the Macau in June 2019. In January 2021, she obtained a master's degree in management (international business) from University of Durham in Durham, England.

Mr. YEUNG KWONG WAI (楊光偉), aged [50], was appointed as the one of the joint company secretaries of our Company on 8 May 2024. Mr. Yeung is a director of corporate services of Ascent Corporate Services Limited and is responsible for assisting listed companies in professional corporate secretarial work. He has over [24] years of auditing, accounting, financial management and corporate governance experience. Mr. Yeung graduated from Concordia University, Montreal, Canada in October 1997 with a bachelor of commerce. He is a Certified Public Accountant (Practising) of HKICPA and a member of the American Institute of Certified Public Accountants. He is also a CFA charterholder.

BOARD COMMITTEES

Audit Committee

The audit committee of the Board (the "**Audit Committee**") was established by our Board pursuant to a resolution of our Board on [●] with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to make recommendations to our Board on the appointment and dismissal of the external auditor, monitor and review the financial statements and information and oversee the financial reporting system, risk management and internal control systems of our Company. The members of the Audit Committee are Ms. Leong Kai Weng Subrina (梁佳穎), Mr. Ng Brian Hong Jing (吳康政), and Mr. Wong Tai Wai David (黃大維), all of whom are independent non-executive Directors. Ms. Leong Kai Weng Subrina (梁佳穎) is the chair of the Audit Committee.

Remuneration Committee

The remuneration committee of the Board (the "**Remuneration Committee**") was established by our Board pursuant to a resolution of our Board on [●] with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee are to make recommendation to our Board on the overall remuneration policy and structure for all Directors and senior management of our Group, review remuneration and ensure that none of our Directors determine their own remuneration. The members of the Remuneration Committee are Mr. Wong Tai Wai David (黃大維), Mr. Ng Brian Hong Jing (吳康政), and Mr. Ngan. Mr. Wong Tai Wai David (黃大維) is the chair of the Remuneration Committee.

Nomination Committee

The nomination committee of the Board (the "**Nomination Committee**") was established by our Board pursuant to a resolution of the Board on [●] with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of our Board at least annually and make recommendation to our Board regarding candidates to fill vacancies on our Board and/or in senior management. The members of the Nomination Committee are Mr. Ng Brian Hong Jing (吳康政), Mr. Wong Tai Wai David (黃大維), and Mr. Gao. Mr. Ng Brian Hong Jing (吳康政) is the chair of the Nomination Committee.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as at the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in May 2024 and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as at the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

REMUNERATION OF THE DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of directors' fees, salaries, discretionary bonus, allowances, benefits in kind and contributions to defined contribution plans.

The aggregate remuneration paid to our Directors in each year during the Track Record Period were approximately RMB0.51 million, RMB0.67 million and RMB0.77 million, respectively.

The aggregate remuneration paid to the five highest paid individuals of our Group, excluding our Directors, in each year during the Track Record Period were approximately RMB0.72 million, RMB0.76 million and RMB0.86 million, respectively.

No remuneration was paid by our Group to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office during the Track Record Period.

Under the arrangement currently in force, the aggregate amount of remuneration payable to our Directors for the year ending 31 December 2024 is estimated to be approximately RMB1.2 million (excluding any discretionary bonus).

COMPLIANCE ADVISER

Our Company has appointed Sunny Fortune Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. The compliance adviser will advise us in the following circumstance:

(i) the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

(iii) where our Company proposes 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 of this document; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

The term of this appointment will commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules on the distribution of our annual report in respect of the financial results of the first full financial year commencing after the [**REDACTED**].

CORPORATE GOVERNANCE CODE

Board Diversity

We [have adopted] a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of our Board that are relevant to our business growth. Pursuant to our board diversity policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board comprises eight members, including four executive Directors, one non-executive Director and three independent non-executive Directors. Our Directors have a balanced mix of age, gender, knowledge and experiences, including business and corporate management, strategic development, investment, auditing and legal experiences. Our Board members also obtained degrees and/or diplomas in various majors including language, business economic, accounting, finance, corporate governance, history and political science and law. Furthermore, the ages of our Directors range from [29] years old to [65] years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. While we recognised that gender diversity at the Board level and we do not have a single gender board, one of our independent non-executive Directors is female.

We are also committed to adopting similar approach to promote diversity at the senior management level to enhance the effectiveness of our corporate governance.

Our Nomination Committee is responsible for ensuring the diversity of our Board. After the [**REDACTED**], our Nomination Committee will review the board diversity policy (including gender balance) from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis. We will continue to appoint Directors to the Board based on recommendations from our Nomination Committee, who will consider the Directors' merits with reference to our board diversity policy as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the Latest Practicable Date and immediately following completion of the Capitalisation Issue and the [**REDACTED**] (without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**]), the following persons will have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

		As at the Latest Practicable Date		Immediately after the Capitalisation Issue and the [REDACTED][(1)]	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Mr. Ngan[(2)]	Interest in controlled corporations	[90,000,000]	[90.00]%	[**REDACTED**]	[**REDACTED**]%
Softo BVI[(3)]	Beneficial owner and interest in controlled corporations	[90,000,000]	[90.00]%	[**REDACTED**]	[**REDACTED**]%
Wish BVI	Beneficial owner	[16,000,000]	[16.00]%	[**REDACTED**]	[**REDACTED**]%
Galaxey BVI	Beneficial owner	[15,050,000]	[15.05]%	[**REDACTED**]	[**REDACTED**]%
Mr. Zeng[(4)]	Interest in controlled corporations	[10,000,000]	[10.00]%	[**REDACTED**]	[**REDACTED**]%
Aspiring BVI[(5)]	Beneficial owner and interest in a controlled corporation	[10,000,000]	[10.00]%	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) Assuming the [**REDACTED**] is not exercised.

(2) Mr. Ngan is the sole shareholder of Softo BVI, Wish BVI and Galaxey BVI and he is therefore deemed to be interested in the Shares held by these entities upon the [**REDACTED**].

(3) Softo BVI is the sole shareholder of Wish BVI and Galaxy BVI and it is therefore deemed to be interested in the Shares held by these entities upon the [**REDACTED**].

(4) Mr. Zeng is the sole shareholder of Aspiring BVI and Ambition BVI and he is therefore deemed to be interested in the Shares held by these entities upon the [**REDACTED**].

(5) Aspiring BVI is the sole shareholder of Ambition BVI and it is therefore deemed to be interested in the Shares held by the entity upon the [**REDACTED**].

Save as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalisation Issue and the [**REDACTED**], have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Authorised Share Capital

As at the date of this document:

	(HK$)
3,800,000,000 Shares of par value of HK$0.0001 each	380,000

Issued Share Capital

Assuming the [**REDACTED**] is not exercised at all, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the [**REDACTED**] will be as follows:

			Approximate percentage of issued share capital
		HK$	*%*
100,000,000	Shares in issue at the date of this document	10,000	[**REDACTED**]
[**REDACTED**].	Shares to be issued under the Capitalisation Issue(1)	[**REDACTED**]	[**REDACTED**]
[**REDACTED**].	Shares to be issued pursuant to the [**REDACTED**](1)	[**REDACTED**]	[**REDACTED**]
[**REDACTED**].	**Shares in total**	[**REDACTED**]	**100.00**

Note:

(1) The Shares referred to in the above table will be fully paid or credited as fully paid when issued.

Assuming the [**REDACTED**] is exercised in full, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the [**REDACTED**] will be as follows:

			Approximate percentage of issued share capital
		HK$	*%*
100,000,000	Shares in issue at the date of this document	10,000	[**REDACTED**]
[**REDACTED**]	Shares to be issued under the Capitalisation Issue(1)	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued pursuant to the [**REDACTED**](1)	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	Shares to be issued upon exercise of the [**REDACTED**] in full(2)	[**REDACTED**]	[**REDACTED**]
[**REDACTED**]	**Shares in total**	[**REDACTED**]	**100.00**

Notes:

(1) The Shares referred to in the above table will be fully paid or credited as fully paid when issued.

(2) Assuming a total of [**REDACTED**] Shares will be issued upon exercise of the [**REDACTED**] in full.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank *pari passu* in all respects with all the Shares currently in issue or to be issued and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this document.

Our Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into our Shares as at the Latest Practicable Date.

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares in the share capital of our Company with the total number of issued shares of not more than the sum of:

(a) 20% of the number of Shares in issue immediately following the completion of the Capitalisation Issue and the [**REDACTED**] (excluding any Shares which may be allotted and issued upon the exercise of the [**REDACTED**]); and

(b) the number of Shares repurchased by our Company (if any) under the general mandate to repurchase Shares as referred to below.

This general mandate to issue shares will expire at the earliest of:

(a) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(b) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(c) the revocation, variation, or renewal of this general mandate by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate, please refer to the paragraph headed "Appendix V — Statutory and General Information — A. Information about our Company — (d) Resolutions of our Shareholders passed on [●] 2024" in this document.

CIRCUMSTANCES UNDER WHICH A MEETING OF THE COMPANY IS REQUIRED

The circumstances under which a meeting is required are provided in the Articles of Association, a summary of which is set out in "Appendix IV — Summary of The Constitution of Our Company and Cayman Companies Act" to this document.

You should read the following discussion and analysis along with our audited combined financial statements, including the notes thereto, as at and for the three fiscal years ended 31 December 2023 included in the Accountants' Report set out in Appendix I to this document. The Accountants' Report has been prepared in accordance with IFRS Accounting Standards, which may differ materially from generally accepted accounting principles in other jurisdictions.

Information presented in this section, particularly in the paragraphs headed "Net Current Assets" and "Indebtedness", that is not extracted or derived from the Accountants' Report has been extracted or derived from unaudited management accounts as at and for the three months ended 31 March 2024 (which are not included in this document) or from other records.

The following discussion and analysis and other parts of this document contain forward-looking statements that reflect our current views regarding future events and financial performance 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 events, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in "Risk Factors" in this document.

For the purpose of this section, unless the context otherwise requires, references to FY2021, FY2022, or FY2023 refer to our financial year ended 31 December of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are primarily engaged in the development, manufacture, and sale of personal hygienic disposables based in China, specializing in the babycare category for emerging markets in Eurasia. Since our inception in 2010, we have predominantly marketed and sold our branded babycare products within China. Our flagship babycare brand "Insoftb" (嬰舒寶) was recognised by the Government of Fujian Province as a "2016 Fujian Famous Brand Products" (2016年度福建名牌產品). We were also recognised as a "2018 China Diaper Industry Top 10 Enterprise" (2018年度中國嬰兒紙尿褲行業十強企業) by the Household Paper Professional Committee of the China Paper Association (中國造紙協會生活用紙專業委員會). Over the past several years, as the younger generation of Chinese consumers has increasingly embraced digital platforms and shifted towards affordable premium brands, we have transitioned from traditional offline distribution channels to an omnichannel "Direct-to-Consumer" (D2C) sales model. This approach allows us to market and sell our branded products directly to end consumers through multiple third-party pureplay digital platforms in China extensively. Additionally, we have expanded our branded product range to include our current core product categories: babycare, feminine care, and adult incontinence.

We expanded our contract manufacturing business abroad and exported our core babycare products to emerging markets in Eurasia, including Russia, Malaysia, Thailand, Taiwan, and Kazakhstan, during the Track Record Period. We were ranked as the second-largest exporter of disposable hygienic products to Russia in terms of export value in 2022, according to the Frost & Sullivan Report. Benefiting from the explosive growth of e-commerce and the boom in private label in Russia following the COVID-19 pandemic, we expanded into manufacturing and supplying our babycare products and solutions primarily to several top-tier Russian retailers. This helped them establish or enhance their private-label brands in the region.

Alongside the rising global consumer awareness about hygiene and eco-sustainability, we manufacture nonwoven fabrics, the principal raw material used in hygienic disposables, at our own Nonwoven Fabric Facilities. Not only do we manufacture nonwoven fabrics for our own use, but we also sell them to other hygiene and personal care product manufacturers in China. Our Directors believe that we are among the few domestic D2C brands that manufacture our own nonwoven fabrics, which enhances our overall competitiveness and reputation in the industry.

During the Track Record Period, our Group recorded revenue of approximately RMB263.2 million, RMB408.1 million, and RMB654.6 million, respectively. Our net profit were approximately RMB10.0 million, RMB41.9 million, and RMB57.7 million, respectively, for the same periods. Excluding the [**REDACTED**] expenses, our adjusted net profit for FY2023 amounted to approximately RMB63.7 million.

BASIS OF PRESENTATION

Our company was incorporated in the Cayman Islands as an Exempted Company with limited liability on 22 November 2023. Following the completion of the corporate reorganisation on 26 April 2024, our company became the holding company of the entities that now form our group. The companies involved in the Reorganisation were controlled by the same controlling shareholder, Mr. Ngan before and after the Reorganisation. The control was not transitional, and as a result, there was a continuation of risks and benefits to the controlling shareholder. Consequently, the Reorganisation is considered as a combination of entities under common control. For more details, see "History, Reorganisation, and Corporate Structure" in this document for further details.

The financial information in the Accountants' Report presented in Appendix I to this document has been prepared by applying the principles of merger accounting as if the companies now forming the group had been combined from the beginning of the Track Record Period, except for the acquisition of Jinjiang Libaida and disposal/deregistration of certain subsidiaries as detailed in notes 30 and 29 to the Accountants' Report in Appendix I, respectively. The net assets of the combining companies have been combined using the existing book values from the perspective of the controlling shareholder.

The Combined Statements of Financial Position of the Group as at 31 December 2021, 2022, and 2023 presented in the Accountants' Report in Appendix I to this document have been prepared to present the financial position of the Group as at the respective dates as if the Reorganisation had been completed at the beginning of the Track Record Period. The Combined Statements of Profit or Loss and Other Comprehensive Income, the Combined Statements of Changes in Equity, and the Combined Statements of Cash Flows of the Group for the Track Record Period, as set forth in the Accountants' Report, include the results of operations of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period.

The combined financial statements, which are presented in RMB, have been prepared in accordance with the IFRS Accounting Standards and the disclosure requirements of Hong Kong Companies Ordinance and the Listing Rules. Details regarding the basis of presentation and preparation of our combined financial statements for the Track Record Period are set out in note 2 to the Accountants' Report in Appendix I to this document.

Our Directors confirmed that no significant IFRS Accounting Standards adjustment was made on the PRC statutory accounts to reconcile to the underlying financial statements prepared in conformity with the IFRS Accounting Standards.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and will continue to be, affected by a number of factors, including those set forth in the section headed "Risk Factors" in this document and the following factors, which primarily include the following:

- Sales mix and geopolitical uncertainties
- Product mix and the demand for personal hygienic disposables
- Availability and costs of our critical raw materials
- Our production capacity and operating efficiency

Sales mix, and geopolitical uncertainties

Our operational results depend on factors such as sales mix, including the proportion of branded product business and contract manufacturing business, and the economic and political conditions of foreign regions where our customers are located. The balance between our branded product business and contract manufacturing business affects our overall profit margin. During the Track Record Period, the contract manufacturing business grew and became a driving force of our performance. Majority of our business customers attributable to our contract manufacturing business are based in foreign countries, and changes in these regions' economic conditions can significantly influence market demand for our products, impacting our financial performance and operational results.

Ongoing geopolitical conflicts worldwide have adversely affected our operations, and future impacts are difficult to predict due to the uncertainty surrounding these conflicts' evolution, duration, and resolution. In affected regions, our customers may face challenges in maintaining operations due to sanctions, monetary controls, restrictions on access to financial institutions, and supply and transportation issues. These conflicts also impact our customers' ability to maintain operations, which could affect our operations or sales. If the situations escalate, there could be additional negative consequences for our net sales, earnings, and cash flows, such as economic recessions or inflationary pressures.

Economic shifts may arise from changes in regulations or policies beyond our control. We expect ongoing urbanization and increasing disposable income in developing areas to create opportunities for our products. However, natural disasters, restrictive sanctions, financial regulations, or policies could temporarily disrupt our contract manufacturing customers' procurement or logistics activities or limit their ability to place orders or settle payments.

Beside the condition of oversea region, our sales mix also depends on consumption patterns for our babycare and feminine care products in the PRC, largely driven by the growth of the e-commerce industry, including third-party pureplay digital platforms. The e-commerce industry in the PRC has seen widespread consumer adoption, particularly in categories such as personal hygienic disposables, beauty, fashion, and general consumer goods.

D2C e-commerce sales have experienced rapid growth compared to traditional offline channels, where online retail sales in the PRC surged from approximately RMB9.0 trillion in 2018 to approximately RMB13.8 trillion in 2022, with a CAGR of approximately 11.2%, according to the Frost & Sullivan Report. In 2023, our Company observed strong growth in the feminine care product line, reflecting increasing consumer demand and our effective strategies to tap into the e-commerce market. According to the Frost & Sullivan Report, online retail sales in the PRC are projected to increase to approximately RMB20.8 trillion by 2027, with a CAGR of approximately 8.6% from 2022 to 2027.

Third-party pureplay digital platforms offer a streamlined shopping experience, enabling customers to browse and purchase products tailored to their needs. Social media, live streaming and short video channels have enhanced customer engagement, contributing to superior customer service and satisfaction. These platforms facilitate in-app shopping experiences, reduce friction, and provide social proof. During the Track Record Period, these digital channels have been crucial to our Group's revenue streams and financial growth, especially in our growing feminine care segment.

Consumer preferences in the PRC have evolved from traditional retail to digital platforms that are now leaning towards interactive and real-time shopping experiences. If there is a shift in popularity among third-party pureplay digital platforms and we fail to adapt to market trends and consumer preferences, our product demand could decrease, negatively affecting our business, financial condition, results of operations, and future prospects.

Product mix and the demand for personal hygienic disposables

Our revenue and operating results are substantially influenced by consumer demand for our personal hygienic disposable products, which fall into three main categories: babycare products, feminine care products, and adult incontinence products. Babycare products, including baby diapers, baby pants, and, to a lesser extent, baby wipes, are particularly significant, accounting for approximately 86.8%, 78.9%, and 71.5% of our revenue during the Track Record Period.

Several factors impact the demand for our products, including consumer preferences, perceptions of product safety and quality, awareness of health issues, hygiene habits, purchasing power, government policies, economic conditions, urbanization, per capita disposable income, and living standards. Many of these factors are beyond our control. The consumer demand in each region we supply affects our sales. As we sell products that are essential to the daily lives of consumers, even during extreme scenarios, such as the COVID-19 pandemic, it did not have a materially negative impact on our consolidated net sales, net earnings, and cash flows. Nevertheless, such uncontrollable impacts may result in economic recessions or a slowdown of economic growth in certain countries or regions, leading to volatility in consumer access to our products, reduced demand for personal hygienic disposables, and potential negative impacts on net sales, net earnings, and cash flows.

Local birth rates in the PRC, Russia, and South East Asia significantly influence the demand for our baby care products. While Russia's birth rate remains stable, South East Asia is experiencing a rising birth rate, contributing to increased demand in the region. In China, the recent relaxation of the "one-child" policy, allowing parents to have a second child, is expected to expand our potential customer base and boost long-term product demand. Additionally, evolving family structures and growing health consciousness in China are providing further growth opportunities as families increasingly opt for high-quality baby products. The acceleration of urbanization is also spurring demand for feminine care products in lower-tier cities and rural areas as urban lifestyles become more prevalent. The ageing population in China is another demographic trend contributing to market growth, particularly for our adult incontinence products. These demographic shifts not only affect the overall demand for our products but also influence our product mix. As birth rates change and the population ages, any shift in the relative demand for our baby care, feminine care, and adult incontinence products will require us to adjust our product mix accordingly.

During the Track Record Period, profitability varies among the three main product categories particularly, babycare and adult incontinence products generally offered lower gross profit margins compared to feminine care products. The sales proportion of babycare products significantly affects overall profitability. Therefore, changes in product mix have historically impacted, and are expected to continue influencing, revenue and gross profit margin.

Based on our best estimates, for illustrative purpose only, the table below shows the sensitivity of our profit before tax during the Track Record Period regarding the hypothetical fluctuations of certain possible changes in the average selling price of our babycare products during the same year, assuming all other variables remain constant. The table below sets forth the illustrative sensitivity on the profit before tax of our Group resulting respectively from hypothetical fluctuations in average selling price of our baby care products for the years indicated.

Hypothetical fluctuations

	Impact on profit before tax for		
	FY2021	**FY2022**	**FY2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
ASP of babycare products			
-/+ 5%	11,425	16,104	23,398
-/+ 10%	22,850	32,208	46,796
-/+ 15%	34,275	48,312	70,194

Availability and costs of our critical raw materials

During the Track Record Period, we expanded its production of raw materials to stabilise the supply and lower costs, ultimately improving the gross profit margin of its products. We purchase various raw materials for our production, including nonwoven fabrics, fluff pulp, SAP, various kinds of chemicals such as polypropylene and high-density polyethylene (HDPE), as well as packaging materials, each a critical component in manufacturing our products. Direct materials costs represent the largest portion of our cost of sales, accounting for approximately 86.4%, 88.1%, and 89.2% in each year during the Track Record Period, respectively. Consequently, raw material costs significantly affect our operating results.

For FY2022 and FY2023, the average purchase cost per tonne of nonwoven fabrics decreased by approximately 6.1% and 9.2%, respectively. Meanwhile, the average purchase cost per tonne of fluff pulp fluctuated by approximately 40.4% and 26.7% for the same periods. These decreases in raw material prices can be attributed, in part, to our strategic decision to expand its production capabilities for key raw materials. This move not only helped stabilise the supply chain but also led to cost savings, which positively impacted the gross profit margin of our products. However, any changes in raw material prices from current levels could still positively or negatively impact our gross profit margin.

The table below presents a sensitivity analysis illustrating the impact of changes in the costs of two key raw materials, nonwoven fabrics and fluff pulp on our profit before tax during the Track Record Period. This analysis aligns with historical fluctuations in our profit before tax attributable to variations in the direct material cost of key raw materials throughout the Track Record Period.

Hypothetical fluctuations

	Impact on profit before tax for		
	FY2021	**FY2022**	**FY2023**
	RMB'000 (approx.)	*RMB'000 (approx.)*	*RMB'000 (approx.)*
Nonwoven fabrics costs			
-/+ 5%	4,236	4,585	8,051
-/+ 10%	8,472	9,170	16,103
-/+ 15%	12,708	13,755	24,155
Fluff pulp cost			
-/+ 5%	1,259	2,667	3,854
-/+ 10%	2,518	5,334	7,708
-/+ 15%	3,777	8,001	11,562

In addition, the availability of key raw materials significantly impacts our business, financial condition, and operational results. We source our raw materials from independent third-party suppliers, some of which operate overseas. Consequently, we experience longer inventory turnover times for materials purchased from abroad. To maintain strong relationships with our key suppliers — some of whom are dominant players in the market — we typically place orders on a regular basis, regardless of periodic fluctuations in our operations. Our procurement process involves annual supply agreements with our suppliers, with purchases made on a purchase order basis. Each purchase order details the product type and specifications, unit price, quantity, and delivery terms. During the Track Record Period, we did not experience any material shortages in our raw material supply, thanks in part to our strategic decision to expand our production capabilities for key raw materials.

Our production capacity and operating efficiency

Our production capacity and operating efficiency are crucial to the growth of our revenue, market share, and diversifying our product mix. As at 31 December 2023, our Jinjiang Production Facilities had a total of 16 production lines for our major products whereas our Nonwoven Fabric Facilities had five nonwoven fabric production lines. In each year during the Track Record Period, our average utilisation rate for our babycare product production lines were approximately 51.0%, 68.8% and 84.1%, respectively; our average utilisation rate for our feminine care production lines were approximately 1.5%, 34.9% and 138.2%, and our average utilisation rate for our adult incontinence production lines were approximately 13.7%, 7.4% and 14.7%, respectively, for the same periods. Moreover, our Nonwoven Fabric Facilities had an average utilisation rate of approximately 51.3%, 71.1% and 96.3% in each year during the Track Record Period, respectively.

To support growth, we aim to expand our production capacity by acquiring more lines and machinery. With this expansion, we expect to meet rising product demand and increase sales volume.

Our financial performance also hinges on our operating efficiency. We maintain full control over key stages of the industry value chain, including design, R&D, raw material procurement, production, quality control, and product marketing and sales. This control facilitates optimal inventory management, flexible production, and enhanced operating efficiency. For more details about our production capacity, see "Business — Our Production Facilities". Moving forward, we plan to further improve our production efficiency to lower production costs.

MATERIAL ACCOUNTING POLICIES

Our financial information have been prepared in accordance with accounting policies which conform to the IFRS Accounting Standards issued by the International Accounting Standards Board. We have identified certain accounting policies that are material to the preparation of our financial information and are important in understanding our financial condition and results of operations. The material accounting policies are set out in note 3 to the Accountants' Report in Appendix I to this document. The material accounting policies are summarised as follows:

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 generated from manufacturing and sales of goods 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.

For further details regarding our accounting policy relating to revenue recognition, please refer to "Revenue recognition" in note 3 to the Accountant's Report in Appendix I to this document.

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and our Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over their estimated useful lives.

During the Track Record Period, no development cost was capitalised by our Group.

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.

For further details regarding our accounting policy relating to inventories, please refer to "Inventories" in note 3 to the Accountants' Report in Appendix I to this document.

Impairment of financial assets

Our Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets that are measured at amortised cost. 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.

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. Our 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, the economic environment and the domicile of the debtors' countries.

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of our Group's accounting policies, which are described in note 3 to the Accountants' Report in Appendix I to this document, estimates and assumptions concerning the future and judgements are made by the management of our Group in the preparation of the historical financial information of our Group. They affect the application of our 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.

Useful Lives of Intangible Assets, Property, Plant, and Equipment, and Right-of-Use Assets

The management of the Group determines the estimated useful lives of the Group's intangible assets, property, plant, and equipment, and right-of-use assets based on the historical experience of the actual useful lives of assets of a similar nature and function. The depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

Impairment of Non-Financial 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 estimating the recoverable amount of these assets, which is equal to the higher of their fair value less costs of disposal and their value in use. Estimating the value in use requires management to make an estimate of the expected future cash flows from these assets and to choose a suitable discount rate to calculate the present value of those cash flows. Any impairment is charged to profit or loss.

Allowance for Inventories

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 based on management's estimation of the net realisable value, considering the latest market prices and current market conditions.

Loss Allowance for ECL

The management of our Group estimates the loss allowance for trade and other receivables using various inputs and assumptions including the risk of default and expected loss rate. This estimation involves a high degree of uncertainty and is based on our Group's historical information, existing market conditions, and forward-looking estimates at the end of each reporting period. Differences from the original estimates impact the carrying amount of trade and other receivables.

Income Taxes

Significant estimates are required in determining the provision for income taxes and deferred taxation. There are transactions and calculations where the ultimate tax determination is uncertain, and the final tax outcome of these matters may differ from the amounts initially recorded. Such differences will affect the income tax and deferred tax provisions in the period in which such determination is made.

Deferred Tax Assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future profits generated differ from the original estimates, a material adjustment to the recognition of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such estimate is changed.

Fair Value of Investment Properties

Investment properties are revalued at the end of each reporting period based on the appraised market value provided by an independent professional valuer. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from actual results. In making these estimations, our Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The most significant input for our Group's estimation of the fair value is the market price for similar properties, adjusted for age, location, condition, size, and other relevant factors.

Please refer to note 3 to the Accountants' Report in Appendix I to this document for further details.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets forth a summary of financial information for the years indicated, which have been extracted from the Accountants' Report in Appendix I to this document.

	FY2021	**FY2022**	**FY2023**
	RMB'000 (approx.)	*RMB'000 (approx.)*	*RMB'000 (approx.)*
Revenue	263,226	408,066	654,560
Cost of sales	(206,492)	(296,840)	(457,293)
Gross profit	56,734	111,226	197,267
Other income	3,227	3,732	1,734
Selling and distribution expenses	(32,250)	(40,669)	(91,136)
Administrative and other operating expenses	(14,887)	(24,114)	(39,635)
(Provision for) Reversal of loss allowance on trade receivables, net	(123)	470	728
Changes in fair value of investment properties	27	807	1,917
Gain on disposal/deregistration of subsidiaries, net	–	–	2,494
Finance costs	(261)	(548)	(776)
[**REDACTED**] expenses	–	–	(5,981)
Profit before tax	12,467	50,904	66,612
Income tax expenses	(2,465)	(9,045)	(8,923)
Profit for the year	10,002	41,859	57,689
Other comprehensive income (loss):			
Item that may be reclassified subsequently to profit or loss			
Exchange difference on combination	219	(1,068)	(440)
Total comprehensive income for the year	10,221	40,791	57,249

DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS OF OUR CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

(a) Revenue by our business segments

The following table sets out a breakdown of revenue of our Group by our business segments for the years indicated:

	FY2021		FY2022		FY2023	
	RMB'000 (approx.)	*%*	*RMB'000 (approx.)*	*%*	*RMB'000 (approx.)*	*%*
Contract manufacturing	170,434	64.8	267,878	65.6	448,383	68.5
Branded product business	90,630	34.4	73,332	18.0	154,009	23.5
Nonwoven fabric and others	2,162	0.8	66,856	16.4	52,168	8.0
Total	263,226	100.0	408,066	100.0	654,560	100.0

Contract manufacturing

Our revenue increased by approximately RMB97.5 million or approximately 57.2% from approximately RMB170.4 million for FY2021 to RMB267.9 million for FY2022. Such increase was mainly as a result of the increase in sales volume of approximately 41.7% which was mainly attributable to the increase in sales orders of babycare products from Russian Top-tier Retailer and Customer B.

Our revenue increased by approximately RMB180.5 million or approximately 67.4% from approximately RMB267.9 million for FY2022 to RMB448.4 million for FY2023. Such increase was mainly as a result of the continuous increase in sales volume of approximately 72.0% which was mainly attributable to the continuous increase in sales volume of babycare products from Russian Top-tier Retailer.

Branded product business

Our revenue decreased by approximately RMB17.3 million or approximately 19.1% from approximately RMB90.6 million for FY2021 to RMB73.3 million for FY2022. Such decrease was mainly due to the decrease in sales volume of approximately 35.8% which was mainly attributable to the decrease in sales orders of babycare products and other products (in particular, the sale of masks).

Our revenue increased by approximately RMB80.7 million or approximately 110.1% from approximately RMB73.3 million for FY2022 to RMB154.0 million for FY2023. Such increase was mainly due to the increase in sales volume of branded product of approximately 101.2% which was primarily due to the increase in sales orders of our branded feminine care product.

Nonwoven fabric and others

Our revenue increased by approximately RMB64.7 million or approximately 2,940.9% from approximately RMB2.2 million for FY2021 to RMB66.9 million for FY2022. Such increase was mainly the result of the combined effects of (i) the increase in sales volume of our nonwoven fabric products of approximately 2265.0% as we completed the trial operation phase for our new Nonwoven Fabric Facilities in late 2021 and commenced full-scale operations in 2022; and (ii) the sale of fluff pulp during FY2022 for approximately RMB19.6 million.

Our revenue decreased by approximately RMB14.7 million or approximately 22.0% from approximately RMB66.9 million for FY2022 to RMB52.2 million for FY2023. Such decrease was mainly due to the fact that we did not have any sales of fluff pulp during FY2023.

(b) Revenue by product category

The following table sets out a breakdown of revenue of our Group by product category for the years indicated.

	FY2021			FY2022			FY2023		
	RMB'000 (approx.)	*%*	*ASP (RMB)*	*RMB'000 (approx.)*	*%*	*ASP (RMB)*	*RMB'000 (approx.)*	*%*	*ASP (RMB)*
Babycare	228,498	86.8	0.72	322,077	78.9	0.78	467,960	71.5	0.75
Feminine care	1,057	0.4	1.17	1,994	0.5	1.17	113,744	17.4	0.93
Adult incontinence	12,313	4.7	1.44	6,714	1.6	1.58	13,419	2.1	1.58
Others*(Note)*	19,196	7.3	0.41	10,425	2.6	1.28	7,269	1.0	1.02
Subtotal	261,064	99.2		341,210	83.6		602,392	92.0	
Nonwoven fabric and others	2,162	0.8	12.55	66,856	16.4	10.58	52,168	8.0	11.09
Total	263,226	100.0		408,066	100.0		654,560	100.0	

Note: Includes the sale of masks, toilet paper, tissue, pet care products and cleaning wipes and etc.

Babycare products

Our revenue increased by approximately RMB93.6 million or approximately 41.0% from approximately RMB228.5 million for FY2021 to RMB322.1 million for FY2022. Such increase was mainly as a result of the increase in sales volume of baby care products by approximately 30.9%; particularly the increase in sales orders of babycare products under contract manufacturing from Russian Top-tier Retailer and Customer B.

Our revenue increased by approximately RMB145.9 million or approximately 45.3% from approximately RMB322.1 million for FY2022 to RMB468.0 million for FY2023. Such increase was mainly as a result of the continuous increase in sales volume of babycare products by approximately 50.7%; particularly the continuous increase in sales orders of babycare products from Russian Top-tier Retailer.

Feminine care products

Our revenue increased by approximately RMB0.9 million or approximately 88.6% from approximately RMB1.1 million for FY2021 to RMB2.0 million for FY2022. Such increase was mainly due to the increase in sales volume and order of our feminine products by approximately 88.6%.

Our revenue increased by approximately RMB111.7 million or approximately 5,585.0% from approximately RMB2.0 million for FY2022 to RMB113.7 million for FY2023. Such increase was mainly due to the increase in sales volume and order of our feminine products by approximately 70.6 times.

Adult incontinence products

Our revenue decreased by approximately RMB5.6 million or approximately 45.5% from approximately RMB12.3 million for FY2021 to RMB6.7 million for FY2022. Such decrease was mainly due to the decrease in sales volume by approximately 49.7% partially offset by the increase in average selling price by approximately 9.7%.

Our revenue increased by approximately RMB6.7 million or 100.0% from approximately RMB6.7 million for FY2022 to RMB13.4 million for FY2023. Such increase was mainly due to the increase in sales volume of adult wet wipes by approximately 330.9%.

Others

Our revenue decreased by approximately RMB9.2 million or approximately 46.9% from approximately RMB19.6 million for FY2021 to RMB10.4 million for FY2022. Such decrease was mainly due to the reduced sales of masks.

Our revenue decreased by approximately RMB3.1 million or approximately 29.8% from approximately RMB10.4 million for FY2022 to RMB7.3 million for FY2023. Such decrease was mainly due to the decreased sales volume of pet care products.

Nonwoven fabrics and others

Please refer to the fluctuation discussion in "(a) Revenue by our business segments" above.

Costs of sales

Our costs of sales comprised direct materials costs, productions costs and direct labour costs. The table below sets forth a breakdown of our costs of sales for the years indicated.

	FY2021		FY2022		FY2023	
	RMB'000 (approx.)	*%*	*RMB'000 (approx.)*	*%*	*RMB'000 (approx.)*	*%*
Direct materials costs	178,389	86.4	261,549	88.1	407,952	89.2
Manufacturing overhead	17,944	8.7	22,811	7.7	33,565	7.3
Direct labour costs	10,159	4.9	12,480	4.2	15,776	3.5
Total	206,492	100.0	296,840	100.0	457,293	100.0

Direct materials costs

Our direct materials costs mainly include nonwoven fabrics, fluff pulp, SAP, absorbent paper, and various kinds of chemicals. For FY2022, our direct material costs increased by approximately RMB83.1 million or approximately 46.6% from approximately RMB178.4 million for FY2021 to RMB261.5 million. For FY2023, our direct material costs increased by approximately RMB146.5 million or approximately 56.0% from approximately RMB261.5 million for FY2022 to RMB408.0 million. These increases were generally in line with the increase in our sales volume.

Manufacturing overhead

For FY2022, our manufacturing overhead increased by approximately RMB4.9 million or approximately 27.4% from approximately RMB17.9 million for FY2021 to RMB22.8 million. For FY2023, our manufacturing overhead increased by approximately RMB10.8 million or approximately 47.4% to RMB33.6 million. These increases were generally in line with the additions of our machineries and equipment during the Track Record Period.

Direct labour costs

Our direct labour costs, which include the wages, salaries, and retirement benefit scheme contributions for employees under costs of sales, increased by approximately RMB2.3 million or approximately 22.5% from approximately RMB10.2 million for FY2021 to RMB12.5 million for FY2022. For FY2023, our direct labour costs increased by approximately RMB3.3 million or approximately 26.4% to RMB15.8 million. This growth in costs was generally in line with the increase in headcount and salary.

Gross profit and gross profit margin

The table below sets forth the gross profit and gross profit margin by sales channel for the years indicated.

	FY2021		FY2022		FY2023	
	Gross profit (RMB'000) (approx.)	*Gross profit margin (%)*	*Gross profit (RMB'000) (approx.)*	*Gross profit margin (%)*	*Gross profit (RMB'000) (approx.)*	*Gross profit margin (%)*
Contract manufacturing	34,278	20.1	83,273	31.1	132,711	29.6
Branded product business	22,384	24.7	24,329	33.2	62,544	40.6
Nonwoven fabric and others	72	3.3	3,624	5.4	2,012	3.9
Total	56,734		111,226		197,267	

Contract manufacturing

For FY2022, our gross profit margin generated from contract manufacturing increased from approximately 20.1% to 31.1%, an increase of 11.0%. This improvement was primarily due to (i) the higher selling price of our baby care products to Russian Top-tier Retailer under contract manufacturing during 2022, and (ii) the lower unit costs of our baby care products achieved by utilising our in-house nonwoven fabric and benefiting from economies of scale, which led to a decrease in average unit costs.

For FY2023, our gross profit margin generated from our contract manufacturing decreased slightly from approximately 31.1% to 29.6% which was due to a slight decrease in the average selling price.

Branded product business

For FY2022, our gross profit margin generated from our branded product business increased from approximately 24.7% to 33.2%, an increase of approximately 8.5%. This was primarily due to our raising average selling price of our D2C sales of branded baby care products.

For FY2023, our gross profit margin generated from our branded product business increased from approximately 33.2% to 40.6%, an increase of approximately 7.4%. This was primarily due to our raising sales volume of our D2C sales of branded feminine care products, which typically yield a higher gross profit margin.

Nonwoven fabric and others

For FY2022, the gross profit margin generated from our nonwoven fabric manufacturing increased from approximately 3.3% in FY2021 to 5.4%, an increase of approximately 2.1%. This was primarily due to our sale of fluff pulp which recorded a higher gross profit margin.

For FY2023, the gross profit margin generated from our nonwoven fabric manufacturing decreased slightly to approximately 3.9%, as we only sold nonwoven fabric during FY2023.

The table below sets forth the gross profit and gross profit margin by product category for the years indicated.

	FY2021		FY2022		FY2023	
	Gross profit (RMB'000) (approx.)	*Gross profit margin (%)*	*Gross profit (RMB'000) (approx.)*	*Gross profit margin (%)*	*Gross profit (RMB'000) (approx.)*	*Gross profit margin (%)*
Babycare	47,409	20.7	99,895	31.0	138,264	29.5
Feminine care	472	44.6	880	44.1	50,905	44.8
Adult incontinence	3,244	26.3	1,959	29.2	4,276	31.9
Others	5,537	28.8	4,868	46.7	1,810	24.9
Subtotal	56,662		107,602		195,255	
Nonwoven fabric and others	72	3.3	3,624	5.4	2,012	3.9
Total	56,734		111,226		197,267	

Babycare products

Our gross profit margin from our baby care products increased from approximately 20.7% in FY2021 to approximately 31.0% in FY2022, an increase of approximately 10.3%, primarily due to our raising average selling price of our baby care products.

Our gross profit margin from our baby care products decreased slightly to approximately 29.5% in FY2023 because we provided discount in response to a large volume purchase by our Russian customers resulting in a lower gross profit margin.

Feminine care products

Our gross profit margin of our feminine care products remained stable and were approximately 44.6%, 44.1% and 44.8% during the Track Record Period, respectively.

Adult incontinence products

For FY2022, the gross profit margin from our adult incontinence products increased from approximately 26.3% in FY2021 to approximately 29.2%, an increase of approximately 2.9%. This was primarily due to our decreased sale volume of adult diaper, which recorded a lower gross profit margin.

For FY2023, the gross profit margin generated from our adult incontinence products increased from approximately 29.2% in FY2022 to approximately 31.9%, mainly attributable to increased sale volume of wet wipes, which recorded a higher gross profit margin.

Others

For FY2022, the gross profit margin from our other products increased from approximately 28.3% in FY2021 to 46.7%, an increase of 18.4%. The significant increase was primarily due to increased sales of pet care products which recorded a higher gross profit margin.

For FY2023, the gross profit margin from our other products decreased to approximately 24.9% from approximately 46.7% for FY2022. This decline was mainly due to decreased sales of pet care products.

Nonwoven fabric and others

Please refer to the discussion in above.

Other income

Our other income remained stable which were approximately RMB3.2 million in FY2021 and RMB3.7 million in FY2022. Our other income decreased from approximately RMB3.7 million in FY2022 to RMB1.7 million in FY2023, as our significant sales of scrap materials in FY2022 but very minimal in FY2023.

Selling and distribution expenses

The table below sets forth a breakdown of our selling and distribution expenses for the years indicated:

	FY2021	FY2022	FY2023
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Online sales and promotion expenses	20,130	22,460	53,325
Distribution expenses	5,067	7,723	23,492
Staff cost	3,160	6,079	7,186
Agency fee and declaration expenses	1,792	2,584	5,260
Amortisation and depreciation	1,223	966	271
Others	878	857	1,602
Total	32,250	40,669	91,136

Our online sales and promotion expenses remained stable between FY2021 and FY2022, at approximately RMB20.1 million and RMB22.5 million, respectively. Subsequently, our online sales and promotion expenses increased to approximately RMB53.3 million in FY2023, representing an increase of approximately 136.9% or approximately RMB30.8 million. This significant rise was mainly attributable to (i) an increase in online sales expenses, which generally aligns with the growth in D2C e-commerce sales, and (ii) an increase in offline campaign expenses of approximately RMB15.0 million in FY2023.

Our distribution expenses increased from approximately RMB5.1 million in FY2021 to RMB7.7 million in FY2022, and further to RMB23.5 million in FY2023. This increase was generally in line with the growth in our D2C e-commerce sales in China during the Track Record Period.

Our staff costs primarily consist of wages, salaries, and contributions to the retirement benefit scheme for the sales and distribution department. Our staff cost increased by approximately RMB2.9 million or approximately 90.6% from RMB3.2 million for FY2021 to RMB6.1 million for and further increased by approximately RMB1.1 million or approximately 18.0% to RMB7.2 million. The increase of staff costs during the Track Record Period were mainly due to increase headcount and salaries.

Administrative and other operating expenses

The table below sets forth a breakdown of our administrative and other operating expenses for the years indicated.

	FY2021	**FY2022**	**FY2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Research and development expenses	9,812	12,895	20,638
Depreciation	1,954	2,011	2,036
Staff cost	1,626	4,114	5,186
Exchange loss, net	–	1,720	34
Office expenses	641	788	2,577
Donation	–	–	4,310
Others	854	2,586	4,854
	14,887	24,114	39,635

Our research and development expenses increased by approximately RMB3.1 million or approximately 31.6%, from approximately RMB9.8 million in FY2021 to RMB12.9 million in FY2022. This increase was mainly due to an increase in our research and development projects.

Our staff costs primarily consist of wages, salaries, and contributions to the retirement benefit scheme for the administrative department. Our staff costs rose from approximately RMB1.6 million in FY2021 to RMB4.1 million in FY2022, and further increased to RMB5.2 million in FY2023. This increase was mainly attributable to the growth in the number of administrative staff headcount and salary increment.

[**REDACTED**] **expenses**

[**REDACTED**] expenses comprise professional and other expenses in relation to our [**REDACTED**]. Our [**REDACTED**] expenses amounted to nil, nil and approximately RMB6.0 million for the Track Record Period.

Finance costs

Our finance costs mainly represented the interest on lease liabilities and interest-bearing borrowings. Our finance costs slightly increased from approximately RMB0.3 million, to RMB0.5 million and further increased to RMB0.8 million for the Track Record Period, respectively, which was generally in line with the level of our bank borrowing.

Income tax expenses

Our income tax expenses represented the PRC Enterprise Income Tax. PRC Enterprise Income Tax has been provided for at the statutory rate of 25% during the Track Record Period except for Insoftb China which was recognised as High and New Technology Enterprise ("**HNTE**") and is entitled to a preferential tax rate of 15% since December 2020. The entitlement of the HNTE is subject to renewal by respective tax bureau in the PRC every three years. The latest approval of the HNTE for Insoftb China was obtained in December 2023 and will be expired in December 2026. Insoftb China can enjoy the preferential tax rate of 15% for the whole year of the year of obtaining the HNTE.

Our income tax expenses amounted to approximately RMB2.5 million, RMB9.0 million and RMB8.9 million, with the effective tax rate of approximately 19.8%, 17.8% and 13.4% for the Track Record Period, respectively.

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group had fulfiled all of our income tax obligations and had no unresolved income tax issues or disputes with the relevant tax authorities.

Profit for the year attributable to the owners of the Company

As a result of the foregoing, our profit for the year attributable to the owners of the Company amounted to approximately RMB10.0 million, RMB41.9 million and RMB58.9 million for the Track Record Period, respectively which is generally in line with our gross profit growth. Our net profit margin amounted to approximately 3.8%, 10.3% and 9.0% for the Track Record Period, respectively.

Excluding the [**REDACTED**] expenses of approximately RMB6.0 million for FY2023, which is non-recurring in nature, our adjusted net profit attributable to the owners of the Company for FY2023 amounted to approximately RMB64.9 million for FY2023.

LIQUIDITY AND CAPITAL RESOURCES

Financial resources

During the Track Record Period, our primary use of cash had been the payment for purchases of raw materials, staff costs, production costs and various operating expenses. Historically, our working capital and other capital requirements were principally satisfied by shareholders' funds and cash generated from our operations.

As at 31 December 2021, 2022 and 2023, we had cash and bank balances of approximately RMB20.6 million, RMB6.5 million and RMB63.0 million, respectively, which were primarily held in RMB. Going forward, our Group expects to continue to generate cash from operations as our principal source of liquidity, and we may use a portion of the net [**REDACTED**] from the [**REDACTED**] to finance our liquidity requirements. Please refer to the section headed "Future Plans and Use of [**REDACTED**]" in this document for details. Our Directors believe that, in the long term, our Group's operations will be funded by internal resources and, if necessary, bank borrowings.

The table below sets forth the condensed summary of the consolidated statements of cash flows for the years indicated:

	FY2021	**FY2022**	**FY2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Operating cash flows before movement in working capital	22,562	62,665	79,500
Change in working capital	10,160	(56,085)	81,663
Income tax paid	(2,078)	(1,537)	(5,199)
Net cash from operating activities	30,644	5,043	155,964
Net cash used in investing activities	(62,445)	(24,965)	(31,393)
Net cash from (used in) financing activities	13,598	5,806	(68,035)
Net (decrease) increase in cash and cash equivalents	(18,203)	(14,116)	56,536
Cash and cash equivalents at the beginning of the year	38,783	20,580	6,464
Cash and cash equivalents at the end of the year	20,580	6,464	63,000

Net cash from operating activities

Our net cash from operating activities for FY2021 was approximately RMB30.6 million, primarily comprising cash generated from operations of approximately RMB32.7 million and income tax paid of approximately RMB2.1 million. Our cash generated from operations reflected profit before tax for the year of approximately RMB12.5 million, as adjusted by depreciation of property, plant and equipment and right-of-use assets of approximately RMB8.9 million. Our change in working capital contributed to a cash inflow of approximately RMB10.2 million, which was primarily due to the increase in trade and other payables of approximately RMB35.1 million as there was an increase in purchase of products before year end; and partially offset by increase in inventories of approximately RMB20.2 million due to the increase in the stockpile of raw materials during the year.

Our net cash from operating activities for FY2022 was approximately RMB5.0 million, primarily comprising cash generated from operations of approximately RMB6.6 million and income tax paid of approximately RMB1.5 million. Our cash generated from operations reflected profit before tax for the year of approximately RMB50.9 million, as adjusted for the following major items: (i) depreciation of property, plant and equipment and right-of-use assets of approximately RMB12.2 million in aggregate; and (ii) amortisation of intangible assets of approximately RMB1.0 million. Our change in working capital contributed to a cash outflow of approximately RMB56.1 million, which was primarily due to (i) increase in trade and other receivables of approximately RMB37.0 million; and (ii) increase in inventories of approximately RM34.0 million; and partially offset by the increase in trade and other payables of approximately RMB15.0 million primarily due to increase in purchase during FY2022.

Our net cash from operating activities for FY2023 was approximately RMB156.0 million, primarily comprising cash generated from operations of approximately RMB161.2 million and income tax paid of approximately RMB5.2 million. Our cash generated from operations reflected profit before tax for the year of approximately RMB66.6 million, as adjusted for the following major items: (i) depreciation of property, plant and equipment and right-of-use assets of approximately RMB17.1 million in aggregate; and (ii) gain on disposal/deregistration of subsidiaries of approximately RMB2.5 million. Our change in working capital contributed to a cash inflow of approximately RMB81.7 million, which was primarily due to the decrease in inventories of approximately RMB80.2 million during FY2023.

Net cash used in investing activities

Our net cash used in investing activities for FY2021 was approximately RMB62.4 million, primarily representing the purchase of right-of-use assets and property, plant and equipment of approximately RMB51.4 million in aggregate and placement of pledged bank deposits of approximately RMB11.4 million.

Our net cash used in investing activities for FY2022 was approximately RMB25.0 million, primarily representing the purchase of property, plant and equipment of approximately RMB18.8 million and placement of pledged bank deposits of approximately RMB6.8 million.

Our net cash used in investing activities for FY2023 was approximately RMB31.4 million, primarily representing the purchase of intangible assets and property, plant and equipment of approximately RMB40.2 million in aggregate which was partially set off by the withdrawal of pledged bank deposits of approximately RMB4.9 million.

Net cash (used in)/from financing activities

Our net cash from financing activities for FY2021 was approximately RMB13.6 million, primarily representing inception of interest-bearing borrowings of approximately RMB10.0 million and advance from the Controlling Shareholder of approximately RMB3.9 million.

Our net cash from financing activities for FY2022 was approximately RMB5.8 million, primarily representing inception of interest-bearing borrowings of approximately RMB26.8 million, and partially offset by (i) repayment of interest-bearing borrowings of approximately RMB18.8 million and (ii) repayment to the Controlling Shareholder of approximately RMB1.6 million respectively.

Our net cash used in financing activities for FY2023 was approximately RM68.0 million, primarily representing repayment to the Controlling Shareholder of approximately RMB62.6 million and repayment of interest-bearing borrowings of approximately RMB18.0 million which is partially offset by inception of interest-bearing borrowings of approximately RMB13.0 million.

NET CURRENT ASSETS

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)* *(unaudited)*
Current assets				
Inventories	119,941	153,981	73,808	71,600
Trade and other receivables	62,354	100,364	94,713	153,181
Pledged bank deposits	14,113	20,934	15,995	13,610
Cash and bank balances	20,580	6,464	63,000	14,541
	216,988	281,743	247,516	252,932
Current liabilities				
Trade and other payables	106,701	123,263	125,666	156,421
Interest-bearing borrowings	10,000	18,000	13,000	13,000
Lease liabilities	63	59	268	270
Amount due to the Controlling Shareholder	137,615	136,212	71,576	50,000
Income tax payables	1,449	8,137	10,594	10,771
	255,828	285,671	221,104	230,462
Net current (liabilities)/assets	(38,840)	(3,928)	26,412	22,470

Our net current liabilities decreased from approximately RMB38.8 million as at 31 December 2021 to RMB3.9 million as at 31 December 2022, representing an amount of approximately RMB34.9 million. Such decrease was primarily attributable to the combined effect of (i) our inventories increase of approximately RMB34.0 million; and (ii) our trade and other receivables increase of approximately RMB37.0 million; which was partially offset by (i) the increase of trade and other payables of approximately RMB15.0 million and (ii) the decrease of cash and bank balances of approximately RMB14.1 million.

Our net current liabilities position changed from approximately RMB3.9 million as at 31 December 2022 to net current assets position of approximately RMB26.4 million as at 31 December 2023, representing an increase of approximately RMB30.3 million, which was mainly attributable to the combined effects of (i) our cash and bank balances increase of approximately RMB56.5 million; and (ii) our amount due to the Controlling Shareholder under current liabilities decrease of approximately RMB64.6 million; which was partially offset by; (iii) our inventories decrease of approximately RMB80.2 million.

Our net current assets decreased from approximately RMB26.4 million as at 31 December 2023 to approximately RMB22.5 million as at 31 March 2024, representing an amount of approximately RMB3.9 million. This decrease was primarily attributable to the combined effect of our cash and bank balances decrease of approximately RMB48.5 million; which was partially offset by our trade and other receivables increase of approximately RMB58.5 million.

DESCRIPTION AND ANALYSIS OF SELECTED ITEMS OF OUR CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Inventories

Our raw materials mainly consisted of SAP, fluff pulp, nonwoven fabrics, absorbent paper, various kinds of chemicals such as polypropylene and high-density polyethylene (HDPE), as well as packing materials.

The table below sets forth a breakdown of our inventories balances as at the dates indicated.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Raw materials	76,393	101,285	28,306
Finished goods	43,548	52,696	45,502
Total	119,941	153,981	73,808

Pursuant to our inventory policy, the value of inventory shall be stated at the lower of cost and net realisable value. Costs of inventories are determined on weighted average basis and net realisable value means the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. As at 31 December 2021 2022 and 2023, our Group had no write-down provision as a result of damaged or unsold finished goods.

The table below sets forth an ageing analysis for our inventories, net of loss allowances as at the dates indicated.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Less than 1 year	109,398	143,889	72,915
Between 1 and 2 years	10,543	10,092	893
Total	119,941	153,981	73,808

The table below sets forth the turnover days of our inventories during the Track Record Period.

	FY2021	**FY2022**	**FY2023**
Inventory turnover days	194	168	91

Note: The number of inventory turnover days is calculated using the average balance of inventory divided by the cost of sales for the relevant year and multiplied by 365 days in the relevant year. Average balance of inventory is calculated as the sum of the beginning and the ending balance for the relevant year, divided by two.

Our inventory turnover days were approximately 194 days, 168 days and 91 days in each year during the Track Record Period, respectively. The decrease in our inventory turnover days from FY2022 to FY2023 is because we accumulated a higher level of raw materials during FY2021 and FY2022 due to the travel restrictions imposed by the COVID-19 pandemic in China, which were fully utilised in FY2023. Following the lifting of China's travel restrictions in mid-August 2023, we maintained an inventory level as at 31 December 2023 that was lower than those recorded as of 31 December 2021 and 2022.

As at the Latest Practicable Date, approximately RMB[69.2] million or [93.8]% of our inventories as at 31 December 2023 had been sold or utilised.

Trade and other receivables

The table below sets forth a breakdown of our trade and other receivables balances, net of loss allowances, as at the dates indicated.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Trade receivables, net of loss allowances	36,876	68,004	34,889
Bills receivables	–	–	25,425
Other receivables	25,478	32,360	34,399
Total	62,354	100,364	94,713

Our Group generally grants credit terms of up to 90 days from the date of issuance of invoices for our customers.

The table below sets forth an ageing analysis of our trade receivables, net of loss allowances, based on invoice date as at the dates indicated.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Within 30 days	11,435	25,133	23,185
31 to 60 days	6,854	30,557	3,962
61 to 90 days	9,202	9,180	6,852
91 to 180 days	1,452	208	519
181 to 365 days	1,162	1,881	25
Over 1 year	6,771	1,045	346
Total	36,876	68,004	34,889

Our trade receivables, net of loss allowances, increased from approximately RMB36.9 million as at 31 December 2021 to approximately RMB68.0 million as at 31 December 2022, then decreased to approximately RMB34.9 million as at 31 December 2023.

As at 31 December 2021, 2022 and 2023, our trade receivables, net of loss allowances, of approximately RMB19.8 million, RMB15.6 million and RMB13.1 million, respectively, were past due. Such amounts were due from our customers whom, to the best knowledge of our Directors, had no financial difficulties. Based on the previous experience of business cooperation, the overdue amounts can be recovered.

During FY2022 and FY2023, we recorded a reversal of loss allowance on trade receivables, net of approximately RMB0.5 million and RMB0.7 million, respectively. We did not record any reversal of loss allowance on trade receivables, net in FY2021. Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group has not experienced any material default for our trade receivables.

The table below sets forth the turnover days of our trade and bill receivables during the Track Record Period.

	FY2021	FY2022	FY2023
Trade and bill receivables turnover days	37	47	36

Note: The number of trade receivables turnover days is calculated using the average balance of trade receivables and bill receivables divided by total revenue for the relevant year and multiplied by 365 days in the relevant year. Average balance of trade receivables and bill receivables is calculated as the sum of the beginning and the ending balance for the relevant year, divided by two.

Our trade and bill receivables turnover days were approximately 37 days, 47 days and 36 days in each year during the Track Record Period, respectively. The trade and bill receivables turnover days of our Group is within the range of the credit period granted to our customers. The trade and bill receivables turnover days decreased during the Track Record Period is mainly attributable to the increase in sales percentage to Russian Top-tier Retailer which payment term is letter of credit.

As at the Latest Practicable Date, approximately [96.6]% of our trade receivables as at 31 December 2023 have been subsequently settled.

Other receivables

Our other receivables increased from approximately RMB25.5 million as at 31 December 2021 to approximately RMB32.4 million as at 31 December 2022, mainly due to the value-added tax and other tax recoverables, which increased from approximately RMB3.9 million at the end of 2021 to approximately RMB12.5 million by the end of 2022, due to pending payments from the local tax authority that were subsequently received.

Our other receivables remained stable with approximately RMB32.4 million as at 31 December 2022 and approximately RMB34.4 million as at 31 December 2023.

Trade and bill payables

The following table sets forth a breakdown of our trade and other payables as at the dates indicated.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Bills payables	42,675	39,777	40,329
Trade payables	26,841	18,985	15,483
Total	69,516	58,762	55,812

Our suppliers generally offer our Group normal credit terms of up to 60 days.

Our bills payables remained stable with approximately RMB42.7 million as at 31 December 2021, approximately RMB39.8 million as at 31 December 2022, and approximately RMB40.3 million as at 31 December 2023.

Our trade payables decreased from approximately RMB26.8 million as at 31 December 2021 to approximately RMB19.0 million as at 31 December 2022, and further decreased to approximately RMB15.5 million as at 31 December 2023, which was mainly attributable to the prompt settlement of long outstanding payable due to suppliers.

The table below sets forth the ageing analysis of our trade payables based on the invoice date as at the dates indicated.

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Within 30 days	6,775	6,477	3,305
31–60 days	2,747	5,678	4,039
61–90 days	2,886	2,763	1,200
Over 90 days	14,433	4,067	6,939
Total	26,841	18,985	15,483

As at the Latest Practicable Date, approximately [95.8]% of our trade payables as at 31 December 2023 have been subsequently settled.

The table below sets forth the turnover days of our trade and bill payables during the Track Record Period.

	FY2021	FY2022	FY2023
Trade and bill payables turnover days	88	79	45

Note: The number of trade and bill payables turnover days is calculated using the average balance of trade and bill payables divided by cost of sales for the relevant year and multiplied by 365 days in the relevant year. Average balance of trade and bill payables is calculated as the sum of the beginning and the ending balance for the relevant year, divided by two.

Our trade and bill payables turnover days were approximately 88 days, 79 days and 45 days in each year during the Track Record Period, respectively. During the Track Record Period, the decrease in our trade and bill payables turnover days was mainly due to the prompt settlement of trade payables to certain of our major suppliers during the year.

Other payables

Our other payables increased from approximately RMB37.2 million as at 31 December 2021 to approximately RMB64.5 million as at 31 December 2022, mainly attributable to the increase in accruals and other payables and contract liabilities. Our other payables remained stable with approximately RMB64.5 million as at 31 December 2022 and approximately RMB69.9 million as at 31 December 2023.

Contract liabilities

Our contract liabilities increased from approximately RMB13.1 million as at 31 December 2021 to approximately RMB27.5 million as at 31 December 2022 and decreased to approximately RMB20.2 million as at 31 December 2023. The fluctuation in our contract liabilities represents the prepayment we have received mainly from our overseas business customers but not yet delivered.

INDEBTEDNESS

The following table sets forth the indebtedness of our Group as at the dates indicated.

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Interest-bearing borrowings	10,000	18,000	13,000	13,000
Lease liabilities	122	59	734	667
Amount due to the Controlling Shareholder	327,709	343,056	278,860	50,000
Total	337,831	361,115	292,594	63,667

Interest-bearing borrowings

The secured bank borrowings are repayable ranging from within one year since their inception. The following table sets forth the breakdown of our interest-bearing borrowings as at the dates indicated:

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Secured and guaranteed bank loans				
Current portion	10,000	18,000	13,000	13,000
Non-current portion	nil	nil	nil	nil
Total	10,000	18,000	13,000	13,000

As at 31 December 2021, 2022, and 2023, as well as 31 March 2024, our Group had bank borrowings of approximately RMB10.0 million, RMB18.0 million, RMB13.0 million, and RMB13.0 million, respectively. These amounts are denominated in RMB. The weighted average effective interest rate on bank borrowings as at these respective dates was 3.35%, 3.20%-4.30%, 3.45%-3.50%, and 3.45%-3.50% per annum.

The banking facilities, including bank overdrafts and interest-bearing borrowings, are secured by the following: (i) guarantees provided by our Controlling Shareholder and his spouse; (ii) properties owned by our Controlling Shareholder; (iii) corporate guarantee provided by a subsidiary of the Group; (iv) leasehold lands with net carrying amounts of approximately RMB21.8 million, RMB21.4 million, RMB20.9 million and RMB20.8 million as at 31 December 2021, 2022 and 2023 and 31 March 2024, respectively; and (v) investment properties of nil, nil, approximately RMB44.2 million and RMB44.2 million as at the same respective dates.

All banking facilities are subject to the fulfilment of covenants typically found in lending arrangements with financial institutions. If we were to breach these covenants, the utilised facilities would become repayable on demand.

As at 31 December 2021, 2022 and 2023, as well as 31 March 2024, none of the covenants relating to drawn-down facilities had been breached. Certain material, customary affirmative and/or negative covenants in the loan agreements may limit us from carrying out mergers, restructuring, changes of control, allotment and issue of new shares, declaration of dividends, and creating any mortgages, debentures, or charges without the prior consent of our lenders. We [have] obtained consent from certain financial institutions; for those unable to provide consent, we have settled the outstanding balances on or before [**REDACTED**]. The collaterals and guarantees provided by our controlling shareholders [are expected to be released and replaced] by a corporate guarantee to be given by our Company upon [**REDACTED**].

As at 31 March 2024, which is the latest practicable date for the purpose of this indebtedness statement, we had aggregate banking facilities of approximately RMB70.0 million, of which approximately RMB43.4 million was unutilized.

During the Track Record Period, our Directors confirmed that we did not experience any delays or defaults in the repayment of bank borrowings nor any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this document, we do not have any plan for material external debt financing.

Amount due to the Controlling Shareholder

The amount due to the Controlling Shareholder was non-trade in nature, unsecured, interest-free, and repayable on demand.

The following table sets forth the breakdown of our amount due to the Controlling Shareholder as at the dates indicated:

	As at 31 December			As at 31 March
	2021	2022	2023	2024
	RMB'000 (approx.)	*RMB'000 (approx.)*	*RMB'000 (approx.)*	*RMB'000 (approx.)*
Current portion	137,615	136,212	71,576	50,000
Non-current portion	190,094	206,844	207,284	nil
Total	327,709	343,056	278,860	50,000

As at 31 December 2021, 2022, 2023 and 31 March 2024, the amounts due to the Controlling Shareholder were approximately RMB327.7 million, RMB343.1 million, RMB278.9 million, and RMB50.0 million, respectively. The amount due to the Controlling Shareholder that was classified under non-current liabilities and approximately RMB207.3 million had been waived and was credited to the capital reserve under equity on 31 March 2024 upon execution of the deed of waiver by the Controlling Shareholder.

Contingent liabilities

As at 31 December 2021, 2022 and 2023, we had no contingent liabilities. We are currently not a party to any litigation that is likely to have a material adverse effect on our business, results of operations or financial condition taken as a whole. We have confirmed that there was no material change in our contingent liabilities since 31 December 2023 and up to the Latest Practicable Date.

Statement of indebtedness

As at 31 March 2024, the latest practicable date of indebtedness, other than as disclosed in this document, we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, finance lease commitments, any guarantees or other material contingent liabilities, or other banking facilities. Since 31 March 2024 and up to the Latest Practicable Date, there has been no material adverse change in our indebtedness.

CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures during the Tack Record Period were primarily related to the purchases of property, plant and equipment and intangible assets, which amounted to approximately RMB26.2 million, RMB45.7 million and RMB50.9 million in each year during the Track Record Period, respectively. We have financed our capital expenditure through cash flow generated from operating activities and current account with the Controlling Shareholder.

Save for the planned capital expenditure as disclosed in the section headed "Future Plans and Use of [**REDACTED**]" in this document and the additions of furniture, fixtures and office equipment and production equipment necessary for our business operations which will be made by our Group from time to time, our Group had no material planned capital expenditure as at the Latest Practicable Date.

Commitments

Capital expenditure commitments

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment	19,214	6,872	6,903

As at 31 December 2021, 2022, and 2023, the capital expenditure commitments were approximately RMB19.2 million, RMB6.9 million and RMB6,9 million, respectively.

Commitments under lease

We have leased out our Chuzhou Property to several tenants under an operating lease. These tenants are independent third parties, and the lease terms range from one to three years. The leases are non-cancellable by the tenants, do not contain any renewal options, and are subject to fixed monthly rental charges. Details are as follows:

	As at 31 December		
	2021	**2022**	**2023**
	RMB'000 *(approx.)*	*RMB'000* *(approx.)*	*RMB'000* *(approx.)*
Within one year	981	709	513
More than one year but less than two years	374	43	191
More than two years but less than three years	6	–	–
Total	1,361	752	704

As at 31 December 2021, 2022, and 2023, the commitments under lease were approximately RMB1.4 million, RMB0.8 million and RMB0.7 million, respectively. Details of which are set out in notes 16(b) and 33(b) to the Accountants' Report in Appendix I to this document.

SUMMARY OF KEY FINANCIAL RATIOS

The following sets out our key financial ratios for the years and as at the dates indicated.

	For the year ended/As at 31 December		
	2021	**2022**	**2023**
Profitability			
Gross profit margin(1)	21.6%	27.3%	30.1%
Net profit margin(2)	3.8%	10.3%	8.8%
Return on equity(3)	N/A(10)	170.6%	69.5%
Return on total assets(4)	2.3%	8.0%	11.1%
Liquidity			
Current ratio(5)	0.8 times	1.0 times	1.1 times
Quick ratio(6)	0.4 times	0.4 times	0.8 times
Capital sufficiency			
Gearing ratio(7)	N/A(10)	71.9%	15.7%
Net debt to equity ratio(8)	N/A(10)	46.1%	N/A
Interest coverage ratio(9)	N/A(11)	N/A(11)	120.0 times

Notes:

(1) Gross profit margin is calculated based on the gross profit for the year divided by total revenue and multiplied by 100%.

(2) Net profit margin is calculated based on the profit for the year divided by total revenue and multiplied by 100%.

(3) Return on equity is calculated based on the profit for the year divided by the shareholders' equity as at the end of the year.

(4) Return on total assets is calculated based on the profit for the year divided by total assets at the end of the year and multiplied by 100%.

(5) Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of the year.

(6) Quick ratio is calculated based on the total current assets minus inventories divided by the total current liabilities as at the end of the year.

(7) Gearing ratio is calculated based on the sum of our interest-bearing borrowings divided by total equity at the end of the year.

(8) Net debt to equity ratio is calculated based on the sum of our interest-bearing borrowings, minus our cash and bank balances divided by total equity at the end of the year.

(9) Interest coverage ratio is calculated by profit before interest and tax divided by net interest expense for the year.

(10) Total equity and shareholders' equity are negative in FY2021.

(11) We have net interest income for FY2021 and FY2022, and therefore the ratio for these years are not applicable.

Gross profit margin and net profit margin

Our gross profit margin amounted to approximately 21.6%, 27.3% and 30.1% for the Track Record Period, respectively. For further details on the changes in gross profit margin, please refer to the paragraph headed "Gross profit and gross profit margin" in this section.

Net profit margin increased from approximately 3.8% for FY2021 to 10.3% for FY2022, mainly resulted from approximately 96.0% gross profit growth, which outweighed the increase in selling and distribution expenses and administrative and other operating expenses of approximately 37.4%.

Net profit margin decreased slightly from approximately 10.3% for FY2022 to 8.8% for FY2023. Excluding the [**REDACTED**] Expenses incurred for FY2023, we would record an adjusted net profit margin of approximately 9.7% for FY2023.

Return on equity

Our equity was negative in FY2021 and hence the relevant return on equity was not applicable. Our return on equity decreased from approximately 170.6% in FY2022 to 69.5% in FY2023, as the increase in our equity outweighed the increase in our profit for the relevant year.

Return on total assets

Our return on total assets increased from approximately 2.3% for FY2021 to approximately 8.0% for FY2022, and subsequently increased to approximately 11.1% which was mainly attributable to the increase in our net profit from approximately RMB10.0 million for FY2021 to approximately RMB57.7 million for FY2023.

Current ratio and quick ratio

Our current ratio remained relatively stable at approximately 0.8 times, 1.0 times and 1.1 times as at 31 December 2021, 2022 and 2023, respectively. Our quick ratio increased from approximately 0.4 times to 0.4 times and 0.8 times as at 31 December 2021, 2022 and 2023, respectively. The increase in our quick ratio was mainly attributable to the combined effects of the increase in trade receivables and cash and cash equivalents outweighed the increase in trade and other payables as discussed in the subsection headed "Description and Analysis of Selected Items of our Consolidated Statements of Financial Position" above.

Gearing ratio and net debt to equity ratio

In FY2021, our equity was negative, rendering the calculation of the gearing ratio not applicable.

Our gearing ratio decreased from approximately 71.9% as at 31 December 2022 to approximately 15.7% as at 31 December 2023. This decrease is due to the increase in equity and a decrease in borrowing as at 31 December 2023.

Given we were at net cash position as at 31 December 2021 and 2023, our net debt to equity ratios are not applicable as at the respective dates. As at 31 December 2022, our net debt to equity ratio was approximately 46.1%.

Interest coverage

Given we had net interest income for both FY2021 and FY2022, our interest coverage ratios are not applicable. For FY2023, we have recorded interest expenses and our interest coverage ratio was approximately 120.0 times.

QUANTITATIVE AND QUALITATIVE DISCLOSURE OF FINANCIAL RISKS

We are, in the ordinary course of our business, exposed to a variety of financial risks including credit risk, foreign risk and liquidity risk. Details of such risks are set out in note 31 to the Accountants' Report in Appendix I to this document.

RELATED PARTY TRANSACTIONS

Our related party transactions mainly represented transactions between the entities of our Group and the remuneration for key management personnel (including the Directors) of our Group during the Track Record Period. Details of which are set out in note 27 to the Accountants' Report in Appendix I to this document. Our Directors are of the view that these related party transactions as a whole were conducted on normal commercial terms and on arm's length basis.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISK

We are exposed to market risks from changes in market rates and prices, such as interest rates, credit and liquidity.

Details of the risk to which we are exposed, please refer to "Financial Risk Management Objectives and Policies" in Note 31 to the Accountants' Report which is set out in Appendix I to this document.

CAPITAL MANAGEMENT

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on basis of the gearing ratio. As at 31 December 2021, 2022 and 2023, our gearing ratios were not applicable, approximately 71.9% and 15.7%, respectively. The Group may adjust the amount of dividends paid to shareholder, issue new shares or sell assets to reduce debt to keep the capital structure optimal.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into off-balance sheet commitments and arrangements.

[REDACTED] EXPENSES

Our estimated [**REDACTED**] expenses primarily consisted of [**REDACTED**] fees and [**REDACTED**] as well as legal and professional fees in relation to the [**REDACTED**]. Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range stated in this document, the [**REDACTED**] expenses to be borne by our Company are estimated to be approximately HK$[**REDACTED**] (representing approximately [**REDACTED**]% of the total gross [**REDACTED**] from the [**REDACTED**]), of which (i) approximately HK$[**REDACTED**] (approximately RMB[**REDACTED**]) is to be accounted for as a deduction from equity; (ii) approximately HK$[**REDACTED**] (approximately RMB[**REDACTED**]) was recognised in our combined statement of profit and loss and other comprehensive income for FY2023; and (iii) approximately HK$[**REDACTED**] (approximately RMB[**REDACTED**]) is expected to be recognised in our combined statement of profit or loss and other comprehensive income for FY2024. The aforementioned total estimated [**REDACTED**] expenses (based on the mid-point of the [**REDACTED**] range stated in this document and assuming that the [**REDACTED**] is not exercised) in relation to the [**REDACTED**] includes (i) [**REDACTED**]-related expenses (including but not limited to [**REDACTED**] fees and [**REDACTED**]) of approximately HK$[**REDACTED**] (approximately RMB[**REDACTED**]); and (ii) non-[**REDACTED**]-related expenses of approximately HK$[**REDACTED**] (approximately RMB[**REDACTED**]), which can be further categorised into (a) fees and expenses of legal advisers and reporting accountants of approximately HK$[**REDACTED**] (approximately RMB[**REDACTED**]); and (b) other fees and expenses of approximately HK$[**REDACTED**] (approximately RMB[**REDACTED**]).

Our Directors would like to emphasise that the amount of the [**REDACTED**] expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2024 is subject to adjustment based on audit and the then changes in variables and assumptions.

DIVIDENDS

No dividends were paid or declared to the then equity owners of the entities now comprising our Group during the Track Record Period. We do not have any predetermined dividend payout ratio. Our Board has absolute discretion as to whether to recommend any dividend payment for any financial year end and if any, the amount of dividend and the means of payment. Such discretion is subject to the applicable laws and regulations including the Companies Act and the Articles which also requires the approval of our Shareholders. The amount of any dividends to be declared and paid in the future will depend on, amongst other things, (i) general financial conditions; (ii) actual and future operations and liquidity positions; (iii) future cash requirements and availability; (iv) restrictions on payment of dividends that may be imposed by our Group's lenders; (v) general market conditions; and (vi) any other factors which our Board may deem appropriate at such time.

DISTRIBUTABLE RESERVES

Under Companies Act, our Group may pay dividends out of our profit or our share premium account in accordance with the provisions of our Articles of Association, provided that immediately following the date on which the dividend is proposed to be distributed, we remain able to pay our debts as and when they fall due in the ordinary course of business.

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 22 November 2023. As at the Latest Practicable Date, our Company did not have distributable reserves to our Shareholders.

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that after taking into account, the existing financial resources available to our Group including internally generated funds from operating activities, existing banking facilities available and the estimated net [**REDACTED**] from the [**REDACTED**], our Group has sufficient working capital for its present requirements for the next 12 months from the date of this document.

DIRECTOR'S CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

Our Directors confirm that they have performed sufficient due diligence on our Company to ensure that, up to the date of this document, there has been no material adverse change in our financial or trading position or indebtedness since 31 December 2023 (being the date of our Group's latest consolidated audited financial information), and there have been no events since 31 December 2023 which would materially affect the information shown in our consolidated financial statements set out in the Accountants' Report in Appendix I to this document.

PROPERTY INTERESTS AND VALUATION

BonVision International Appraisals Limited, an independent property valuation company, has valued our property interests of our investment property as at 31 March 2024 and is of the opinion that our Group's property interests were valued at an aggregate amount of approximately RMB44.2 million as at 31 March 2024. Texts of its letters, summary of valuation and valuation certificate issued by BonVision International Appraisals Limited are included in the property valuation report contained in Appendix III to this document. No single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets. As required under Rule 5.07 of the Listing Rules, the statement below sets forth the reconciliation of the aggregate value of our investment property reflected in the combined financial statements as at 31 December 2023 as set out in Appendix I to this document with the valuation of these property interests as at 31 March 2024 as set out in Appendix III to this document.

The table below sets forth the reconciliation between the carrying amount of our investment property as at 31 December 2023 as extracted from the Accountants' Report as set out in Appendix I to this document and the fair value as at 31 March 2024 as stated in The Property Valuation Report in Appendix III to this document:

	RMB'000 (approx.)
Carrying amount of the investment property as at 31 December 2023, at fair value	44,161
Add: Valuation surplus	39
Valuation of the subject property as at 31 March 2024 set out in Appendix III to this document	44,200

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our Directors confirm that our business operations and business model have remained stable after the Track Record Period and up to the date of this document as there were no material changes to our business model and the general economic and regulatory environment in which we operate.

For our recent development subsequent to the Track Record Period, please see the paragraph headed "Summary — Recent Development and No Material Adverse Change".

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section headed "Unaudited Pro Forma Financial Information' in Appendix II to this document for details.

DISCLOSURE PURSUANT TO RULES 13.13 TO 13.19 OF 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 requirement under Rules 13.13 to 13.19 of the Listing Rules.

BUSINESS OBJECTIVES AND STRATEGIES

Our business mission is to provide essential and holistic hygiene solutions for consumer needs in various occasions of all life stages. See "Business — Our Business Strategies" for details.

REASONS FOR THE [REDACTED] AND THE [REDACTED]

Our Directors believe that there is a genuine funding need to support our expansion plan through the [**REDACTED**] and the [**REDACTED**] will further benefit our Group for the following reasons:

Enhancing corporate image and strengthening our branding

As a leading exporter of babycare products in China, our Directors believe that the [**REDACTED**] can elevate our corporate image, recognition and status and reinforcing awareness and reputation from, among others, our customers and suppliers. As we generally obtain our business through marketing, exhibition and the word of mouth, reputation and company profile are significant to our business development. Our Directors believe that the [**REDACTED**] can enhance our corporate profile and our credibility with the public and potential business partners given a public listed company's greater transparency, relevant regulatory supervision and stability generally. With such status, our Group can be differentiated from market competitors, enhancing our capability to compete and to produce quality hygienic disposable products.

Leveraging market growth and expanding our coverage

Our Directors believe that there is attractive market potential for us to expand our market share in the hygienic disposable industry in China and internationally. In view of the said expected market growth and in line with our strategy to expand our hygienic disposable products manufacturing and sales business, our Directors believe that the [**REDACTED**] from the [**REDACTED**] will enable us to leverage the market growth and deepen our market penetration by implementing our business strategies. See "Business — Our Business Strategies" for more details and backgrounds of our plans to implement our business strategies, such as to reinforce the strength and scale of our babycare category and to grow brand awareness and accelerate our D2C presence.

Expanding capital base and diversifying financial alternatives

Our Directors consider that obtaining a [**REDACTED**] status on the Main Board provides us with a long-term advantage as it would expand our shareholder and capital base by making our Shares available and accessible to Chinese and international investors. The [**REDACTED**] entails a valuable channel for potential fund raising, by debt or equity, for future expansion and corporate finance exercises. It can therefore enable us to enhance our ability to raise funds independently to support our business strategies and principal objectives, achieve sustainable growth, further strengthen our position in the hygienic disposable industry both in China and internationally and eventually create long-term value for our Shareholders.

USE OF [REDACTED]

We estimate that the aggregate net [**REDACTED**] from the [**REDACTED**] (after deducting [**REDACTED**] fees and estimated expenses in connection with the [**REDACTED**] and assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative range of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per Share, and assuming the [**REDACTED**] is not exercised) will be approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]). Our Directors currently intend to apply the net [**REDACTED**] from the [**REDACTED**] as follows:

1. approximately [**REDACTED**]%, or approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for acquiring machineries to establish [three] new babycare product production lines and [one] new feminine care product production line;

2. approximately [**REDACTED**]%, or approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for acquiring machineries to establish [two] new nonwoven fabric production lines;

3. approximately [**REDACTED**]%, or approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for enhancing our branding, marketing and promotion activities;

4. approximately [**REDACTED**]%, or approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for [upgrading our warehouse and investment in IT infrastructure]; and

5. approximately [**REDACTED**]%, or approximately HK$[**REDACTED**] (equivalent to approximately RMB[**REDACTED**]), will be used for [our general working capital purposes].

If the [**REDACTED**] is fixed at the high-end of the indicative range of the [**REDACTED**], being HK$[**REDACTED**] per Share, the net [**REDACTED**] we receive from the [**REDACTED**] will increase by approximately HK$[**REDACTED**]. We intend to apply the additional net [**REDACTED**] for the above purposes on a pro-rata basis. If the [**REDACTED**] is set at the low-end of the indicative range of the [**REDACTED**], being HK$[**REDACTED**] per Share, the net [**REDACTED**] we receive from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**] and we will [decrease our use of [**REDACTED**] for the above purposes on a pro-rata basis].

If the [**REDACTED**] is exercised in full, we estimate that the additional net [**REDACTED**] from the [**REDACTED**] of these additional Shares to be received by us, will be approximately (i) HK$[**REDACTED**], assuming the [**REDACTED**] is fixed at the high-end of the indicative range of the [**REDACTED**], being HK$[**REDACTED**] per Share; (ii) HK$[**REDACTED**], assuming the [**REDACTED**] is fixed at the mid-point of the indicative range of the [**REDACTED**], being HK$[**REDACTED**] per Share; and (iii) HK$[**REDACTED**], assuming the [**REDACTED**] is fixed at the low-end of the indicative range of the [**REDACTED**], being HK$[**REDACTED**] per Share. Any additional [**REDACTED**] received by us from the exercise of the [**REDACTED**] will also be allocated to the above purposes on a pro-rata basis.

The possible use of our [**REDACTED**] outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the use of [**REDACTED**] as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

According to the current estimates, our Directors consider that the net [**REDACTED**] from the issue of the [**REDACTED**] under the [**REDACTED**] and our Group's internal resources will be sufficient to finance our Group's business plans up to 31 December 2026.

To the extent that the net [**REDACTED**] are not immediately applied to the above purposes, we will deposit the net [**REDACTED**] into short-term interest bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

[REDACTED]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum of [**REDACTED**]% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the [**REDACTED**].

[REDACTED]

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[REDACTED]

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[**REDACTED**]

[**REDACTED**]

The following is the text of a report, prepared for the purpose of incorporation in this document, received from the Company's independent reporting accountant, Mazars CPA Limited, Certified Public Accountants, Hong Kong.

MAZARS CPA LIMITED
中審眾環（香港）會計師事務所有限公司
42nd Floor, Central Plaza
18 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道18號中環廣場42樓
Tel 電話：(852) 2909 5555
Fax 傳真：(852) 2810 0032
Email 電郵：info@mazars.hk
Website 網址：www.mazars.hk

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SOFT INTERNATIONAL GROUP LTD

The Directors
Soft International Group Ltd
Sunny Fortune Capital Limited

Introduction

We report on the historical financial information of Soft International Group Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-5 to I-63, which comprises the combined statements of financial position of the Group at 31 December 2021, 2022 and 2023, and the statement of financial position of the Company at 31 December 2023, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the years ended 31 December 2021, 2022 and 2023 (the "Track Record Period") and material accounting policy information and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages I-5 to I-63 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") issued in connection with the initial [**REDACTED**] of shares of the Company (the "Initial [**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 at 31 December 2021, 2022 and 2023, the financial position of the Company at 31 December 2023, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

REPORT ON OTHER 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-5 have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which contains information about the dividends declared by entities now comprising the Group in respect of the Track Record Period.

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 members of the Group for the Track Record Period have been audited and, if applicable, the name of the auditors.

Mazars CPA Limited
Certified Public Accountants
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 combined financial statements of the Group for the Track Record Period, 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 IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements") and were audited by Mazars CPA Limited, *Certified Public Accountants, Hong Kong,* in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Historical Financial Information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand (RMB'000) except otherwise indicated.

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*5*	263,226	408,066	654,560
Cost of sales		(206,492)	(296,840)	(457,293)
Gross profit		56,734	111,226	197,267
Other income	*6*	3,227	3,732	1,734
Selling and distribution expenses		(32,250)	(40,669)	(91,136)
Administrative and other operating expenses		(14,887)	(24,114)	(39,635)
(Provision for) Reversal of loss allowance on trade receivables, net	*31*	(123)	470	728
Changes in fair value of investment properties	*14*	27	807	1,917
Gain on disposal/deregistration of subsidiaries, net	*29*	–	–	2,494
Finance costs	*7*	(261)	(548)	(776)
[**REDACTED**] expenses		–	–	(5,981)
Profit before tax	*7*	12,467	50,904	66,612
Income tax expenses	*10*	(2,465)	(9,045)	(8,923)
Profit for the year		10,002	41,859	57,689
Other comprehensive income (loss):				
Item that may be reclassified subsequently to profit or loss				
Exchange difference on combination		219	(1,068)	(440)
Total comprehensive income for the year		10,221	40,791	57,249
Profit (Loss) for the year attributable to:				
Owners of the Company		10,006	41,860	58,900
Non-controlling interests		(4)	(1)	(1,211)
		10,002	41,859	57,689
Total comprehensive income (loss) for the year attributable to:				
Owners of the Company		10,225	40,792	58,460
Non-controlling interests		(4)	(1)	(1,211)
		10,221	40,791	57,249

COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets				
Intangible assets	*13*	1,111	159	400
Investment properties	*14*	41,437	42,244	44,161
Property, plant and equipment	*15*	112,297	146,665	179,522
Right-of-use assets	*16*	41,109	40,178	39,981
Deposits paid for acquisition of property, plant and equipment and right-of-use assets		22,280	12,903	7,858
		218,234	242,149	271,922
Current assets				
Inventories	*17*	119,941	153,981	73,808
Trade and other receivables	*18*	62,354	100,364	94,713
Pledged bank deposits	*19*	14,113	20,934	15,995
Cash and cash equivalents	*20*	20,580	6,464	63,000
		216,988	281,743	247,516
Current liabilities				
Trade and other payables	*21*	106,701	123,263	125,666
Amount due to the Controlling Shareholder	*22*	137,615	136,212	71,576
Interest-bearing borrowings	*23*	10,000	18,000	13,000
Lease liabilities	*16*	63	59	268
Income tax payable		1,449	8,137	10,594
		255,828	285,671	221,104
Net current (liabilities) assets		(38,840)	(3,928)	26,412
Total assets less current liabilities		179,394	238,221	298,334
Non-current liabilities				
Lease liabilities	*16*	59	–	466
Amount due to the Controlling Shareholder	*22*	190,094	206,844	207,284
Deferred tax liabilities	*24*	5,506	6,326	7,593
		195,659	213,170	215,343
NET (LIABILITIES) ASSETS		(16,265)	25,051	82,991
Capital and reserves				
Share capital	*25*	–	–	–*
Reserves	*26*	(16,261)	24,531	82,991
Equity attributable to owners of the Company		(16,261)	24,531	82,991
Non-controlling interests		(4)	520	–
TOTAL (DEFICITS) EQUITY		(16,265)	25,051	82,991

* *Represents amount less than RMB1,000.*

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	At 31 December 2023
		RMB'000
Non-current assets		
Investment in a subsidiary	25(b)	–*
Current assets		
Amount due from the immediate holding company	25(c)	–*
NET ASSETS		–*
Capital and reserves		
Share capital	25(a)	–*
Reserves	25(d)	–*
TOTAL EQUITY		–*

* *Represent amount less than RMB1,000.*

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company							
		Reserves						
	Share capital	**Capital reserve**	**Translation reserve**	**Statutory reserve**	**Accumulated losses**	**Total reserves**	**Non-controlling interests**	**Total deficits**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25(a))	*(Note 26(a))*	*(Note 26(b))*	*(Note 26(c))*				
At 1 January 2021	–	1	10	1,313	(27,810)	(26,486)	–	(26,486)
Profit (Loss) for the year	–	–	–	–	10,006	10,006	(4)	10,002
Other comprehensive income								
Item that may be reclassified subsequently to profit or loss								
Exchange difference on combination	–	–	219	–	–	219	–	219
Total comprehensive income (loss) for the year	–	–	219	–	10,006	10,225	(4)	10,221
Transaction with owners								
Contributions and distributions								
Appropriation to statutory reserve	–	–	–	1,371	(1,371)	–	–	–
At 31 December 2021	–	1	229	2,684	(19,175)	(16,261)	(4)	(16,265)

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Translation reserve	Statutory reserve	Accumulated (losses) profits	Total reserves	Non-controlling interests	Total (deficits) equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 25(a))	*(Note 26(a))*	*(Note 26(b))*	*(Note 26(c))*				
At 1 January 2022	–	1	229	2,684	(19,175)	(16,261)	(4)	(16,265)
Profit (Loss) for the year	–	–	–	–	41,860	41,860	(1)	41,859
Other comprehensive loss								
Item that may be reclassified subsequently to profit or loss								
Exchange difference on combination	–	–	(1,068)	–	–	(1,068)	–	(1,068)
Total comprehensive income (loss) for the year	–	–	(1,068)	–	41,860	40,792	(1)	40,791
Transactions with owners								
Contributions and distributions								
Appropriation to statutory reserve	–	–	–	4,716	(4,716)	–	–	–
Changes in ownership interests								
Non-controlling interests arising from incorporation of a subsidiary	–	–	–	–	–	–	525	525
Total transactions with owners	–	–	–	4,716	(4,716)	–	525	525
At 31 December 2022	–	1	(839)	7,400	17,969	24,531	520	25,051

	Attributable to owners of the Company							
		Reserves						
	Share capital	Capital reserve	Translation reserve	Statutory reserve	Accumulated profits	Total reserves	Non-controlling interests	Total equity
	RMB'000 (Note 25(a))	RMB'000 (Note 26(a))	RMB'000 (Note 26(b))	RMB'000 (Note 26(c))	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	–	1	(839)	7,400	17,969	24,531	520	25,051
Profit (Loss) for the year	–	–	–	–	58,900	58,900	(1,211)	57,689
Other comprehensive loss								
Item that may be reclassified subsequently to profit or loss								
Exchange difference on combination	–	–	(440)	–	–	(440)	–	(440)
Total comprehensive income (loss) for the year	–	–	(440)	–	58,900	58,460	(1,211)	57,249
Transactions with owners								
Contributions and distributions								
Appropriation to statutory reserve	–	–	–	5,525	(5,525)	–	–	–
Issue of shares	–*	–	–	–	–	–	–	–
	–*	–	–	5,525	(5,525)	–	–	–
Changes in ownership interests								
Disposal of subsidiaries *(Note 29(a))*	–	–	–	–	–	–	686	686
Deregistration of subsidiaries *(Note 29(b))*	–	–	–	–	–	–	5	5
	–	–	–	–	–	–	691	691
Total transactions with owners	–*	–	–	5,525	(5,525)	–	691	691
At 31 December 2023	–*	1	(1,279)	12,925	71,344	82,991	–	82,991

* *Represents less than RMB1,000.*

COMBINED STATEMENTS OF CASH FLOWS

		Year ended 31 December		
		2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES				
Profit before tax		12,467	50,904	66,612
Adjustments for:				
Amortisation of intangible assets		1,193	952	231
Depreciation of property, plant and equipment		7,928	11,284	16,117
Depreciation of right-of-use assets		931	931	1,020
Changes in fair value of investment properties		(27)	(807)	(1,917)
Finance costs		261	548	776
Gain on disposal/deregistration of subsidiaries, net		–	–	(2,494)
Interest income		(314)	(677)	(216)
Loss on disposal of property, plant and equipment, net		–	–	99
Provision for (Reversal of) loss allowance of trade receivables, net		123	(470)	(728)
Operating cash inflows before movements in working capital		22,562	62,665	79,500
Changes in working capital:				
Inventories		(20,242)	(34,040)	80,173
Trade and other receivables		(4,710)	(37,014)	9,080
Trade and other payables		35,112	14,969	(7,590)
Cash generated from operations		32,722	6,580	161,163
Income tax paid		(2,078)	(1,537)	(5,199)
Net cash from operating activities		30,644	5,043	155,964
INVESTING ACTIVITIES				
Interest received		314	677	216
Change in pledged bank deposits		(11,357)	(6,821)	4,939
Payment for purchase of intangible assets		–	–	(472)
Payment for purchase of property, plant and equipment		(33,355)	(18,821)	(39,746)
Payment for purchase of right-of-use assets		(18,047)	–	–
Proceeds from disposal of property, plant and equipment		–	–	1,392
Net cash inflows from disposal of subsidiaries	*29(a)*	–	–	995
Net cash inflows from acquisition of a subsidiary	*30*	–	–	1,283
Net cash used in investing activities		(62,445)	(24,965)	(31,393)

		Year ended 31 December		
		2021	**2022**	**2023**
	Note	*RMB'000*	*RMB'000*	*RMB'000*
FINANCING ACTIVITIES				
Issue of shares		–	–	–*
Inception of interest-bearing borrowings		10,000	26,800	13,000
Repayment of interest-bearing borrowings		–	(18,800)	(18,000)
Repayment of lease liabilities (including financing components)		(66)	(66)	(158)
Interest paid		(256)	(545)	(766)
Advance from (Repayment to) the Controlling Shareholder		3,920	(1,583)	(62,636)
Settlement of capital contribution due from the non-controlling shareholder of a subsidiary		–	–	525
Net cash from (used in) financing activities		13,598	5,806	(68,035)
Net (decrease) increase in cash and cash equivalents		(18,203)	(14,116)	56,536
Cash and cash equivalents at the beginning of the reporting period		38,783	20,580	6,464
Cash and cash equivalents at the end of the reporting period	*20*	20,580	6,464	63,000

* *Represents less than RMB1,000.*

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 22 November 2023. The address of the Company's registered office is 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands. The Company's principal place of business in Hong Kong is situated at Room 1910, 19/F., C C Wu Building, 302-304 Hennessy Road, Wan Chai, Hong Kong and the Group's head office and principal place of business activities are situated at Zhizao Avenue, Quanzhou Jinjiang Economic Development Zone (Food Park), Fujian Province, the People's Republic of China (the "PRC").

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of hygienic disposables and nonwoven fabrics in the PRC.

At the date of this report, the immediate holding company of the Company is Wish International Holding Ltd, 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. Ngan Pui Kuan (the "Controlling Shareholder").

Pursuant to a group reorganisation (the "Reorganisation"), which was completed on 26 April 2024, as detailed in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" of the Document issued in connection with the Initial [**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 major 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/ establishment	Date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest held by the Company	Principal activities/place of operation
Directly held					
Soft International Group Holding Ltd ("Soft BVI") *(Note a)*	The BVI	27 December 2023	No par value	100%	Investments holding/Hong Kong
Indirectly held					
Hong Kong Super Infant International Group Company Limited ("Soft HK")	Hong Kong	17 August 2010	Hong Kong Dollars ("HK$") 1,000	100%	Investments holding/Hong Kong
嬰舒寶(中國)有限公司 Insoftb (China) Co., Ltd. ("Insoftb China") *(Note e)*	The PRC	30 November 2010	United States Dollars ("US$") 10,000,000	100%	Manufacturing and sales of hygienic disposables/the PRC
福建嬰舒寶新材料科技有限公司 Fujian Insoftb New Materials Technology Co., Ltd. ("Insoftb New Material") *(Notes b, e)*	The PRC	7 August 2020	RMB100,000,000	100%	Manufacturing of hygienic disposables and related products/the PRC
福建藍色巨人衛生用品有限公司 Fujian Blue Giant Hygiene Products Co., Ltd. ("Blue Giant Hygiene Products") *(Notes b, e)*	The PRC	22 December 2016	RMB10,000,000	100%	Sales of hygienic disposables/the PRC
嬰舒寶(滁州)嬰童用品有限公司 Insoftb (Chuzhou) Infant and Child Products Co., Ltd. ("Chuzhou Insoftb") *(Notes b, e)*	The PRC	6 March 2013	RMB5,000,000	100%	Investment holding/the PRC

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Registered/ issued capital	Attributable equity interest held by the Company	Principal activities/place of operation
福建舒寶亨克斯商貿有限公司 Fujian Shubao Heynckes Trading Co., Ltd. ("Heynckes Trading") *(Notes b, e)*	The PRC	23 May 2018	RMB10,000,000	100%	Sales of hygienic disposables/the PRC
晉江市利佰達貿易有限責任公司 Jinjiang Libaida Trading Co., Ltd. ("Jinjiang Libaida") *(Notes b, e)*	The PRC	17 November 2011	RMB1,000,000	100%	Sale of hygienic disposables/the PRC

At the date of this report, the following subsidiaries that were combined in the Historical Financial Information during the Track Record Period have been deregistered/disposed and in the opinion of the directors of the Company, the following subsidiaries have no material adverse impact on the financial performance and business operation of the Group:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued/Paid up capital	Attributable equity interest held by the Company	Principal activities/place of operation
福建藍色巨人網路科技有限公司 Fujian Blue Giant Network Technology Co., Ltd. ("Blue Giant E-commerce") *(Notes b, c, e)*	The PRC	26 October 2015	RMB10,000,000	100%	Sales of hygienic disposables/the PRC
嬰舒寶(廈門)電子商務有限公司 Insoftb (Xiamen) E-commerce Co., Ltd. ("Xiamen Insoftb E-commerce") *(Notes b, c, e)*	The PRC	14 August 2020	RMB5,000,000	100%	Sales of hygienic disposables/the PRC
福建舒森網路科技有限公司 Fujian Shusen Network Technology Co., Ltd. ("Fujian Shusen") *(Notes b, c, e)*	The PRC	3 February 2021	RMB10,000,000	51%	Inactive/the PRC
福建嬰舒寶電子商務有限公司 Fujian Insoftb E-commerce Co., Ltd. ("Fujian Insoftb E-commerce") *(Notes b, c, e)*	The PRC	17 June 2014	RMB5,280,000	100%	Sales of hygienic disposables/the PRC
福建嬰舒寶親寧衛生用品有限公司 Fujian Insoftb Qinning Hygiene Products Co., Ltd. ("Insoftb Qinning") *(Notes b, c, e)*	The PRC	9 January 2020	RMB10,000,000	75%	Inactive/the PRC
晉江未來藍途科技有限公司 Jinjiang Future Blue Journey Technology Co., Ltd. ("Jinjiang Lantu") *(Notes b, d, e)*	The PRC	30 November 2022	RMB2,000,000	51%	Investments holding/the PRC
江西麗氏衛生用品有限公司 Jiangxi Lishi Hygiene Products Co., Ltd. ("Jiangxi Lishi") *(Notes b, d, e)*	The PRC	5 December 2022	RMB2,000,000	51%	Sale of feminine care product/the PRC
江西未來藍圖衛生用品有限公司Jiangxi Future Blueprint Hygiene Products Co., Ltd. ("Jiangxi Lantu") *(Notes b, d, e)*	The PRC	5 December 2022	RMB2,000,000	51%	Sale of feminine care product/the PRC

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 Track Record Period.

Subsidiary	Financial period	Auditors
Soft HK	For the years ended 31 December 2021, 2022 and 2023	Global Glory CPA Limited, *Certified Public Accountants, Hong Kong*
Insofb China . .	For the years ended 31 December 2021, 2022 and 2023	深圳銘國會計師事務所 (普通合伙) (Shenzhen Mingguo Certified Public Accountants LLP) *(Note e)*

Notes:

(a) No statutory audited financial statements have been prepared by Soft BVI for the period from the date of incorporation to the date of this report as it is not required to issue audited financial statements under relevant statutory requirements at the place of incorporation.

(b) No statutory audited financial statements have been prepared for Insoftb New Material, Blue Giant Hygiene Products, Chuzhou Insoftb, Heynckes Trading, Jinjiang Libaida, Blue Giant E-commerce, Xianmen Insoftb E-commerce, Fujuan Shusen, Fujian Insoftb E-commerce, Insoftb Qinning, Jinjiang Lantu, Jinjiang Lishi and Jiangxi Lantu as it is not a mandatory requirement for issuance of audited financial statements under the relevant statutory requirement at their places of incorporation.

(c) Blue Giant E-commerce, Fujian Insoftb E-commerce, Fujian Shusen, Insoftb Qinning and Xiamen Insoftb E-commerce, were deregistered on 8 October 2023, 28 September 2023, 16 August 2023, 24 October 2023 and 22 September 2023, respectively *(Note 29(b))*.

(d) These entities were disposed of on 28 September 2023 *(Note 29(a))*.

(e) The English name is translated for identification purpose only.

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 Corporate Structure" of the Document, the Company became the holding company of the entities now comprising the Group on 26 April 2024. Immediately prior to and after the Reorganisation, the Group's business is mainly conducted through Insoftb China, Insoftb New Material, Blue Giant Hygiene Products, Chuzhou Insoftb, Heynckes Trading and Jinjiang Libaida while the Company, Soft BVI and Soft HK are investment holding companies and other entities within the Group have not been involved in any other significant activities prior to the Reorganisation. As the Reorganisation did not result in any change in the ultimate control of and the resources employed by the Group's business, the Group is regarded as a continuity entity and, therefore, the Reorganisation is considered to be a restructuring of entities and business under common control.

Accordingly, for the purpose of this report, the Historical Financial Information has been prepared on a combined basis under merger accounting principles, as further explained in the paragraph headed "Merger accounting for business combination involving entities under common control" in Note 3, which presents the combined financial position, combined financial performance, combined changes in equity and combined cash flows of the entities now comprising the Group as if the current group structure, except for the acquisition of Jinjiang Libaida *(Note 30)* and disposal/deregistration of certain subsidiaries *(Note 29)* prior to the Reorganisation, had always been in existence throughout the Track Record Period or since their respective date of establishment or incorporation, where applicable.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3 which conforms with IFRS Accounting Standards issued by the IASB.

3. MATERIAL ACCOUNTING POLICIES

Statement of compliance

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the IASB, which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB. 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 IASB has issued a number of new/revised IFRS Accounting Standards during the Track Record Period. For the purpose of the preparation of the Historical Financial Information, the Group has consistently adopted all those new/revised IFRS Accounting Standards that are relevant to its operations and are effective throughout the Track Record Period. The adoption of those new/revised IFRS Accounting Standards 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 below.

Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis, except for the investment properties which are measured at fair value as explained in the material accounting policies set out below.

Basis of combinations

The Historical Financial Information comprises the financial statements of the Company and all of its subsidiaries for the Track Record Period. 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 combined from the date on which the Group obtains control and continue to be combined until the date that such control ceases.

Non-controlling interests are presented, separately from owners of the Company, in the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position. The non-controlling interests in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in event of liquidation, are measured initially either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. This choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are initially measured at fair value, unless another measurement basis is required by IFRS Accounting Standards.

Allocation of total comprehensive income

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

Changes in ownership interest

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 parent 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.

Business combinations

(a) Acquisition method of accounting

The acquisition method is used to account for the acquisition of subsidiaries of the Group, except for those acquisitions which qualify as business combination under common control which are accounted for using merger accounting.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair value of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired, and the liabilities assumed are principally recognised at their fair value, except that:

– deferred tax assets or liabilities, and assets and liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19, respectively;

– liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and

– assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed at acquisition date. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests that are initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

(b) Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the Controlling Shareholder.

The net assets of the combining entities or businesses are combined using the existing carrying values from the Controlling Shareholder's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the Controlling Shareholder's interest. All differences between the cost of acquisition (fair value of consideration paid) and the amounts at which the assets and liabilities, arising from the Reorganisation, are recognised directly in equity as part of the capital reserve. The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting, are recognised as an expense in the period in which they are incurred.

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, an 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.

Construction in progress represents buildings under construction and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction and acquisition and capitalised borrowing costs (if any). No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated below.

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 plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis and depreciated separately:

Buildings	20 — 30 years
Plant and machinery	3 — 10 years
Office equipment	3 — 5 years
Motor vehicles	5 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.

Investment properties

Investment properties are land and/or building that are held by owner or lessee, to earn rental income and/or for capital appreciation. These include properties held for a currently undetermined future use. The Group's investment properties included leasehold land and buildings.

Investment properties are stated at fair value at the end of the reporting period. Any gain or loss arising from a change in fair value is recognised in profit or loss. The fair value of investment property is based on a valuation by an independent valuer who holds a recognised professional qualification and has recent experience in the location and category of property being valued.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. 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 asset) is included in profit or loss in the period in which the item is derecognised.

Intangible assets

Research and development costs

Research costs are expensed as incurred. Costs incurred on development activities, which involve the application of research findings to a plan or design for the production of new or substantially improved products and processes, are capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete the development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in profit or loss as an expense as incurred. When the asset is available for use, the capitalised development costs are amortised on a straight-line basis over their estimated useful lives.

During the Track Record Period, no development cost was capitalised by the Group.

Intangible assets acquired separately — trademarks

The initial cost of licensed trademarks is capitalised. Trademarks are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on the straight-line basis over their estimated useful lives of 2-3 years.

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.

Classification and measurement

Financial assets (except for trade 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 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.

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 directly attributable to the issue of the financial liabilities.

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) industry of debtors;

(v) geographical location of debtors; and

(vi) external credit risk ratings.

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 that 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 bills receivables guaranteed by banks, pledged bank deposits, cash and cash equivalents and other receivables placed in financial institutions are determined to have low credit risk.

Simplified approach of ECL

For trade receivables without a 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 and 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.

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 combined 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, net of bank overdrafts (if any).

Revenue recognition

Revenue from contracts with customers within IFRS 15

Nature of goods or services

The nature of the goods or services provided by the Group is manufacturing and sales of goods.

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 goods are 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 customer of the Group.

The Group has applied the practical expedient in paragraph 63 of IFRS 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) Refund liabilities

The Group grants certain customers with the right to return the products with defective or counterfeit, or for reasons such as a misrepresentation or misleading product description, or within the predetermined period for unconditional return. 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 most-likely-amount 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, the Group estimated and adjusted the refund liabilities to revenue from time to time and there were no significant product return from customers which is subject to refund liabilities at the end of each reporting period.

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 for all of its goods as the Group controls all of its goods before the good transferred to its customers and its performance obligation is to transfer those goods to its customers.

Interest income

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.

Rental income

Rental income from leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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.

The Group has an unconditional right to an amount of consideration from the customer which are largely in line with the timing of revenue recognition and no significant contract assets are recognised. Contract liabilities in relation to the non-refundable receipts in advance is 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 Historical Financial Information is presented in RMB and rounded to the nearest thousands unless otherwise indicated. The Company's functional currency is HK$ and the functional currency of majority of the Group's subsidiaries is RMB.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the 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 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 of 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).

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 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 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.

Borrowing costs

Borrowing costs incurred, net of any investment income on the temporary investment of the specific borrowings, that are directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense in the period in which they are incurred.

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 at the annual rates/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 — in which case depreciation is provided over the estimated useful life of the underlying asset) as follows:

Leasehold lands	50 years
Leased properties	Over the lease term

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/or

(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 IFRS 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 IFRS 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.

The Group as lessor

The Group classifies each of its leases as either a finance lease or an operating lease at the inception date of the lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset. All other leases are classified as operating leases.

The Group accounts for each lease component within a lease contract as a lease separately from non-lease components of the contract. The Group allocates the consideration in the contract to each lease component on a relative stand-alone price basis.

Operating lease

The Group applies the derecognition and impairment requirements in IFRS 9 to the operating lease receivables.

A modification to an operating lease is accounted for as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

The Group's rental income from operating lease is recognised to profit or loss on a straight-line basis over the term of the relevant lease.

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 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 on investments in subsidiaries, 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 intangible assets, property, plant and equipment and right-of-use assets

The management of the Group determines the estimated useful lives of the Group's intangible assets, 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 depreciation and amortisation expenses for future periods are adjusted if there are significant changes from previous estimates.

(ii) Impairment of non-financial 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) Allowance for inventories

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.

(iv) Loss allowance for ECL

The management of the Group estimates the loss allowance for trade and other receivables by using various inputs and assumptions including risk of a default and expected loss rate. 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.

(v) 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.

(vi) Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In cases where the actual future profits generated are different from the original estimate, a material recognition of deferred tax assets may arise, which would be recognised in profit or loss in the period in which such estimate is changed.

(vii) Fair value of investment properties

Investment properties are revalued at the end of each reporting period based on the appraised market value provided by an independent professional valuer. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The most significant input for the Group's estimation of the fair value is market price for similar properties adjusted for age, location, condition, size and other relevant factors.

Future changes in IFRS Accounting Standards

At the date of approving the Historical Financial Information, the IASB has issued the following new/revised IFRS Accounting Standards that are not yet effective for the Track Record Period, which the Group has not early adopted.

Amendments to IAS 1	Classification of Liabilities as Current or Non-current(1)
Amendments to IAS 1	Non-current Liabilities with Covenants(1)
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements(1)
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback(1)
Amendments to IAS 21	Lack of Exchangeability(2)
IFRS 18	Presentation and Disclosure in Financial Statements(3)
IFRS 19	Subsidiaries without Public Accountability: Disclosure(3)
Amendments to IFRS 10 and IAS 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 2024

(2) Effective for annual periods beginning on or after 1 January 2025

(3) Effective for annual periods beginning on or after 1 January 2027

(4) The effective date to be determined

The management of the Group is in the process of assessing the impact of the adoption of the new/revised IFRS Accounting Standards in future periods on the Group's combined financial information.

4. SEGMENT INFORMATION

The directors of the Company have determined that the Group has only one operating and reportable segment throughout the Track Record Period, as the Group manages its business as a whole as the manufacturing and sales of hygienic disposables and nonwoven fabrics. The 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.

Geographical information

(a) Revenue from external customers

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of the revenue is presented based on the domicile of external customers' countries.

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Russia	105,371	205,506	377,452
The PRC	92,683	140,188	205,759
Southeast Asia *(Note)*	31,771	27,940	34,423
Kazakhstan	5,237	12,232	6,890
Others	28,164	22,200	30,036
	263,226	408,066	654,560

Note: Southeast Asia included the sales to external customers located in Malaysia, Thailand, Singapore, Indonesia, Philippines, Vietnam and Myanmar.

(b) Non-current assets

The non-current assets information is based on the locations of assets and included the Group's intangible assets, investment properties, property, plant and equipment and right-of-use assets (the "Non-current Assets"). All of the Group's Non-current Assets were located in the PRC.

Information about major customers

Details of the customers (presented by entities under common control, if appropriate) individually accounting for 10% or more of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Sales of hygienic disposables and nonwoven fabrics			
Customer A	31,053	128,429	318,983
Customer B	31,555	*Note*	*Note*

Note: Customer B contributed less than 10% of the Group's total revenue for the years ended 31 December 2022 and 2023.

5. REVENUE

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers within IFRS 15			
At a point in time			
Sales of hygienic disposables			
– Babycare	228,498	322,077	467,960
– Feminine care	1,057	1,994	113,744
– Adult incontinence	12,313	6,714	13,419
– Others	19,196	10,425	7,269
	261,064	341,210	602,392
Sales of nonwoven fabrics and others	2,162	66,856	52,168
	263,226	408,066	654,560

Note: The revenue recognised for the years ended 31 December 2021 and 2022 and 2023, which was included in the contract liabilities at the beginning of respective reporting periods were approximately RMB17,970,000, RMB13,054,000 and RMB27,498,000, respectively *(Note 21(c))*.

6. OTHER INCOME

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Exchange gain, net	108	–	–
Government grants *(Note)*	1,403	595	529
Interest income	314	677	216
Rental income	855	1,255	907
Sales of scrap materials	458	1,200	10
Sundry income	89	5	72
	3,227	3,732	1,734

Note: Government grants represent various form of subsidies granted to the Group by the local government authorities in the PRC for compensation of expenses incurred by the Group. These grants are generally made for business supports and awarded to the Group on a discretionary basis. The Group received these government grants in respect of its investments in the PRC.

There were no unfulfilled conditions or contingencies relating to these grants during the Track Record Period.

7. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Finance costs			
Interest on interest-bearing borrowings	256	545	766
Interest on lease liabilities	5	3	10
	261	548	776
Staff costs (including directors' emoluments)			
Salaries, discretionary bonus, allowances and other benefits in kind	21,577	27,802	35,744
Contributions to defined contribution plans	1,999	5,552	5,269
	23,576	33,354	41,013
Other items			
Auditors' remuneration	8	9	9
Amortisation of intangible assets (charged to "selling and distribution expenses")	1,193	952	231
Cost of inventories *(Note (a))*	206,492	296,840	457,293
Depreciation of property, plant and equipment (charged to "cost of sales", "selling and distribution expenses" and "administrative and other operating expenses", as appropriate)	7,928	11,284	16,117
Depreciation of right-of-use assets (charged to "cost of sales" and "administrative and other operating expenses")	931	931	1,020
Direct operating expenses arising from investment properties that generate rental income	820	445	414
Exchange (gain) loss, net	(108)	1,720	34
Expenses recognised under short-term leases	97	4	292
Loss on disposal of property, plant and equipment, net	–	–	99
Research and development expenses *(Note (b))*	9,812	12,895	20,638

Notes:

(a) Cost of inventories included approximately RMB21,999,000, RMB30,221,000 and RMB39,889,000 relating to the aggregated amount of certain staff costs, depreciation of property, plant and equipment which were included in the respective amounts as disclosed above during the years ended 31 December 2021, 2022 and 2023, respectively.

(b) During the Track Record Period, the Group carried out several research and development projects for (i) enhancement of the existing products quality and production efficiency and (ii) development of new products (together, the "Research and Development Activities"). Having considered the enhancement to the existing products' quality and production efficiency cannot be clearly quantified and the technical feasibility for the completion of new projects are uncontrollable, the costs incurred in the Research and Development Activities are recognised in the profit or loss as incurred during the corresponding periods.

8. DIRECTORS' REMUNERATION

The Company was incorporated in the Cayman Islands on 22 November 2023. Mr. Ngan Pui Kuan, Mr. Zeng Guodong, Mr. Gao Yue and Mr. Zhou Jiahao were appointed as executive directors of the Company on [●], [●], [●] and [●], respectively. [Mr. Cai Hao] was appointed as non-executive director of the Company on [●]. [Ms. Leong Kai Weng Subrina], Mr. Wong Tai Wai David and [Mr. Ng Brian Hong Jing] were appointed as independent non-executive directors of the Company on [●], [●] and [●], respectively.

Certain directors of the Company received remuneration from the Group during the Track Record Period for their appointment as employees of these entities. The aggregate amounts of remuneration received and receivable by the directors of the Company during the Track Record Period are set out below.

Year ended 31 December 2021

	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. Ngan Pui Kuan	–	179	–	4	183
Mr. Zeng Guodong	–	142	–	–	142
Mr. Gao Yue	–	111	–	5	116
Mr. Zhou Jiahao	–	66	–	–	66
	–	498	–	9	507

Year ended 31 December 2022

	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. Ngan Pui Kuan	–	195	–	9	204
Mr. Zeng Guodong	–	163	–	9	172
Mr. Gao Yue	–	132	–	9	141
Mr. Zhou Jiahao	–	150	–	–	150
	–	640	–	27	667

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. Ngan Pui Kuan	–	204	–	9	213
Mr. Zeng Guodong	–	202	–	25	227
Mr. Gao Yue	–	142	–	9	151
Mr. Zhou Jiahao	–	180	–	–	180
	–	728	–	43	771

During the Track Record Period, 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 Track Record Period.

9. FIVE HIGHEST PAID INDIVIDUALS

An analysis of the five highest paid individuals during the Track Record Period is as follows:

	Number of individuals		
	Year ended 31 December		
	2021	2022	2023
Director	2	2	2
Non-director	3	3	3
	5	5	5

Details of the remuneration of the above highest paid non-director individuals are as follows:

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Salaries, discretionary bonus, allowances and other benefits in kind	457	480	557
Contributions to defined contribution plans	8	8	16
	465	488	573

The number of these non-director individuals whose emoluments fell within the following emoluments band is as follows:

	Year ended 31 December		
	2021	2022	2023
Nil to HK$1,000,000	3	3	3

During the Track Record Period, 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 Track Record Period.

10. TAXATION

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
PRC Enterprise Income Tax ("PRC EIT")	2,711	8,225	7,656
Deferred taxation ***(Note 24)***			
Changes in temporary differences	(246)	820	1,267
Total income tax expenses for the year	2,465	9,045	8,923

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from Hong Kong for the Track Record Period.

The Group's entities established in the PRC are subject to the PRC EIT at a statutory rate of 25% during the Track Record Period except for Insoftb China which has been recognised as High and New Technology Enterprise (the "HNTE") since December 2020 and is entitled to a preferential tax rate of 15% during the Track Record Period. The entitlement of the HNTE is subject to renewal by the tax bureau in the PRC every three years. The latest approval of the HNTE for Insoftb China was obtained in December 2023 for the three years ending 31 December 2026.

Reconciliation of income tax expenses

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	12,467	50,904	66,612
Income tax at statutory tax rate applicable in respective territories	3,117	12,726	16,653
Effect of preferential tax treatments	(1,566)	(4,285)	(7,226)
Non-deductible expenses	604	945	1,231
Unrecognised tax losses	1,170	1,307	1,361
Additional tax deduction for research and development expenses *(Note)*	(860)	(1,648)	(3,096)
Income tax expenses	2,465	9,045	8,923

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, an enterprise engaging in research and development activities is entitled to claim 175% to 200% of its qualified research and development expenses incurred as tax deductible expenses when determining its assessable profits for the relevant year.

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

During the Track Record Period, no dividends have been declared or paid by the Company.

13. INTANGIBLE ASSETS

	Trademarks
	RMB'000
Reconciliation of carrying amount – year ended 31 December 2021	
At 1 January 2021	2,304
Amortisation	(1,193)
At 31 December 2021	1,111
Reconciliation of carrying amount – year ended 31 December 2022	
At 1 January 2022	1,111
Amortisation	(952)
At 31 December 2022	159
Reconciliation of carrying amount – year ended 31 December 2023	
At 1 January 2023	159
Addition	472
Amortisation	(231)
At 31 December 2023	400
At 31 December 2021	
Cost	4,128
Accumulated amortisation	(3,017)
	1,111
At 31 December 2022	
Cost	2,858
Accumulated amortisation	(2,699)
	159
At 31 December 2023	
Cost	3,330
Accumulated amortisation	(2,930)
	400

Trademarks were licensed from independent third parties in relation to the Group's ordinary business for a period of 2 to 3 years. During the year ended 31 December 2023, the licence for one of the trademarks was extended for 1 year at a consideration of approximately RMB472,000.

14. INVESTMENT PROPERTIES

	At 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
At fair value			
At the beginning of the reporting period	41,410	41,437	42,244
Changes in fair value	27	807	1,917
At the end of the reporting period	41,437	42,244	44,161

The Group's investment properties consist of leasehold land and buildings located in the PRC. During the Track Record Period, the Group's investment properties are leased to third parties to earn rental income under operating leases, which are detailed in Note 16(b) to the Historical Financial Information.

At the end of each reporting period, the fair value of the investment properties was determined by the Group's management with reference to the valuation report from an independent professional qualified valuer, BonVision International Appraisals Limited, who holds a recognised and relevant professional qualification and has relevant experience in the location and category of the Group's investment properties being valued. The valuations of investment properties have been arrived by adopting direct comparison approach with reference to comparable sale transactions for similar properties in the same location and condition adjusted for differences in key valuation attributes, such as age, location, condition and size, were used to value the properties. The most significant input into this valuation approach is the adjusted price per square meter. A significant increase/decrease in the estimated price per square meter will result in a significant increase/decrease in the fair value of the investment properties.

At 31 December 2021, 2022 and 2023, the Group's investment properties with carrying amount of Nil, Nil and approximately RMB44,161,000 were pledged to secure banking facilities of the Group *(Note 23)*.

Fair value measurement of investment properties

(a) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of each reporting period in the Historical Financial Information on a recurring basis across the three levels of the fair value hierarchy defined in IFRS 13, *"Fair Value Measurement"*, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 (lowest level): unobservable inputs for the asset or liability.

	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021				
Recurring fair value measurement				
Investment properties	–	–	41,437	41,437
At 31 December 2022				
Recurring fair value measurement				
Investment properties	–	–	42,244	42,244
At 31 December 2023				
Recurring fair value measurement				
Investment properties	–	–	44,161	44,161

During the Track Record Period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair measurements.

(b) Information about Level 3 fair value measurements

Below is summary of valuation techniques used and the key inputs to the valuations in respect of investment properties included in Level 3 categories together with the sensitivity analysis at the end of each of the reporting period:

Description	Valuation technique	Significant unobservable inputs	Range of significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
Investment properties .	Direct comparison approach	Adjusted market price per square meter at RMB2,277, RMB2,321 and RMB2,431 per square meter, taking into account of age, location, condition, size and other individual factors between the comparables and the property at 31 December 2021, 2022 and 2023, respectively	10%	The higher adjusted market price, the higher fair value of the investment properties, and vice versa	Increase/decrease 10% result in increase/decrease in fair value by approximately RMB4,144,000, RMB4,224,000 and RMB4,416,000 for the years ended 31 December 2021, 2022 and 2023, respectively

The fair value measurement is based on the above assets' highest and best use, which does not differ from their actual use.

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Reconciliation of carrying amount — year ended 31 December 2021						
At 1 January 2021	53,059	36,174	57	119	4,661	94,070
Additions	–	16,465	–	–	9,690	26,155
Depreciation	(2,955)	(4,952)	(21)	–	–	(7,928)
Transfers	3,464	–	–	–	(3,464)	–
At 31 December 2021	53,568	47,687	36	119	10,887	112,297
Reconciliation of carrying amount — year ended 31 December 2022						
At 1 January 2022	53,568	47,687	36	119	10,887	112,297
Additions	–	30,972	–	173	14,507	45,652
Depreciation	(3,064)	(8,182)	(19)	(19)	–	(11,284)
Transfers	6,220	–	–	–	(6,220)	–
At 31 December 2022	56,724	70,477	17	273	19,174	146,665
Reconciliation of carrying amount — year ended 31 December 2023						
At 1 January 2023	56,724	70,477	17	273	19,174	146,665
Additions	–	43,681	–	–	6,784	50,465
Disposals	–	(1,491)	–	–	–	(1,491)
Depreciation	(4,527)	(11,557)	–	(33)	–	(16,117)
Transfers	25,958	–	–	–	(25,958)	–
At 31 December 2023	78,155	101,110	17	240	–	179,522
At 31 December 2021						
Cost	66,807	121,915	897	2,370	10,887	202,876
Accumulated depreciation	(13,239)	(74,228)	(861)	(2,251)	–	(90,579)
	53,568	47,687	36	119	10,887	112,297
At 31 December 2022						
Cost	73,027	152,887	897	2,543	19,174	248,528
Accumulated depreciation	(16,303)	(82,410)	(880)	(2,270)	–	(101,863)
	56,724	70,477	17	273	19,174	146,665
At 31 December 2023						
Cost	98,985	191,382	897	2,543	–	293,807
Accumulated depreciation	(20,830)	(90,272)	(880)	(2,303)	–	(114,285)
	78,155	101,110	17	240	–	179,522

Up to the date of this report, the Group was in the process of applying for the title certificates of buildings with an aggregate net carrying amount of approximately RMB53,568,000, RMB56,724,000 and RMB78,155,000 at 31 December 2021, 2022 and 2023, respectively.

16. LEASE

(a) The Group as lessee

Right-of-use assets

	Leased properties	Leasehold lands	Total
	RMB'000	*RMB'000*	*RMB'000*
Reconciliation of carrying amount – year ended 31 December 2021			
At 1 January 2021	183	19,610	19,793
Additions	–	22,247	22,247
Depreciation	(62)	(869)	(931)
At 31 December 2021	121	40,988	41,109
Reconciliation of carrying amount – year ended 31 December 2022			
At 1 January 2022	121	40,988	41,109
Depreciation	(62)	(869)	(931)
At 31 December 2022	59	40,119	40,178
Reconciliation of carrying amount – year ended 31 December 2023			
At 1 January 2023	59	40,119	40,178
Additions	823	–	823
Depreciation	(151)	(869)	(1,020)
At 31 December 2023	731	39,250	39,981
At 31 December 2021			
Cost	189	43,447	43,636
Accumulated depreciation	(68)	(2,459)	(2,527)
	121	40,988	41,109
At 31 December 2022			
Cost	189	43,447	43,636
Accumulated depreciation	(130)	(3,328)	(3,458)
	59	40,119	40,178
At 31 December 2023			
Cost	1,012	43,447	44,459
Accumulated depreciation	(281)	(4,197)	(4,478)
	731	39,250	39,981

The Group leases properties for its daily operations with the initial lease terms for 3 years during the Track Record Period. The leasehold lands represent lump sum consideration paid by the Group for lease period of 50 years and there are no ongoing payments to be made under the terms of the land leases.

The Group's leasehold lands with net carrying amounts of approximately RMB21,802,000, RMB21,357,000 and RMB20,912,000 at 31 December 2021, 2022 and 2023 were pledged to secure the banking facilities of the Group, respectively *(Note 23)*.

Up to the date of this report, the Group was in the process of applying for the title certificates of leasehold lands with an aggregate net carrying amount of approximately RMB19,186,000, RMB18,762,000 and RMB18,338,000 at 31 December 2021, 2022 and 2023, respectively.

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 are normally exercised after the contracts terms and conditions are renegotiated and agreed between the Group and the lessor 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 costs or acquisition of new properties. The Group seldom exercises options that were included in the leases. During the Track Record Period, all of lease contracts for leased properties contain an extension or termination option, in which the total lease payment made amounted to approximately RMB66,000, RMB66,000 and RMB158,000, respectively, representing the total cash outflows for leased properties during the Track Record Period.

Restriction or covenants

Most of the leases impose a restriction that, unless approval is obtained from the lessors, the right-of-use assets 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, no commitments on short-term leases or low-value asset leases.

Lease liabilities

	At 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Current portion	63	59	268
Non-current portion	59	–	466
	122	59	734

Commitments and present value of lease liabilities:

	Lease payments			Present value of lease payments		
	At 31 December			At 31 December		
	2021	2022	2023	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts payable:						
Within one year	65	60	289	63	59	268
More than 1 year but within 2 years	60	–	289	59	–	277
More than 2 years but within 3 years	–	–	190	–	–	189
	125	60	768	122	59	734
Less: future finance charges	(3)	(1)	(34)	–	–	–
Total lease liabilities	122	59	734	122	59	734

At 31 December 2021 and 2022 and 2023, the weighted average effective interest rates of the lease liabilities of the Group were approximately 3.45%, 3.31% and 3.49% per annum, respectively.

The total cash flows in relation to leases for the years ended 31 December 2021, 2022 and 2023 were approximately RMB18,210,000, RMB70,000 and RMB450,000, respectively.

The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	5	3	10
Depreciation of right-of-use assets	931	931	1,020
Expenses relating to short-term leases	97	4	292
	1,033	938	1,322

(b) The Group as lessor

The investment properties are leased to several tenants for initial lease terms ranging from two to three years which are non-cancellable by the tenants. The leases do not contain any renewal option. Monthly rental charges consist of fixed payments.

At the end of each reporting period, the undiscounted lease payments receivables by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	981	709	513
More than one year but less than two years	374	43	191
More than two years but less than three years	6	–	–
	1,361	752	704

17. INVENTORIES

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	76,393	101,285	28,306
Finished goods	43,548	52,696	45,502
	119,941	153,981	73,808

18. TRADE AND OTHER RECEIVABLES

	Note	At 31 December 2021	2022	2023
		RMB'000	*RMB'000*	*RMB'000*
Trade receivables				
From third parties		37,769	67,608	36,329
From a former related company	*18(a)*	1,745	2,564	–
		39,514	70,172	36,329
Less: Loss allowances	*31*	(2,638)	(2,168)	(1,440)
	18(b)	36,876	68,004	34,889
Bills receivables	*18(c)*	–	–	25,425
Other receivables				
Prepaid [**REDACTED**] expenses		–	–	837
Prepayment to suppliers		13,433	12,142	13,542
Deposits paid to digital platforms		2,473	1,784	2,291
Receivables from digital platforms	*18(d)*	3,042	2,376	9,777
Amount due from a director	*18(e)*	151	151	–
Amount due from a related company	*18(f)*	239	122	–
Capital contribution receivable from the non-controlling shareholder of a subsidiary		–	525	–
Value-added tax and other tax recoverables		3,850	12,470	2,674
Other prepayment, deposits and receivables		2,290	2,790	5,278
		25,478	32,360	34,399
		62,354	100,364	94,713

18(a) Trade receivables from a former related company

The amounts represented the trade receivables due from a former related company, Jinjiang Libaida, in which 51% equity interests were held by Mr. Zeng Guodong, an executive director of the Company, during the period from 15 November 2021 to 27 October 2023. On 27 October 2023, Jinjiang Libaida became an indirectly wholly-owned subsidiary of the Company *(Note 30)*. The amount due was unsecured, interest-free and had a credit period of 30 days.

	Year ended 31 December 2021: Greatest outstanding amount during the period	Balance at 31 December 2021	Balance at 1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
Jinjiang Libaida	2,166	1,745	N/A

	Year ended 31 December 2022: Greatest outstanding amount during the year	Balance at 31 December 2022	Balance at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Jinjiang Libaida	2,564	2,564	1,745

	Year ended 31 December 2023		
	Greatest outstanding amount during the year	Balance at 31 December 2023	Balance at 1 January 2023
	RMB'000	*RMB'000*	*RMB'000*
Jinjiang Libaida	26,166	*Remark*	2,564

Remark: Upon the acquisition of Jinjiang Libaida as detailed in Note 30, the amount has been eliminated by combination and is not separately disclosed since then.

18(b) 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		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	11,435	25,133	23,185
31 to 60 days	6,854	30,557	3,962
61 to 90 days	9,202	9,180	6,852
91 to 180 days	1,452	208	519
181 to 365 days	1,162	1,881	25
Over 1 year	6,771	1,045	346
	36,876	68,004	34,889

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		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Not yet due	17,149	52,440	21,766
Past due:			
Within 30 days	6,834	6,958	5,746
31 to 60 days	3,620	3,086	2,032
61 to 90 days	1,049	2,426	4,455
91 to 180 days	444	190	512
181 to 365 days	1,009	293	8
Over 1 year	6,771	2,611	370
	19,727	15,564	13,123
	36,876	68,004	34,889

The Group normally grants credit terms up to 90 days from the date of issuance of invoices.

18(c) Bills receivables

At the end of the reporting period, the bills receivables were interest-free and guaranteed by banks in the PRC and had maturities of less than six months.

18(d) Receivables from digital platforms

The amounts represented the considerations received by the digital platforms on behalf of the Group for the sales through the Group's self-operated online retail stores via their platforms. The amounts were repayable on demand upon the request from the Group.

18(e) Amount due from a director

The amount due was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2023.

	Year ended 31 December 2021		
	Greatest outstanding amount during the year	Balance at 31 December 2021	Balance at 1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
Mr. Gao Yue	151	151	151

	Year ended 31 December 2022		
	Greatest outstanding amount during the year	Balance at 31 December 2022	Balance at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Mr. Gao Yue	151	151	151

	Year ended 31 December 2023		
	Greatest outstanding amount during the year	Balance at 31 December 2023	Balance at 1 January 2023
	RMB'000	*RMB'000*	*RMB'000*
Mr. Gao Yue	151	–	151

18(f) Amount due from a related company

深圳市耀信盛電子商務有限公司 (Shenzhen Yaoxinsheng E-Commerce Co., Ltd.*) ("Yaoxinsheng") was controlled by Mr. Zeng Guodong, an executive director of the Company, and was de-registered during the year ended 31 December 2023. The amount due was non-trade in nature, unsecured, interest-free and repayable on demand. The amount was fully settled during the year ended 31 December 2023.

	Year ended 31 December 2021		
	Greatest outstanding amount during the year	Balance at 31 December 2021	Balance at 1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
Yaoxinsheng	239	239	239

	Year ended 31 December 2022		
	Greatest outstanding amount during the year	Balance at 31 December 2022	Balance at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Yaoxinsheng	239	122	239

	Year ended 31 December 2023		
	Greatest outstanding amount during the year	Balance at 31 December 2023	Balance at 1 January 2023
	RMB'000	*RMB'000*	*RMB'000*
Yaoxinsheng	122	–	122

19. PLEDGED BANK DEPOSITS

Pledged bank deposits were deposits which are placed in the PRC banks as securities for the issuance of bills payables (*Note 21(b)*).

* *The English name is translated for identification purpose only.*

20. CASH AND CASH EQUIVALENTS

	At 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and in hand	5,620	6,464	63,000
Non-pledged time deposits with original of 3 months or less when acquired	14,960	–	–
Cash and cash equivalents in the combined statements of financial position and the combined statements of cash flows	20,580	6,464	63,000

At 31 December 2021, 2022 and 2023, bank balances in total of approximately RMB4,977,000, RMB6,019,000 and RMB62,983,000, respectively, carried interest at floating rates based on daily bank deposit rates. Non-pledged time deposits were made between one month and three months depending on the immediate cash requirement of the Group, and earned interest at the prevailing short-term deposit rates.

At 31 December 2021, 2022 and 2023, bank balances that were placed in the PRC amounted to approximately RMB19,937,000, RMB6,019,000 and RMB60,631,000, respectively. Remittance of funds out of the PRC is subject to the exchange controls imposed by the PRC government.

21. TRADE AND OTHER PAYABLES

		At 31 December		
		2021	2022	2023
	Note	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables to third parties	*21(a)*	26,841	18,985	15,483
Bills payables	*21(b)*	42,675	39,777	40,329
Other payables				
Contract liabilities – receipts in advance	*21(c)*	13,054	27,498	20,189
Salary payables		2,009	2,504	2,656
Other tax payables		461	423	432
Accruals and other payables		9,531	18,462	20,184
Payables for purchase of property, plant and equipment		–	1,592	7,266
Payables for distribution service fees				
– to a related company	*21(d)*	12,130	13,930	16,155
– to third parties		–	92	2,504
Accrued [**REDACTED**] expenses		–	–	468
		37,185	64,501	69,854
		106,701	123,263	125,666

21(a) Trade payables

The trade payables were unsecured, interest-free and with normal credit terms up to 60 days.

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within 30 days	6,775	6,477	3,305
31 to 60 days	2,747	5,678	4,039
61 to 90 days	2,886	2,763	1,200
Over 90 days	14,433	4,067	6,939
	26,841	18,985	15,483

21(b) Bills payables

At the end of each reporting period, the bills payables were interest-free, guaranteed by banks in the PRC and had maturities of less than six months. The Group's bills payables were secured by pledged bank deposits of approximately RMB14,113,000, RMB20,934,000 and RMB15,995,000 at 31 December 2021, 2022 and 2023, respectively *(Note 19)*.

21(c) Contract liabilities

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 contract liabilities within IFRS 15 during the Track Record Period are as follows:

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the reporting period	17,970	13,054	27,498
Additions	13,054	27,498	20,189
Revenue recognised *(Note 5)*	(17,970)	(13,054)	(27,498)
At the end of the reporting period	13,054	27,498	20,189

The contract liabilities of approximately RMB13,054,000, RMB27,498,000 and RMB20,189,000 at 31 December 2021, 2022 and 2023, respectively, represented the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of each reporting period. The Group expects the transaction price of approximately RMB13,054,000, RMB27,498,000 and RMB20,189,000 at 31 December 2021, 2022 and 2023, respectively, allocated to the unsatisfied performance obligations are expected to be recognised as revenue in one year or less when the obligations are performed.

Contract liabilities primarily represent advance payments received from customers for goods that have not been transferred to the customers. The contract liabilities changed during the Track Record Period were mainly due to changes in sales orders with advance payments at the end of each reporting period.

21(d) Payables for distribution service fees to a related company

At 31 December 2021, 2022 and 2023, the amounts were payable to a related company, 晉江市志華物流有限公司 (Jinjiang Zhihua Logistics Co., Ltd.*) ("Zhihua") which is controlled by Mr. Gao Yue, an executive director of the Company in relation to provision of distribution services. The amount due was unsecured, interest-free and had a credit period of 30 days.

22. AMOUNT DUE TO THE CONTROLLING SHAREHOLDER

At 31 December 2021, 2022 and 2023, the amount due to the Controlling Shareholder of approximately RMB190,094,000, RMB206,844,000 and RMB207,284,000, respectively, had been classified as non-current liabilities of the Group as the Controlling Shareholder confirmed in writing that such amount represented a loan capital, which is non-trade in nature, unsecured and interest free, as an initial and continuing financial supports for funding the Group's operations and business development and committed not to demand for repayment not less than 5 years at the end of each reporting period. On 31 March 2024, the amount due to the Controlling Shareholder classified under non-current liabilities of approximately RMB207,284,000 had been waived and credited to the capital reserve under the equity on upon execution of deed of wavier by the Controlling Shareholder.

The remaining amount of approximately RMB137,615,000, RMB136,212,000 and RMB71,576,000 at 31 December 2021, 2022 and 2023 respectively, which was classified under current liabilities, was non-trade in nature, unsecured, interest-free and repayable on demand.

23. INTEREST-BEARING BORROWINGS

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Fixed-rate borrowings			
Secured and guaranteed bank loans			
– within one year	10,000	18,000	13,000
Effective interest rates per annum for fixed-rate borrowings	3.35%	3.20%–4.30%	3.45%–3.50%

The interest-bearing borrowings were collectively secured by:

(a) personal guarantees provided by the Controlling Shareholder and his spouse;

(b) properties held by the Controlling Shareholder;

(c) corporate guarantee provided by a subsidiary of the Group;

(d) leasehold lands with net carrying amounts of approximately RMB21,802,000, RMB21,357,000 and RMB20,912,000 at 31 December 2021, 2022 and 2023, respectively *(Note 16)*; and

(e) investment properties of Nil, Nil and approximately RMB44,161,000 at 31 December 2021, 2022 and 2023, respectively *(Note 14)*.

All banking facilities are subject to the fulfilment of covenants, as is commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants, the drawn down facilities would become repayable on demand. At the end of each reporting period, none of the covenants relating to drawn down facilities had been breached.

[The guarantees and the pledged properties provided by the Controlling Shareholder and his spouse are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial [**REDACTED**] and the banks have provided their consents in this regard.]

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24. DEFERRED TAXATION

The movements in the Group's deferred tax assets (liabilities) during the Track Record Period were as follows:

	Accrued revenue and costs	Depreciation allowance	Fair value changes on investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	45	(324)	(5,473)	(5,752)
Income tax credit (expenses)	329	(75)	(8)	246
At 31 December 2021	374	(399)	(5,481)	(5,506)
At 1 January 2022	374	(399)	(5,481)	(5,506)
Income tax expenses	(384)	(194)	(242)	(820)
At 31 December 2022	(10)	(593)	(5,723)	(6,326)
At 1 January 2023	(10)	(593)	(5,723)	(6,326)
Income tax expenses	(61)	(631)	(575)	(1,267)
At 31 December 2023	(71)	(1,224)	(6,298)	(7,593)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the combined statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	At 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	374	–	–
Deferred tax liabilities	(5,880)	(6,326)	(7,593)
	(5,506)	(6,326)	(7,593)

At 31 December 2021, 2022 and 2023, the Group has unused tax losses of approximately RMB16,724,000, RMB21,952,000 and RMB27,396,000, subject to the approval by the relevant tax authorities, available for 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. At 31 December 2021, 2022 and 2023, no deferred tax assets have been recognised in respect of these tax losses as it is not probable that sufficient future taxable profits will be available for the respective subsidiaries against which the assets can be utilised.

At the end of each reporting period, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries established in the PRC. In the opinion of the management of the Group, it is probable that the earnings will not be distributed in the foreseeable future. The estimated withholding tax effects on the distribution of accumulated profits were approximately RMB9,491,000, RMB52,933,000 and RMB101,524,000 at 31 December 2021, 2022 and 2023, respectively.

25. SHARE CAPITAL AND THE FINANCIAL INFORMATION OF THE COMPANY

25(a) Share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 22 November 2023. Upon its incorporation, the authorised share capital of HK$380,000 was divided into 38,000,000 ordinary shares at HK$0.01 each and 1 ordinary share with total consideration of HK$0.01 was issued.

On 23 April 2024 and 26 April 2024, total 899,999 and 100,000 shares were allotted and issued at total consideration of approximately HK$9,000 and HK$1,000, respectively.

Pursuant to the resolution of the Company's shareholders dated 6 May 2024, the Company subdivided each of its existing issued and unissued ordinary share with a par value of HK$0.01 each into 100 shares with a par value of HK$0.0001 each. Accordingly, the authorised and issued share capital of the Company becomes HK$380,000 divided into 3,800,000,000 shares and HK$10,000 divided into 100,000,000 shares with a par value of HK$0.0001 each, respectively.

Pursuant to the Reorganisation completed on 26 April 2024, 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, Development and Reorganisation" of the Document.

Save as disclosed above, the Company has not commenced any significant business or operation since its incorporation.

25(b) Investment in a subsidiary

Investment in a subsidiary represents 100% of the issued share capital of Soft BVI.

25(c) Amount due from the immediate holding company

The amount due was non-trade in nature, unsecured, interest-free and repayable on demand.

25(d) Reserves of the Company

	Translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 22 November 2023 (date of incorporation)	–*	–*	–*
Profit for the period *(Note)*	–*	–*	–*
Other comprehensive income			
Exchange difference on translation	–*	–*	–*
At 31 December 2023	–*	–*	–*

Note: During the year ended 31 December 2023, the [**REDACTED**] expenses of approximately RMB5,981,000 charged to the profit or loss were borne by the Company's subsidiaries without recharge.

* *Represents amount less than RMB1,000.*

26. RESERVES

26(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.

26(b) Translation reserve

The translation reserve represents all foreign exchange differences arising from the translation of the Group's entities that have functional currency different from the Group's presentation currency for combinations.

26(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.

27. RELATED PARTY TRANSACTIONS

The Group had the following related party transactions during the Track Record Period.

(a) Related party transactions of the Group

Transactions between the group entities have been eliminated by combination and are not disclosed. During the Track Record Period, 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.

		Year ended 31 December		
Name of the related party	**Nature of the transaction**	**2021**	**2022**	**2023**
		RMB'000	*RMB'000*	*RMB'000*
Jinjiang Libaida *(Note 18(a))*	Sales of hygienic disposables	130	1,014	41,263
福建省晉江市對外貿易有限公司 (Fujian Province Jinjiang City Foreign Trade Co., Ltd.*) ("Jinjiang Foreign Trade") *(Note)*	Agency fee for import and export services	805	772	795
Zhihua *(Note 21(d))*	Provision of distribution services	4,698	5,000	15,669
Zeng Guodong, an executive director of the Company	Consideration paid for acquisition of Jinjiang Libaida *(Note 30)*	–	–	551

Note:

During the Track Record Period, 30% of equity interests in Jinjiang Foreign Trade was held by the Controlling Shareholder of the Group.

(b) Remuneration for key management personnel (including directors of the Company) of the Group

	Year ended 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances, discretionary bonus, and other benefits in kind	878	1,072	1,185
Contributions to defined contribution plans	16	39	68
	894	1,111	1,253

Further details of the directors' remuneration are set out in Note 8.

* *The English name is translated for identification purpose only.*

(c) Pledge of assets/guarantees provided for interest-bearing borrowings of the Group by the related parties

As detailed in Note 23 to the Historical Financial Information, the interest-bearing borrowings of approximately RMB10,000,000, RMB18,000,000 and RMB13,000,000 at 31 December 2021, 2022 and 2023 were secured by, among others, (i) properties held by the Controlling Shareholder and (ii) guarantees given by the Controlling Shareholder and his spouse.

[The above guarantees and the pledged assets provided by the related parties are expected to be released and replaced by a corporate guarantee to be given by the Company upon the Initial [**REDACTED**] and the lenders including banks have provided their consent in this regard.]

(d) Balances with related parties

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables from a former related company *(Note 18(a))*			
Jinjiang Libaida	1,754	2,564	*Remark*
Amount due from a director *(Note 18(e))*			
Mr. Gao Yue	151	151	–
Amount due from a related company *(Note 18(f))*			
Yaoxinsheng	239	122	–
Capital contribution receivable from the non-controlling shareholder of a subsidiary	–	525	–
Amount due to the Controlling Shareholder *(Note 22)*			
Mr. Ngan Pui Kan	327,709	343,056	278,860
Payables for distribution services fees to a related company *(Note 21(d))*			
Zhihua	12,130	13,930	16,155

Remark: Upon the completion of acquisition of Jinjiang Libaida as detailed in Note 30, the amount has been eliminated by combination and is not separately disclosed since then.

28. ADDITIONAL INFORMATION ON THE COMBINED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

In addition to the information disclosed elsewhere in the Historical Financial Information, the Group had the following major non-cash transactions:

During the years ended 31 December 2021, 2022 and 2023, certain of property, plant and equipment acquired with an aggregate amount of approximately RMB6,053,000, RMB15,862,000 and Nil, respectively, were settled by the Controlling Shareholder on behalf of the Group.

During the years ended 31 December 2021, 2022 and 2023, the Group recognised right-of-use assets by incurring lease liabilities of Nil, Nil and approximately RMB823,000, respectively.

(b) Reconciliation of liabilities arising from financing activities

The movements during the Track Record Period in the Group's liabilities arising from financing activities are as follows:

	At 1 January 2021	Net cash flows	Non-cash changes: Acquisition of property, plant and equipment	Addition of right-of-use assets	Disposal of subsidiaries	Finance costs	Exchange realignment	At 31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2021								
Amount due to the Controlling Shareholder	317,955	3,920	6,053	–	–	–	(219)	327,709
Interest-bearing borrowings	–	10,000	–	–	–	–	–	10,000
Lease liabilities	183	(66)	–	–	–	5	–	122
Total liabilities from financing activities	318,138	13,854	6,053	–	–	5	(219)	337,831

	At 1 January 2022	Net cash flows	Non-cash changes: Acquisition of property, plant and equipment	Addition of right-of-use assets	Disposal of subsidiaries	Finance costs	Exchange realignment	At 31 December 2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022								
Amount due to the Controlling Shareholder	327,709	(1,583)	15,862	–	–	–	1,068	343,056
Interest-bearing borrowings	10,000	8,000	–	–	–	–	–	18,000
Lease liabilities	122	(66)	–	–	–	3	–	59
Total liabilities from financing activities	337,831	6,351	15,862	–	–	3	1,068	361,115

	At 1 January 2023	Net cash flows	Non-cash changes: Acquisition of property, plant and equipment	Addition of right-of-use assets	Disposal of subsidiaries	Finance costs	Exchange realignment	At 31 December 2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2023								
Amount due to the Controlling Shareholder	343,056	(62,636)	–	–	(2,000)	–	440	278,860
Interest-bearing borrowings	18,000	(5,000)	–	–	–	–	–	13,000
Lease liabilities	59	(158)	–	823	–	10	–	734
Total liabilities from financing activities	361,115	(67,794)	–	823	(2,000)	10	440	292,594

29. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES UNDER THE REORGANISATION

In preparation for the Initial [**REDACTED**], certain subsidiaries were disposed of/deregistrated as part of the Reorganisation:

(a) Disposal of subsidiaries

On 27 September 2023, the Group disposed of its 51% equity interests in Jinjiang Lantu together with its wholly-owned subsidiaries, Jiangxi Lishi and Jiangxi Lantu (collectively referred to as "Jinjiang Lantu Group") to an independent third party at a cash consideration of approximately RMB1,785,000 (the "Disposal"). The Disposal was completed on 28 September 2023.

Details of the consideration received for the Disposal and net liabilities of Jinjiang Lantu Group at the date of the Disposal are summarised as follows:

	RMB'000
Consideration received, satisfied by:	
Cash received	1,785
Net liabilities disposed of:	
Trade and other receivables	1,549
Cash and bank balances	790
Trade receivables due from Jinjiang Lantu Group	(1,097)
Amount due to the Controlling Shareholder	(2,000)
Other payables	(642)
Net liabilities upon disposal	(1,400)
Non-controlloing interests	686
Consideration	(1,785)
Gain on disposal of subsidiaries	(2,499)
Net cash inflows from the Disposal:	
Consideration received	1,785
Less: cash and bank balances disposed of	(790)
	995

(b) Deregistration of subsidiaries

During the year ended 31 December 2023, subsidiaries of the Group including Blue Giant E-commerce, Fujian Insoftb E-commerce, Fujian Shusen, Insoftb Qinning and Xiamen Insoftb E-commerce (collectively referred to as the "Deregistered Subsidiaries") have been deregistered (as set out in Note 1). Upon the deregistration, a loss on deregistration of the Deregistered Subsidiaries of approximately RMB5,000 has been recognised in profit or loss during the year ended 31 December 2023.

Details of aggregated net liabilities of Deregistered Subsidiaries are summarised as follows:

	RMB'000
Aggregated net liabilities	–
Non-controlling interests	5
Loss on deregistration	5
Net cash flow from deregistration of subsidiaries	–

30. ACQUISITION OF A SUBSIDIARY UNDER THE REORGANISATION

On 27 October 2023, Insoftb China, being the acquirer, while Mr. Zeng Guodong and an independent third party, being the Vendors (each of them held 51% and 49% of the equity interests in Jinjiang Libaida on that date, respectively) (collectively referred to as "Vendors") entered into an agreement, pursuant to which Insoftb China has agreed to acquire 51% and 49% of the equity interests in Jinjiang Libaida from the Vendors, respectively, at a cash consideration of approximately RMB551,000 and RMB529,000, respectively (the "Acquisition").

The Acquisition was completed on 27 October 2023 (the "Acquisition Date") and Jinjiang Libaida has become an indirectly wholly-owned subsidiary of the Company.

The Group's management considered that the Acquisition constituted a business combination and had been accounted for using the acquisition method of accounting under IFRS 3 (Revised) *"Business Combinations"*.

Details of the consideration paid and the amounts of the assets acquired and liabilities assumed at the Acquisition Date are summarised as follows:

	RMB'000
Consideration paid, satisfied by cash	1,080
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Trade and other receivables	6,776
Cash and bank balances	2,363
Trade receivables due from Jinjiang Libaida	(7,998)
Other payables	(61)
Total identifiable net assets, at fair value	1,080
Net cash inflows from the Acquisition	
Cash and bank balances acquired from the Acquisition	2,363
Less: Consideration paid	(1,080)
	1,283

The management of the Group considered that the carrying values of all identifiable assets acquired and liabilities assumed of Jinjiang Libaida approximate to their fair values at the Acquisition Date.

The fair values of trade and other receivables acquired included trade receivables with fair value of approximately RMB5,776,000 and other receivables with fair value of RMB1,000,000. The total gross contractual amounts of the trade and other receivables are approximately RMB6,776,000, of which no provision was made against trade receivables and other receivables.

Since acquisition and up to 31 December 2023, Jinjiang Libaida has contributed revenue and net losses of approximately RMB24,852,000 and RMB1,553,000 to the Group, respectively.

If the business combination of Jinjiang Libaida was effected at 1 January 2021, the combined revenue and net profit for the Group would have been approximately RMB263,319,000 and RMB9,950,000, respectively, for the year ended 31 December 2021, approximately RMB408,158,000 and RMB41,499,000, respectively, for the year ended 31 December 2022 and approximately RMB657,751,000, and RMB39,601,000, respectively, for the year ended 31 December 2023.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise pledged bank deposits, cash and cash equivalents, amount due to the Controlling Shareholder, interest-bearing borrowings and lease liabilities. 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 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		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Financial assets – at amortised cost			
Financial assets included in trade and other receivables	44,136	73,777	73,615
Pledged bank deposits	14,113	20,934	15,995
Cash and cash equivalents	20,580	6,464	63,000
	78,829	101,175	152,610
Financial liabilities – at amortised cost			
Financial liabilities included in trade and other payables	85,316	81,498	86,102
Amount due to the Controlling Shareholder	327,709	343,056	278,860
Interest-bearing borrowings	10,000	18,000	13,000
Lease liabilities	122	59	734
	423,147	442,613	378,696

The main risks arising from the Group's financial instruments are credit risk, foreign currency 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.

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

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. 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 quality of a customer is assessed based on an extensive credit rating and individual credit limit assessment which is mainly based on the Group's own trading records.

At 31 December 2021, 2022 and 2023, the Group had a concentration of credit risk as approximately 18%, 62% and 37% of the total trade receivables was due from the Group's largest trade debtor, respectively, and approximately 50%, 81% and 64% of the total trade receivables was due from the Group's five largest trade debtors, respectively.

The Group's customer base consists of a wide range of customers and the trade receivables are categorised by common risk characteristics that are representative of the customers' domicile and 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 recognises loss allowances based on lifetime ECL at the end of each reporting period.

As part of the Group's credit risk management, the Group has applied internal credit rating for its customers and established a provision matrix that is based on historical credit loss experience having considered the ageing of debtors, adjusted for forward-looking factors specific to the debtors, the economic environment and the domicile of the debtors' countries. 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 receivables. There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

The Group does not hold any collateral over trade receivables at 31 December 2021, 2022 and 2023.

None of the trade receivables were written off during the Track Record Period.

The information about the exposure to credit risk and ECL for trade receivables using a provision matrix with appropriate groupings based on shared credit risk characteristics of customers and the domicile of the customers' countries at 31 December 2021, 2022 and 2023 is summarised below.

Internal credit rating (Remark)	Weighted average expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
At 31 December 2021			
PRC customers			
– Risk Category 1	3.16	6,613	209
– Risk Category 2	16.60	8,119	1,348
Russia customers			
– Risk Category 1	4.33	14,586	631
Other countries customers			
– Risk Category 1	4.41	10,196	450
		39,514	2,638

Internal credit rating (Remark)	Weighted average expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
At 31 December 2022			
PRC customers			
– Risk Category 1	2.18	5,561	121
– Risk Category 2	4.99	2,748	137
Russia customers			
– Risk Category 1	3.05	53,980	1,645
Other countries customers			
– Risk Category 1	3.36	7,883	265
		70,172	2,168

Internal credit rating (Remark)	Weighted average expected loss rate	Gross carrying amount	Loss allowance
	%	*RMB'000*	*RMB'000*
At 31 December 2023			
PRC customers			
– Risk Category 1	1.66	10,867	180
– Risk Category 2	3.65	384	14
Russia customers			
– Risk Category 1	5.63	17,556	988
Other countries customers			
– Risk Category 1	3.43	7,522	258
		36,329	1,440

Remarks:

Risk Category	**Description**
Risk Category 1	The debtor has on-going business relationship with the Group with a good credit history. The Group expects the debtor to settle the receivable within one year.
Risk Category 2	The debtor failed to settle on time due to a temporary problem, but the Group expects the problem could be resolved and the outstanding amount could be settled in a foreseeable future.

The movements in loss allowances for trade receivables during the Track Record Period are summarised below.

	Year ended 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
At the beginning of the reporting period	2,515	2,638	2,168
Increase (Decrease) in loss allowance, net	123	(470)	(728)
At the end of the reporting period	2,638	2,168	1,440

During the year ended 31 December 2021, the increase in loss allowance on trade receivables was mainly due to the increase in long overdue trade receivables.

During the year ended 31 December 2022, the decrease in loss allowance on trade receivables was mainly due to the settlement of long overdue trade receivables from certain debtors.

During the year ended 31 December 2023, the decrease in loss allowance on trade receivables was mainly due to the decrease in gross balances of the trade receivables.

Other financial assets carried at amortised costs

The Group's other financial assets carried at amortised costs include pledged bank deposits, cash and cash equivalents and other receivables in the combined statements of financial position.

The Group's pledged bank deposits and cash and cash equivalents include cash 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.

The management of the Group 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. Loss allowances on other receivables is measured on 12-month ECL and reflects the short maturities of the exposures.

In estimating the ECL, the management of the Group 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. The management of the Group considers the ECL of other receivables to be negligible after taking into account the financial position, credit quality and past settlement records of the counterparties.

There was no change in the estimation techniques or significant assumptions made during the Track Record Period.

Foreign currency risk

The Group's transactions are mainly denominated in RMB and US$.

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 net carrying amounts of those financial assets and liabilities are analysed as follows:

	At 31 December		
	2021	2022	2023
	RMB'000	*RMB'000*	*RMB'000*
Financial assets, net			
US$	3,496	5,430	9,027

At 31 December 2021, 2022 and 2023, if the exchange rate of US$ had increased/decreased by 5% against the functional currencies of the respective group entities and other variables were held constant, the Group's pre-tax results would increase/decrease by approximately RMB175,000, RMB272,000 and RMB451,000 for the years ended 31 December 2021, 2022 and 2023, respectively.

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 year until the end of the next reporting period.

In the opinion of the Group's management, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk because the exposure at the end of the reporting period does not reflect the exposure during the reporting period.

The Group's management monitors the related foreign currency risk exposure closely on daily basis and, pursuant to a written foreign currency hedging policy as approved by the Group's management, the Group would only enter into foreign currency forward contracts should need arise. At the end of each reporting period, the Group had no significant outstanding foreign currency forward contracts.

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 at the end of each reporting period, 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 3 years	Over 3 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021						
Trade and other payables	85,316	85,316	85,316	–	–	–
Amount due to the Controlling Shareholder	327,709	327,709	137,615	–	–	190,094
Interest-bearing borrowings	10,000	10,254	10,254	–	–	–
Lease liabilities	122	126	66	60	–	–
	423,147	423,405	233,251	60	–	190,094
At 31 December 2022						
Trade and other payables	81,498	81,498	81,498	–	–	–
Amount due to the Controlling Shareholder	343,056	343,056	136,212	–	–	206,844
Interest-bearing borrowings	18,000	18,373	18,373	–	–	–
Lease liabilities	59	60	60	–	–	–
	442,613	442,987	236,143	–	–	206,844
At 31 December 2023						
Trade and other payables	86,102	86,102	86,102	–	–	–
Amount due to the Controlling Shareholder	278,860	278,860	71,576	–	–	207,284
Interest-bearing borrowings	13,000	13,417	13,417	–	–	–
Lease liabilities	734	768	289	289	190	–
	378,696	379,147	171,384	289	190	207,284

32. 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 combined statements of financial position approximate their fair values.

33. COMMITMENTS

(a) Capital expenditure commitments

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided net of deposits paid for acquisition of property, plant and equipment	19,214	6,872	6,903

(b) Commitments under lease

The Group as lessor

The Group leases out its properties under operating leases with lease terms ranging from one year to three years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	At 31 December		
	2021	**2022**	**2023**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	981	709	513
More than one year but less than two years	374	43	191
More than two years but less than three years	6	–	–
	1,361	752	704

34. 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 Track Record Period.

35. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2023, save as disclosed elsewhere in the Historical Financial Information, the Group has the following subsequent events:

(i) [Pursuant to the resolution of the Company's shareholders passed on [●], inter-alia, the authorised share capital of the Company was increased from HK$[●] to HK$[●] by the creation of additional [●] shares of HK$0.01 each and the Capitalisation Issue (as defined below) was conditionally approved.]

(ii) [Pursuant to the resolution in writing of the Company's shareholders 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$[●] each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$[**REDACTED**] standing to be credit of the share premium account 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).]

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared in accordance with IFRS Accounting Standards and/or other applicable financial reporting standards for the Company or any of its subsidiaries in respect of any period subsequent to 31 December 2023.

The information set forth in this appendix does not form part of the Accountants' Report prepared by Mazars CPA Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set forth in Appendix I to this document.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group is prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustrative purposes only, and is set out below to illustrate the effect of the [**REDACTED**] on the combined net tangible assets of the Group attributable to equity owners of the Company at 31 December 2023 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group attributable to equity owners of the Company at 31 December 2023 or at any future dates following the [**REDACTED**]. It is prepared based on the audited combined net tangible assets of the Group attributable to equity owners of the Company at 31 December 2023 as set out in the Accountants' Report in Appendix I to this Document, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets do not form part of the Accountants' Report as set out in Appendix I to this Document.

	Audited combined net tangible assets attributable to owners of the Company at 31 December 2023		Estimated net [REDACTED] from the [REDACTED]		Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company		Unaudited pro forma adjusted combined net tangible assets attributable to owners of the Company per Share	
	(Note 1)	*(Note 6)*	*(Note 6)*	*(Note 2)*			*(Note 6)*	*(Note 3)*
	RMB'000	*HK$'000*	*RMB'000*	*HK$'000*	*RMB'000*	*HK$'000*	*RMB*	*HK$*
Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	[82,591]	[90,536]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	[82,591]	[90,536]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

NOTES TO THE UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

1. The audited combined net tangible assets of the Group attributable to owners of the Company at 31 December 2023 is based on the audited combined net assets attributable to owners of the Company at 31 December 2023 of approximately RMB82,991,000 with an adjustment for the intangible assets of approximately RMB400,000, extracted from the Group's combined financial information included in the Accountants' Report as set out in Appendix I to this document.

2. The estimated net [**REDACTED**] from the [**REDACTED**] are based on [**REDACTED**] new Shares and the indicative [**REDACTED**] of HK$[**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**], respectively, after deduction of relevant estimated [**REDACTED**] and fees and other related expenses payable by the Company excluding approximately RMB[**REDACTED**] (equivalent to approximately HK$[**REDACTED**]) [**REDACTED**]-related expenses which has been accounted for prior to 31 December 2023. The estimated net [**REDACTED**] have not taken into account 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 the Company pursuant to the general mandates given to the Directors.

3. The calculation of the unaudited pro forma adjusted combined net tangible assets of the Group attributable to owners of the Company 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 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 the Company pursuant to the general mandates given to the Directors.

4. Subsequent to 31 December 2023, the amount due to the Controlling Shareholder of RMB207,284,000 (equivalent to approximately HK$227,225,000) was waived and credited to capital reserve under equity (the "Waiver"). Taking into account the estimated net [**REDACTED**] from [**REDACTED**] at the [**REDACTED**] of HK$[**REDACTED**] or HK$[**REDACTED**] and the impact of the Waiver on the net tangible assets of the Group of approximately HK$90,536,000 at 31 December 2023, the unaudited pro forma adjusted net tangible assets per Share would have been approximately HK$[**REDACTED**] or HK$[**REDACTED**], respectively, as if the Waiver was taken place on 31 December 2023.

5. No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 December 2023.

6. These amounts are converted from Renminbi to Hong Kong dollars or Hong Kong dollars to Renminbi at an exchange rate of RMB0.912 to HK$1.000. No representation is made that Renminbi/Hong Kong dollars amount have been, could have been or may be converted to Hong Kong dollars/Renminbi at that rate or at all.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

The following is the text of a letter and the valuation certificate prepared for the purpose of incorporation in this circular received from BonVision International Appraisals Limited, an independent valuer, in connection with its valuation as at 31 March 2024 of the property interest held by the Group.

BonVision
宏展国际

BonVision International Appraisals Limited
Room 1205-06, 12/F, Tai Yau Building,
181 Johnston Road, Wan Chai, Hong Kong
Phone: (852) 2916 2188
Email: info@bonvision.com

[●] 2024

The Board of Directors
Soft International Group Ltd
Zhizao Avenue,
Quanzhou Jinjiang Economic Development Zone (Food Park),
Fujian Province,
the People's Republic of China

Dear Sirs/Madams,

Re: Valuation of an industrial real estate development situated at 488 Suzhou North Road, Langya District, Chuzhou City, Anhui Province, the People's Republic of China (一個位於中華人民共和國安徽省滁州市琅琊區蘇州北路488號之工業房地產項目)

INSTRUCTION, PURPOSE AND VALUATION DATE

In accordance with the instructions from Soft International Group Ltd (hereinafter referred to as the "**Company**", together with its subsidiaries hereinafter collectively referred to as the "**Group**") for BonVision International Appraisals Limited (hereinafter referred to as "**BonVision**", "**We**" or "**Us**") to assess the market value of the captioned property interest held by the Group situated in the People's Republic of China (hereinafter referred to as the "**PRC**" or "**China**") (hereinafter referred to as the "**Property**"), we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 March 2024 (the "**Valuation Date**") for the purpose of public disclosure and inclusion in the document of the Company dated [●].

VALUATION STANDARDS

This valuation has been prepared in accordance with the HKIS Valuation Standards 2020 published by the Hong Kong Institute of Surveyors ("**HKIS**") effective from 31 December 2020; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors ("**RICS**") effective from 31 January 2022; and the International Valuation Standards published by the International Valuation Standards Council ("**IVSC**") effective from 31 January 2022. For the purpose of this valuation, we have also complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited published by the Stock Exchange of Hong Kong Limited.

VALUATION BASIS

This valuation has been carried out on the basis of market value which defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION METHODOLOGY

We have valued the Property by the Market Approach by making reference to relevant market evidence, which is universally considered as the most accepted valuation approach for valuing most forms of real property with active relevant transaction market. Recent market transaction or under offering evidence of properties with similar characteristics to the Property was collected and analysed on the basis of unit rate. Adjustments were made to reflect the differences in the features between the comparable properties and the property under valuation on various factors which might affect the market value in order to achieve a fair comparison.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumptions that the owner sells the Property in the open market as at the Valuation Date in its existing state without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the market value of the Property. No account has been taken of any option or right of pre-emption concerning or affecting the sale of the Property. No allowance has been made in our valuation for any charges, mortgages or amounts owing on the Property nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature which could affect the market value and the owner has absolute title to the Property. Unless otherwise stated, the Property is valued on the basis of 100% attributable interest. For leasehold Property, it is assumed that the owner of the Property has free and uninterrupted rights to occupy and use the Property during the whole of the remaining land lease term.

INFORMATION SOURCE

We have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us by the Group on matters such as identification of the Property, occupation particulars, floor and site areas, planning approvals or statutory notices, easements, tenure, building age and all other relevant matters which could affect the market value of the Property. All documents have been used for reference only. We have no reason to doubt the truth and accuracy of the information provided to us which is material to the valuation. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view of valuation and have no reason to suspect that any material information has been withheld. If in any circumstance that additional documents, information or facts became available, we reserve the right to amend our valuation opinions and contents of this report.

Whenever the information contained in this valuation report is quoted or extracted from documents supplied to us which are originally produced in other languages and translated into English for disclosure purpose, in case of any inconsistency, the original version shall prevail.

TITLE INVESTIGATION

We have been provided with copies of extracts of title documents in relation to the Property. However, under the current land registration system of the PRC, we are not able to conduct title search to verify the original of such documents have been registered with the relevant official authorities, and we have not scrutinised the original documents to verify any amendment which may not appear on the copies available to us. Thus, we have relied on the advice and information regarding the property title status provided by the Group and the Group's PRC legal adviser, Beijing Tianyuan Law Firm, in the course of our valuation. All legal documents disclosed in this valuation report are for reference only. We assume no liability for any existing or potential legal matters in relation to the title of the Property.

INSPECTION AND INVESTIGATIONS

We have inspected the exterior and endeavored to inspect the interior of the Property where accessible. No structural survey has been made in respect of the Property and we did not notice any obvious serious defects. We are not able to report that the Property is free from rot, infestation, or any other structural defects. No test was carried out on any of the building services. It is assumed that there is no material change in the physical condition of the Property as at the Valuation Date.

We have not carried out on-site measurements to verify the land areas and floor areas of the Property, but we have assumed the information shown on the documents handed to us is correct and this valuation has relied on such information. Except as otherwise stated, all dimensions, measurements and areas reported in this valuation report are based on information contained in the documents provided to us and are therefore approximations.

We have not carried out any land investigation or environmental surveys but during our inspection we did not notice and have not been advised of any evidence of environmental concerns such as existing or potential contamination or any form of hazard, and we assumed none of such exists.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation are in Renminbi ("**RMB**"), the lawful currency of the PRC.

LIMITING CONDITIONS AND REMARKS

We confirm that we are independent of and unconnected with any directors, chief executive, substantial shareholders of the Group or their respective associates; we have no interests in any of the Property; and we do not aware of any instances which might give rise to any potential conflict of interest and affect our position as an external valuer to provide unbiased and objective valuation opinions. We also confirm that we possess sufficient skills, knowledge, experience and qualifications in the relevant market and nature of the Property, and competent to undertake this valuation assignment.

We hereby state that this valuation report is for the use only of the party to whom it is addressed and for the purpose specified in this valuation report. No responsibility is accepted to any third party for the whole or any part of its contents. Neither the whole or any part of this report may be included in any published documents or statement nor published in any way without our prior written consent or approval of the form and context in which it may appear. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person or party.

This report has been produced and signed off in the language of English only. If this report has been translated into other languages, the translated report should only be deemed for reference only. In case of any inconsistency, the English version shall prevail. The English translation of any names or words from other languages contained in this valuation report are for identification purpose only and should not be regarded as the official English translation.

Our Valuation Certificate is enclosed herewith.

Yours faithfully,
For and on behalf of
BonVision International Appraisals Limited

Alex Ma
MHKIS MRICS RPS(GP) RICS Registered Valuer
Director of Property Valuation & Advisory

Note: Mr. Ma is a Member of Hong Kong Institute of Surveyors, a Member and Registered Valuer of the Royal Institution of Chartered Surveyors, and a Registered Professional Surveyor (General Practice) under the Surveyors Registration Ordinance (Cap. 417) in Hong Kong SAR. He has over 10 years' property valuation experience in the PRC and Hong Kong SAR.

Property held for investment by the Group in the PRC

VALUATION CERTIFICATE

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 31 March 2024
An industrial real estate development situated at 488 Suzhou North Road, Langya District, Chuzhou City, Anhui Province, the PRC 一個位於中華人民共和國安徽省滁州市琅琊區蘇州北路488號之工業房地產項目	The Property is an industrial development comprising a parcel of leasehold land which is generally trapezoid in shape with four buildings erected thereon, including one building for office use and three buildings for factory use. The four buildings have a total gross floor area ("**GFA**") of about 18,182.68 square meters ("**sq.m.**") and completed in 2017. (refer to Note No.2). The land of the Property has a site area of about 66,502 sq.m., and the land use right has been granted to the Group for a term to be expired on 1 July 2063 for industrial use.	According to information provided by the Group, as at the Valuation Date, portions of the Property with a GFA of about 3,562 sq.m. with five dormitory rooms are leased to three independent third parties for a total monthly rental of circa RMB45,980 (inclusive of VAT and exclusive of outgoings). The latest expiry date is 24 June 2025. The remaining floor areas are vacant.	RMB44,161,000 (RENMINBI FORTY-FOUR MILLION ONE HUNDRED SIXTY-ONE THOUSAND) (100% interest attributable to the Group)

Notes:

1. Pursuant to a State-Owned Land Use Rights Certificate (國有土地使用權證), certificate number *Chu Guo Yong (2013) No. 09983* (滁國用(2013)第09983號), issued by Chuzhou City People's Government dated 16 August 2013, the land use right of the Property is vested in Insoftb (Chuzhou) Infant and Child Products Co., Ltd. (嬰舒寶(滁州)嬰童用品有限公司) ("**Chuzhou Insoftb**"); the site area is 66,502 sq.m.; the permitted usage is industrial; and the land use right expiration date is 1 July 2063.

2. Pursuant to the four Real Estate Title Certificates (不動產權證書), certificate numbers *Wan (2017) Chu Zhou Shi Bu Dong Chan Quan Nos. 0023386, 0023387, 0023388 and 0023389* (皖(2017)滁州市不動產權第0023386, 0023387, 0023388及0023389號), issued by Chuzhou City Land Resources and Real Estate Administration Bureau dated 7 April 2017, the land use right and the building ownership are vested in Chuzhou Insoftb; the site area is 66,501.57 sq.m.; the permitted site usage is industrial; the land use right tenure is from 1 July 2013 to 1 July 2063; the buildings are all constructed in reinforced concrete and completed on 13 June 2017; the usage and GFA details of the buildings are summarised below:

Certificate No.	Identification	Usage	Storey	GFA (sq.m.)
0023386	Office	Office	4	3,462.68
0023387	Factory No. 1	Factory	1	2,880.00
0023388	Factory No. 2	Factory	1	6,400.00
0023389	Factory No. 3	Factory	1	5,440.00
			Total:	18,182.68

3. Chuzhou Insoftb is a wholly owned subsidiary of the Group.

4. The vicinity of the Property is predominated by various industrial and high-rise residential developments. It is about 30 minutes driving distance to the Chuzhou CBD area; about 20 minutes driving distance to the Chuzhou North railway station; and about 90 minutes driving distance to the Nanjing Lukou International Airport.

5. The site inspection was performed by Mr. Alex Ma *MRICS MHKIS RPS (GP)* on 25 April 2024.

6. We have been provided with legal opinions regarding the title of the Property prepared by the Group's PRC legal adviser, Beijing Tianyuan Law Firm, which contains, *inter alia*, the following material opinions:

   i. Chuzhou Insoftb legally and validly in possession of the land use right of the Property, and lawfully entitled to possess, use or other legal means to handle such land use right.

   ii. Chuzhou Insoftb legally and validly in possession of the building ownership of the Property, and lawfully entitled to possess, use, lease, transfer, mortgage, or other legal means to handle such buildings. The buildings are mortgaged and during the mortgage period, any transfer, lease, sale or gift of such buildings is subjected to the terms of the relevant agreements.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of the Cayman Companies Act.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 November 2023 under the Cayman Companies Act. Our Company's constitutional documents consist of its Memorandum of Association and its Articles of Association.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of our Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which our Company is established are unrestricted (including acting as an investment company), and that our Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Cayman Companies Act and in view of the fact that our Company is an exempted company that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Islands.

(b) Our Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on [Date] 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 our Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Act, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy holding not less than one-third of the issued shares of that class and at any adjourned meeting two holders present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(iii) Alteration of capital

Our Company may by ordinary resolution of its members:

(aa) increase its share capital by the creation of new shares;

(bb) consolidate or divide all or any of its capital into shares of larger or smaller amount than its existing shares;

(cc) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as our Company in general meeting or as the directors may determine;

(dd) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum;

(ee) cancel any shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its capital by the amount of the shares so cancelled;

(ff) make provision for the issue and allotment of shares which do not carry any voting rights;

(gg) change the currency of denomination of its share capital; and

(hh) reduce its share premium account in any manner authorised, and subject to any conditions prescribed by law.

Our 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 such other form as the Board may approve provided always that it shall be in such a form prescribed by the Hong Kong Stock Exchange 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 Hong Kong 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 Hong Kong 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 in Hong Kong by recording the particulars required by Section 40 of the Cayman 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 Hong Kong 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 Hong Kong Stock Exchange may determine to be payable) determined by the Directors is paid to our Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do), and the shares concerned are free of any lien in favour of the Company.

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 Hong Kong 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 as the Board may determine. 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 our Company.

(v) Power of our Company to purchase its own shares

Our Company is empowered by the Cayman Companies Act and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirements imposed from time to time by the Hong Kong Stock Exchange and/or any competent regulatory authority.

Where our Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by our Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The Board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of our Company to own shares in our Company

There are no provisions in the Articles relating to ownership of shares in our Company by a subsidiary.

(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) and not by the conditions of allotment thereof made payable at a fixed time. A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the Board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced our Company may pay interest at such rate (if any) as the Board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the Board may serve not less than fourteen (14) days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the forfeited 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 (including those appointed for a specific term) shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re- election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in our Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed to fill a casual vacancy shall hold office only until the first annual general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of our Company's members before the expiration of his term of office (including a managing director or other executive director, but without prejudice to any claim for damages under any contract) and members of our Company may by ordinary resolution appoint another person in his stead. Unless otherwise determined by our Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally; or

(bb) he dies or is declared to be of unsound mind pursuant to an order made by any competent court or official and the Board resolves that his office be vacated; or

(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; or

(dd) he is prohibited by law from acting as a director or he ceases to be a director by operation of law; or

(ee) he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(ff) by notice in writing delivered to our Company at its registered office or at the Head Office (as defined in the Articles) or tendered at a meeting of the Board he resigns his office; or

(gg) he is removed from office by an ordinary resolution of the Company or otherwise pursuant to the Articles; or

(hh) he is removed from office by notice in writing served on him signed by not less than three-fourths in number (or if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

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 in the management of the business of our Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Act, the rules of the Hong Kong Stock Exchange and the Memorandum and Articles and to any special rights conferred on the holders of any shares or attaching to any class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of our Company or the holder thereof, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of our Company on such terms as it may determine.

Subject to the provisions of the Cayman Companies Act and the Articles and, where applicable, the rules of the Hong Kong 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 and other securities in our Company are at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither our Company nor the Board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares or other securities, to make, or make available, any such allotment, offer, option or shares or other securities 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 our Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Cayman Companies Act to be exercised or done by our Company in general meeting.

(iv) Borrowing powers

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of our Company and, subject to the Cayman Companies Act, to issue debentures, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by our Company in a general meeting or by the Board, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any Board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of our Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of our Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive director or a 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 and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds or personal pension plans for the benefit of, or give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of our Company, or of any company which is a subsidiary of our Company, or is allied or associated with our Company or with any such subsidiary company, or who are or were at any time directors or officers of our Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependants of any such persons.

The Board may also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of our Company or of any such other company as aforesaid or of any such persons as aforesaid, and may make payments for or towards the insurance of any such persons as aforesaid, and subscribe or guarantee money for charitable or benevolent objects or for any exhibition or for any public, general or useful object. The Board may do any of the matters aforesaid, either alone or in conjunction with any such other company as aforesaid. Any Director holding any such employment or office shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or employment.

Our Company in general meeting may, upon the recommendation of the Board, resolve to capitalise any sum standing to the credit of any of the Company's reserve accounts which are available for distribution (including its share premium account and capital redemption reserve fund, subject to the Cayman Companies Act) and to appropriate such sums to the holders of shares on the principal register and any branch register of members of the Company to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time at the close of business on the date of the relevant resolution (or such other date as may be specified therein or determined as provided therein) in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividends, distributions in specie or in kind, capital distributions and capitalisation issues and to apply such sum on their behalf in paying up in full unissued shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid.

(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 or past Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(vii) Loans and provision of security for loans to Directors

Our Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance as if our Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with our Company or any of its subsidiaries

A Director may hold any other office or place of profit with our Company (except that of the auditor of our Company) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by our Company or any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with our Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is materially, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with our Company must declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so.

A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of our Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal or contract or arrangement concerning an offer of shares or debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates to the Directors, his close associates and employees of our Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings and proceedings 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 our Company's name

The Articles may be rescinded, altered or amended by our Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of our Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Cayman Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which 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.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, privileges 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, in the case of a member being a corporation, by its duly authorised representative) or by proxy 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 pursuant to the rules of the Hong Kong Stock Exchange, 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, in the case of a member 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 shareholder 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 our Company it may authorise such person or persons as it thinks fit to act as its representative(s) or proxy(ies) at any meeting of our Company or at any meeting of any class of members of our Company (including but not limited to any general meeting or creditors meeting) provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of our Company held by that clearing house (or its nominee(s)) including, the right to speak and vote, and where a show of hands is allowed, the right to vote individually on a show of hands.

Members must have the right to: (a) speak at general meetings of our Company; and (b) vote at a general meeting except whether a member is required, by the rules of the Hong Kong Stock Exchange, to abstain from voting to approve the matter under consideration.

Where our Company has any knowledge that any member is, under the rules of the Hong Kong Stock Exchange, required to abstain from voting on any particular resolution of our Company or restricted to voting only for or only against any particular resolution of our Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

Other than the year of our Company's adoption of the Articles, in each financial year during the Relevant Period (as defined in the Articles), our Company shall hold a general meeting as its annual general meeting within six months after the end of each financial year in addition to any other meeting in that financial year and shall specify the meeting as such in the notice calling it.

Extraordinary general meetings may be convened on the requisition of one or more member(s) holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of our Company having the right of voting at general meetings, on a one vote per share basis in the share capital of our Company and the foregoing members shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

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 simultaneously and instantaneously, 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 written notice of not less than twenty-one (21) days. All other general meetings must be called by written notice of at least fourteen (14) days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of our Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from our Company, and also to, among others, the auditors for the time being of our Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of our Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Hong Kong Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Hong Kong Stock Exchange, notice may also be served or delivered by our Company to any member by electronic means to such contact details or websites as may from time to time be supplied by the shareholder concerned or by publishing it on the websites of our Company and the Hong Kong Stock Exchange.

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 whether by rotation or otherwise in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of, or determining the method of fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares representing not more than 20% (or such other percentage as may from time to time be specified in the rules of the Hong Kong Stock Exchange) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to paragraph (gg) below; and

(gg) the granting of any mandate or authority to the Board to repurchase securities of the Company.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business and continues to be present until the conclusion of the meeting, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third of the issued shares of that class.

(vi) Proxies

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, every member being a corporation shall be entitled to appoint a representative to attend and vote at any general meeting of our Company and, where a corporation is so represented, it shall be treated as being present at any meeting in person. A corporation may execute a form of proxy under the hand of a duly authorised officer and such 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. On a poll or a show of hands, 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 our Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of our Company and of all other matters required by the Cayman Companies Act or necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The accounting records must be kept at the Head 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) or other person shall have any right to inspect any accounting record or book or document of our Company except as conferred by law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (Revised) of the Cayman Islands.

A copy of every balance sheet (including every document required by law to be annexed thereto) and profit and loss account which is to be laid before our Company at its annual general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Hong Kong Stock Exchange, our Company may send to the shareholders summarised financial statements derived from our Company's annual accounts and the directors' report provided that any such person may by notice in writing served on our Company, demand that our Company sends to him, in addition to summarised financial statements, a complete copy of our Company's annual financial statement and the directors' report thereon.

At the annual general meeting in each year, the members shall by ordinary resolution appoint an auditor to audit the accounts of our Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by ordinary resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The appointment, removal and remuneration of the auditors must be approved by a simple majority of our Company's members in a general meeting or by other body that is independent of the Board, except that in any particular year our Company in general meeting (or such body independent of the Board as aforementioned) may delegate the fixing of such remuneration to the Board and the remuneration of any auditors appointed to fill any casual vacancy may be fixed by the Board.

The financial statements of our Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Hong Kong Stock Exchange.

(g) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

The Articles provide dividends may be declared and paid out of the profits of our Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Cayman Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to our Company on account of calls or otherwise.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared on the share capital of our Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the 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.

Our Company may also upon the recommendation of the Board by an ordinary resolution resolve in respect of any one particular dividend of our Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to 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 our Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder to whom it is sent to, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company in respect of the dividend and/or other moneys represented thereby. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

(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 during business hours by any member of our Company 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 Cayman 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 members in relation to fraud or oppression. However, certain remedies are available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix III.

(j) Procedures on liquidation

Unless otherwise provided by the Cayman Companies Act, our Company may at any time and from time to time be wound up voluntarily by a special resolution. If our Company shall be wound up the liquidator shall apply the assets of our Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

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 our Company is wound up and the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess after payment to all creditors 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 our Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If our Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Cayman Companies Act divide among the members in specie or kind the whole or any part of the assets of our Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and members within each class. 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 member 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 Cayman Companies Act, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANIES ACT

Our Company is incorporated in the Cayman Islands subject to the Cayman Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of the Cayman Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Act and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar (for the avoidance of doubt, special resolution used in the summary below shall have the meaning as set out in the Cayman Companies Act):

a. Company operations

As an exempted company, our Company's operations must be conducted mainly outside the Cayman Islands. An exempted 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 Cayman 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 Cayman Companies Act provides that the share premium account may be applied by a 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 Cayman 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 Cayman 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 or a subsidiary's 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 Cayman Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Cayman 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 Cayman Companies Act permits, subject to a solvency test and the provisions, if any, of a 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 a company's assets (including any distribution of assets to members on a winding up) may be made to a company, in respect of a treasury share.

f. Protection of minorities and shareholders' suits

The Court 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 a company to challenge (a) an act which is ultra vires or illegal, (b) an act which constitutes a fraud against the minority shareholder 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 a company's memorandum and articles of association.

g. Disposal of assets

The Cayman 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 (Revised) 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 (Revised) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet that:

(1) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to our Company or its operations; and

(2) the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of our Company; or by way of the withholding in whole or in part of any relevant payment as defined in the Tax Concessions Act (Revised) of the Cayman Islands.

The undertaking for our Company is for a period of thirty years from [1 May 2024].

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

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 Cayman Companies Act prohibiting the making of loans by a company to any of its directors.

m. Inspection of corporate records

Members of a company have no general right under the Cayman 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. A branch register must be kept in the same manner in which a principal register is by the Cayman Companies Act required or permitted to be kept. A 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 Cayman 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 (Revised) of the Cayman Islands.

o. Register of Directors and Officers

A company is required to maintain at its registered office a register of directors and officers which is not available on display. 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, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands.

Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Hong Kong Stock Exchange. Accordingly, for so long as the shares of a company are listed on the Hong Kong 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 by its members, 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 shall be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the Court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

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 and voting either in person or by proxy 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 Cayman 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 Cayman Companies Act; and (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either, pursuant to the Cayman 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 (Revised) 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 our Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as our 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

Ogier, our Company's legal counsel as to Cayman Islands law, have sent to our Company a letter of advice summarising certain aspects of Cayman Companies Act. This letter, together with a copy of the Cayman Companies Act, is available on display as referred to in the section headed "Documents delivered to the Registrar of Companies and available on display — Documents available on display" in Appendix [VI] to this document. Any person wishing to have a detailed summary of Cayman Companies Act or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

(a) Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 22 November 2023. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on [●] and our Company's principal place of business in Hong Kong is at Room 1910, 19/F., C C Wu Building, 302-304 Hennessy Road, Wan Chai, Hong Kong. Mr. Yeung Kwong Wai (楊光偉) of Room 1910, 19/F., C C Wu Building, 302-308 Hennessy Road, Wan Chai, Hong Kong, a Hong Kong resident, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, our operation is subject to the relevant law of the Cayman Islands and its constitution which comprises a memorandum of association and the articles of association. A summary of the relevant aspects of the Companies Act and certain provisions of Articles of Association is set out in Appendix IV to this document.

(b) Changes in share capital of our Company

As at the date of the incorporation of our Company, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. At the time of incorporation, the issued share capital of our Company was HK$0.01 with one Share allotted and issued, which was held by Ogier Global Subscriber (Cayman) Limited, the initial subscriber, an Independent Third Party. On 15 December 2023, the said Share was transferred to Soft BVI for a nominal consideration of HK$0.01.

On 23 April 2024, our Company allotted and issued 499,499 Shares, 160,000 Shares, 150,500 Shares, 50,500 Shares and 39,500 Shares to Softo BVI, Wish BVI, Galaxey BVI, Aspiring BVI and Ambition BVI, respectively, for a consideration at par value and credited as fully-paid.

On 26 April 2024, our Company further allotted and issued 90,000 Shares and 10,000 Shares at par value and credited as fully-paid to Softo BVI and Aspiring BVI as consideration of our Group's acquisition of the entire issued share capital of Soft HK from Mr. Ngan and Mr. Zeng.

On 6 May 2024, each Share with a par value of HK$0.01 each be subdivided into 100 shares with a par value of HK$0.0001 each, and all the subdivided Shares rank *pari passu* in all respects with each other, such that thereafter the authorised share capital of the Company shall become HK$380,000 divided into 3,800,000,000 Shares with a par value of HK$0.0001 each.

Assuming that the [**REDACTED**] becomes unconditional and the issue of the Shares pursuant to the [**REDACTED**] and the Capitalisation Issue mentioned herein are made, but not taking into account of any Shares which may be issued upon the exercise of the [**REDACTED**], the issued share capital of our Company will be HK$[**REDACTED**] divided into [**REDACTED**] Shares fully paid or credited as fully paid.

The exercise of the [**REDACTED**] or the exercise of the general mandate to issue Shares referred to in paragraph headed "A. Information about Our Company — (d) Resolutions of our Shareholders passed on [●] 2024" below in this section, there is no present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this section and in the paragraph headed "B. Corporate Reorganisation" below in this section, there has been no alteration in the share capital of our Company since incorporation.

(c) Changes in share capital of our subsidiaries

Save as disclosed in the section headed "History, Reorganisation and Corporate Structure" of this document, there are no changes in the registered capital of our Company's subsidiaries during the two years preceding the date of this document.

(d) Resolutions of our Shareholders passed on [●] 2024

Pursuant to the written resolutions of the then Shareholder entitled to vote at general meetings of our Company, which were passed on [●] 2024, among others:

(a) the Memorandum of Association is approved and adopted with immediate effect;

(b) the Articles of Association is approved and conditionally adopted in substitution for and to the exclusion of the amended and restated articles of association of our Company with effect from the [**REDACTED**];

(c) conditional upon (i) the Listing Committee of the Stock Exchange granting the [**REDACTED**] of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalisation Issue, the [**REDACTED**], and the [**REDACTED**]) as mentioned in this document; and (ii) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]) and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise:

(i) conditional on the share premium account of our Company being credited as a result of the [**REDACTED**], the sum of HK$[**REDACTED**] be capitalised and applied in paying up in full at par value [**REDACTED**] Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the [**REDACTED**] and such Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respect with the existing issued Shares;

(ii) the [**REDACTED**] and the [**REDACTED**] were approved and our Directors were authorised to allot and issue the [**REDACTED**] and the Shares as may be required to be allotted and issued upon the exercise of the [**REDACTED**] on and subject to the terms and conditions stated in this document;

(iii) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under any option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the [**REDACTED**] but before any exercise of the [**REDACTED**], until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognised regulatory body or any stock exchange applicable to our Company);

(iv) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to buyback on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the [**REDACTED**] but before the exercise of the [**REDACTED**], until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Article of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first;

(v) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(iv) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company bought-back by our Company pursuant to paragraph (c)(v) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the [**REDACTED**] but before the exercise of the [**REDACTED**] be and is approved; and

Each of the general mandates referred to in paragraphs (c)(iv), (c)(v) and (c)(vi) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(e) Buyback of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this document concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to buyback their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarised below:

(i) Shareholders' approval

All proposed buybacks of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of all Shareholders passed on [●] 2024, a general unconditional mandate (the "**Buyback Mandate**") was given to our Directors to exercise all powers of our Company to buyback Shares (Shares which may be [**REDACTED**] on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following completion of the [**REDACTED**] (excluding Shares which may be issued pursuant to the exercise of the [**REDACTED**]), further details of which have been described above in the paragraph headed "A. Information about our Company — (d) Resolutions of our Shareholders passed on [●] 2024" in this appendix.

(ii) Source of funds

Any buyback of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Act. We are not permitted to buyback our 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.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be bought-back by us must be fully-paid up.

(b) Reasons for buybacks

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to buyback Shares in the market. Such buybacks may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such buybacks will benefit our Company and our Shareholders.

(c) Funding of buybacks

In repurchasing Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this document and taking into account its current working capital position, our Directors consider that, if the Buyback Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this document. However, our Directors do not propose to exercise the Buyback Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any buyback of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any buybacks pursuant to the Buyback Mandate.

We have not made any buybacks of our own securities in the past six months.

No core connected person (as defined in the Listing Rules) has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

B. CORPORATE REORGANISATION

In order to streamline the corporate structure and rationalize our corporate structure for the [**REDACTED**], our Group underwent the Corporate Reorganisation. Please refer to the sub-section headed "History, Reorganisation and Corporate Structure — Reorganisation" in this document for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this document and are or may be material:

(1) an equity transfer agreement dated 27 September 2023 entered into between Insoftb China and Zhang Anli (張安莉), pursuant to which Insoftb China transferred its 51% equity interest in Jinjiang Lantu to Zhang Anli for a consideration of approximately RMB1,785,000;

(2) an equity transfer agreement dated 26 October 2023 entered into between Mr. Zeng as the seller and Insoftb China as the purchaser, pursuant to which Mr. Zeng transferred his 51% equity interests in Jinjiang Libaida to Insoftb China for a total consideration of RMB550,800;

(3) an equity transfer agreement dated 26 October 2023 entered into between Yan Danbin (顏丹彬), an Independent Third Party of the Group, as the seller, and Insoftb China as the purchaser, pursuant to which Yan Danbin (顏丹彬) transferred his 49% equity interests in Jinjiang Libaida to Insoftb China for a total consideration of RMB529,200;

(4) a share transfer agreement dated 26 April 2024 entered into among our Company, Soft BVI, Mr. Ngan and Mr. Zeng, pursuant to which, each of Mr. Ngan and Mr. Zeng transferred 900 and 100 shares of Soft HK to Soft BVI in consideration of the issuance and allotment by our Company of 90,000 and 10,000 Shares to, credited as fully-paid, to Softo BVI and Aspiring BVI, respectively, on 26 April 2024;

(5) the Deed of Indemnity; and

(6) [**REDACTED**].

2. Intellectual property rights of our Group

Trademarks

As at 30 April 2024, we have registered 53 trademark in the PRC which, in the opinion of our Directors, is material to our business:

No.	Trademark	Registered owner	Registered number	Class	Registration date	Expiry date
1. . . .		Insoftb China	68747381	24	2023-06-21	2033-06-20
2. . . .		Insoftb China	64975250	5	2022-12-21	2032-12-20
3. . . .		Insoftb China	64613693	25	2023-01-14	2033-01-13
4. . . .		Insoftb China	64613315	24	2022-11-07	2032-11-06
5. . . .		Insoftb China	64599003	21	2022-11-07	2032-11-06
6. . . .		Insoftb China	64599072	35	2022-11-07	2032-11-06
7. . . .		Insoftb China	61368125	5	2022-08-28	2032-08-27
8. . . .		Insoftb China	60509636	21	2022-07-14	2032-07-13
9. . . .		Insoftb China	60494585	24	2022-07-07	2032-07-06
10. . . .		Insoftb China	57556274	10	2022-01-28	2032-01-27
11. . . .		Insoftb China	57557376	3	2022-01-28	2032-01-27

No.	Trademark	Registered owner	Registered number	Class	Registration date	Expiry date
12. . . .	Insoftb 婴舒宝	Insoftb China	57547169	16	2022-01-28	2032-01-27
13. . . .	Insoftb 婴舒宝	Insoftb China	57563176	5	2022-11-21	2032-11-20
14. . . .	Insoftb 婴舒宝	Insoftb China	57541566	35	2022-04-21	2032-04-20
15. . . .	HEYNCKES 亨克斯	Insoftb China	52532015	5	2021-08-14	2031-08-13
16. . . .	HEYNCKES 亨克斯	Insoftb China	52525678	24	2021-08-28	2031-08-27
17. . . .	HEYNCKES 亨克斯	Insoftb China	52521350	3	2021-08-21	2031-08-20
18. . . .	HEYNCKES 亨克斯	Insoftb China	52524516	12	2021-08-21	2031-08-20
19. . . .	HEYNCKES 亨克斯	Insoftb China	52535140	28	2021-08-21	2031-08-20
20. . . .	HEYNCKES 亨克斯	Insoftb China	52532367	16	2021-10-14	2031-10-13
21. . . .	Cosoftb	Insoftb China	49005083	5	2022-01-07	2032-01-06
22. . . .	misecr 五月和語	Insoftb China	48103726	5	2021-04-07	2031-04-06
23. . . .	misecr 五月和語	Insoftb China	20694642	35	2017-09-14	2027-09-13
24. . . .	misecr 五月和語	Insoftb China	20692297	12	2017-09-14	2027-09-13
25. . . .	misecr 五月和語	Insoftb China	20694571	33	2017-09-14	2027-09-13
26. . . .	misecr 五月和語	Insoftb China	20695171	39	2017-09-14	2027-09-13
27. . . .	misecr 五月和語	Insoftb China	20690784	7	2017-09-14	2027-09-13

No.	Trademark	Registered owner	Registered number	Class	Registration date	Expiry date
28. . . .		Insoftb China	20693422	25	2017-09-14	2027-09-13
29. . . .		Insoftb China	20695233	44	2017-09-14	2027-09-13
30. . . .		Insoftb China	20691704	10	2017-09-14	2027-09-13
31. . . .		Insoftb China	20692316	14	2017-09-14	2027-09-13
32. . . .		Insoftb China	20692802	18	2017-09-14	2027-09-13
33. . . .		Insoftb China	20690922	8	2017-09-14	2027-09-13
34. . . .		Insoftb China	20694696	34	2017-09-14	2027-09-13
35. . . .		Insoftb China	20690610	5	2017-11-07	2027-11-06
36. . . .		Insoftb China	20695296	43	2017-09-14	2027-09-13
37. . . .		Insoftb China	20691955	11	2017-09-14	2027-09-13
38. . . .		Insoftb China	20692686	16	2018-06-07	2028-06-06
39. . . .		Insoftb China	20694136	30	2018-05-14	2028-05-13
40. . . .		Insoftb China	20690231	1	2017-09-14	2027-09-13

No.	Trademark	Registered owner	Registered number	Class	Registration date	Expiry date
41. . . .		Insoftb China	20693833	29	2017-09-14	2027-09-13
42. . . .		Insoftb China	20694325	31	2017-09-14	2027-09-13
43. . . .		Insoftb China	20693228	24	2017-11-07	2027-11-06
44. . . .		Insoftb China	20695173	42	2017-09-14	2027-09-13
45. . . .		Insoftb China	20690411	3	2017-09-14	2027-09-13
46. . . .		Insoftb China	20695145	38	2017-09-14	2027-09-13
47. . . .		Insoftb China	20693172	20	2017-09-14	2027-09-13
48. . . .		Insoftb China	20694557	32	2017-09-14	2027-09-13
49. . . .		Insoftb China	20693730	28	2017-09-14	2027-09-13
50. . . .		Insoftb China	20693647	26	2017-09-14	2027-09-13
51. . . .		Insoftb China	20692650	15	2017-09-14	2027-09-13
52. . . .		Insoftb China	20691295	9	2017-09-14	2027-09-13
53. . . .		Insoftb China	20693099	21	2017-09-14	2027-09-13

As at the 30 April 2024, we have registered one trademark in Hong Kong which, in the opinion of our Directors, is material to our business:

No.	Trademark	Registered owner	Registered number	Class	Registration date	Expiry date
1. . . .	Insoftb 婴舒宝	Insoftb China	303560544	5	2016-10-09	2025-10-08

As at 30 April 2024, three applications in the PRC had been made for the registrations of the following trademarks:

No.	Trademark	Registered owner	Application number	Class	Application date
1.	MISECr五月私语	Insoftb China	75059840	5	2023-11-08
2.	MISECr 五月私语	Insoftb China	75056175	5	2023-11-08
3.	启迪熊	Insoftb China	76156637	3	2024-01-03

Domain Names

As at 30 April 2024, we have registered the following domain name:

Registrant	Domain name	Date of registration	Expiration date
Insoftb China.	Insoftb.com	2010-08-26	2026-08-26

Patents

As at 30 April 2024, we have registered the following registered patents in the PRC:

No.	Patent Category	Patent number	Application Date	Name of the Patent	Owner of the Patent	Expiry Date
1.	Utility model	202321501196.3	2023-06-13	Baby diapers with composition of airlaid paper, polypropylene non-woven and SAP (一種複合吸收嬰兒紙尿褲)	Insoftb China	2033-06-12

No.	Patent Category	Patent number	Application Date	Name of the Patent	Owner of the Patent	Expiry Date
2.	Utility model	202321501195.9	2023-06-13	A device for monitoring air permeability of diapers (一種紙尿褲透氣性檢測裝置)	Insoftb China	2033-06-12
3.	Utility model	202320819423.0	2023-04-13	A device for testing masks with high air permeability and comfort (一種高透氣舒適口罩檢測裝置)	Insoftb China	2033-04-12
4.	Utility model	202321222743.4	2023-05-19	Ultra-thin diapers with breathability (一種超薄透氣紙尿褲)	Insoftb China	2033-05-18
5.	Utility model	202321098050.9	2023-05-09	Fast absorbent cores for diapers (一種紙尿褲用快速吸水芯體)	Insoftb China	2033-05-08
6.	Utility model	202320929571.8	2023-04-23	A new mask for children (一種新型兒童口罩)	Insoftb China	2033-04-22
7.	Utility model	202320671854.7	2023-03-30	A device for testing the side leakage of diapers composed of porous materials for water uptake (一種透孔易吸紙尿褲側漏檢測裝置)	Insoftb China	2033-03-29
8.	Utility model	202321098008.7	2023-05-09	Structure of acquisition layer of diaper (一種紙尿褲內的鎖水層結構)	Insoftb China	2033-05-08
9.	Utility model	202320929564.8	2023-04-23	A device for spaying glue to assemble the components in the process of diaper manufacture (一種慢吸速導紙尿褲加工用噴膠裝置)	Insoftb China	2033-04-22
10.	Utility model	202320671774.1	2023-03-30	Adult diapers with double layers for unisex (一種雙層雙用成人紙尿褲)	Insoftb China	2033-03-29
11.	Utility model	202320622828.5	2023-03-27	A device for cutting and gluing components in the process of diaper manufacture (一種紙尿褲生產用的封切裝置)	Insoftb China	2033-03-26

No.	Patent Category	Patent number	Application Date	Name of the Patent	Owner of the Patent	Expiry Date
12.	Utility model	202220191673.X	2022-01-24	Baby diapers combined with shatter-proof pads (一種組合式嬰兒紙尿褲)	Insoftb China	2032-01-23
13.	Utility model	202220186131.3	2022-01-24	New and seamless baby diapers (一種新型無痕嬰兒紙尿褲)	Insoftb China	2032-01-23
14.	Utility model	202220012208.5	2022-01-05	Adult diapers for keeping dry and antibacterial (一種乾爽抑菌的成人紙尿褲)	Insoftb China	2032-01-04
15.	Utility model	202220012213.6	2022-01-05	A composite structure of diapers suitable for a wide range of weight (一種具有多組彈性腰圍的複合結構)	Insoftb China	2032-01-04
16.	Utility model	202123273172.0	2021-12-23	Diapers capable of blocking urine overflow (一種具有阻隔尿液外溢的紙尿褲)	Insoftb China	2031-12-22
17.	Utility model	202021688925.7	2020-08-13	A kind of reusable diaper (一種可重複利用的紙尿褲)	Insoftb China	2030-08-12
18.	Utility model	202021641076.X	2020-08-08	Diapers with side leakage prevention (一種具有防側漏功能的紙尿褲)	Insoftb China	2030-08-07
19.	Utility model	202021638339.1	2020-08-08	A kind of expandable diaper (一種具有擴容機構的紙尿褲)	Insoftb China	2030-08-07
20.	Utility model	202021549732.3	2020-07-30	A kind of diaper with convenient ventilation and heat dissipation (一種便於透氣散熱的紙尿褲)	Insoftb China	2030-07-29
21.	Utility model	202021757037.6	2020-08-20	Children's diapers with rear leakage prevention (一種具有防後漏功能的兒童紙尿褲)	Insoftb China	2030-08-18
22.	Utility model	202021773474.7	2020-08-22	An adult diaper with a double-waist structure (一種具有雙重腰圍結構的成人紙尿褲)	Insoftb China	2030-08-21

No.	Patent Category	Patent number	Application Date	Name of the Patent	Owner of the Patent	Expiry Date
23.	Utility model	202021523406.5	2020-07-28	A diaper with a reminder of change function (一種具有提醒更換功能的紙尿褲)	Insoftb China	2030-07-27
24.	Utility model	202021495718.X	2020-07-25	A diaper with mosquito repellent function (一種具有驅蚊功能的紙尿褲)	Insoftb China	2030-07-24
25.	Utility model	202021487289.1	2020-07-24	A kind of children's diaper with prepositioning function (一種具有預定位功能的兒童紙尿褲)	Insoftb China	2030-07-23
26.	Utility model	202021484902.4	2020-07-24	An environmentally friendly diaper (一種環保型紙尿褲)	Insoftb China	2030-07-23
27.	Utility model	202020527416.X	2020-04-10	A kind of film material folding compound machine (一種膜料折邊複合機)	Insoftb China	2030-04-09
28.	Utility model	202020261506.9	2020-03-05	A device for joining the beltline of pull-ups (一種用於拉拉褲腰圍接合的設備)	Insoftb China	2030-03-04
29.	Utility model	201920961616.3	2019-06-25	A new type of diaper (一種新型紙尿褲)	Insoftb China	2029-06-24
30.	Utility model	201920986725.0	2019-06-27	Diversion type pants (導流型大大褲)	Insoftb China	2029-06-26
31.	Utility model	201920975924.1	2019-06-26	An antibacterial ultra-thin diaper (一種抗菌型超薄紙尿褲)	Insoftb China	2029-06-25
32.	Utility model	201920961582.8	2019-06-25	A convenient and highly breathable diaper (一種方便穿着的高透氣型紙尿褲)	Insoftb China	2029-06-24
33.	Utility model	201920981845.1	2019-06-26	A breathable and environmentally friendly diaper (一種透氣環保的紙尿褲)	Insoftb China	2029-06-25
34.	Utility model	201920984949.8	2019-06-27	A kind of diaper with composite core structure (一種複合芯體結構的紙尿褲)	Insoftb China	2029-06-26

As at 30 April 2024, four applications had been made for the registrations of the following patents in the PRC:

No.	Name of the Patent	Application of the Patent	Application number	Patent Category	Application Date
1.	A fully automatic diaper packaging production device (一種全自動紙尿褲包裝生產裝置)	Insoftb China	CN202310742585.3	Invention patent	2023-06-21
2.	A kind of film material folding compound machine (一種膜料折邊複合機)	Insoftb China	CN202010280090.X	Invention patent	2020-04-10
3.	Equipment for plastic packaging of pull-ups (一種用於拉拉褲整形包裝的設備)	Insoftb China	CN202010280117.5	Invention patent	2020-04-10
4.	A device for joining the beltline of pant diapers (一種用於拉拉褲腰圍接合的設備)	Insoftb China	CN202010147551.6	Invention patent	2020-03-05

Copyrights

As at 30 April 2024, we have registered the following registered copyrights in the PRC:

No.	Name of the Copyright	Owner of the Copyright	Registration number	Registration Date
1.	Packaging bag (medical pad) 包裝袋(醫用墊單)	our Company	Min Zuo Deng Zi-2023-F-01050627	2023-02-02
2.	Packaging bag (adult diapers) 包裝袋(成人紙尿褲)	our Company	Min Zuo Deng Zi-2023-F-01050624	2023-02-02
3.	INSOFTB (嬰舒寶)	our Company	Min Zuo Deng Zi-2021-F-00106037	2021-07-14
4.	Growth Champion cartoon mascot (成長冠軍卡通吉祥物)	our Company	Min Zuo Deng Zi-2016-F-00028359	2016-08-29
5.	Insoftb cartoon mascot (嬰舒寶卡通吉祥物)	our Company	Min Zuo Deng Zi-2014-F-00013423	2014-09-01
6.	Insoftb brand (嬰舒寶品牌)	our Company	Guo Zuo Deng Zi-2012-F-00061622	2012-05-30

3. Further information about our PRC establishments

Insoftb China

Nature of the company	:	Limited liability company (wholly-owned by a corporation in Hong Kong, Macao or Taiwan (港台澳法人獨資))
Incorporation date	:	30 November 2010
Term of business operation . . .	:	30 November 2010 to 29 November 2060
Registered capital:.	:	US$10 million
Paid-up capital	:	US$2,059,303.14
Attributable interest of our Company	:	100%
Scope of business:.	:	Production of hygiene products and disposable medical products, among others

Insoftb New Material

Nature of the company	:	Limited liability company (wholly-owned by foreign-invested enterprise (外商投資企業法人獨資))
Incorporation date	:	7 August 2020
Term of business operation . . .	:	Long term
Registered capital:.	:	RMB100 million
Paid-up capital	:	RMB100 million
Attributable interest of our Company	:	100%
Scope of business:.	:	Production of industrial textile products, sales of personal hygiene products, among others

Blue Giant Hygiene Products

Nature of the company	:	Limited liability company (Invested or controlled solely by natural person (自然人投資或控股的法人獨資))
Incorporation date	:	22 December 2016
Term of business operation . . .	:	22 December 2016 to 21 December 2066
Registered capital:.	:	RMB10 million
Paid-up capital	:	RMB10 million
Attributable interest of our Company	:	100%
Scope of business:.	:	Production of hygiene products and disposable medical products, among others

Chuzhou Insoftb

Nature of the company	:	Limited liability company (Invested or controlled solely by non-natural person (非自然人投資或控股的法人獨資))
Incorporation date	:	6 March 2013
Term of business operation . . .	:	Long term
Registered capital:.	:	5 million
Paid-up capital	:	5 million
Attributable interest of our Company	:	100%
Scope of business:.	:	Production and sales of diapers, wet wipes, sanitary napkins, sanitary pads, household paper, among others

Heynckes Trading

Nature of the company	:	Limited liability company (wholly-owned by foreign-invested enterprise (外商投資企業法人獨資))
Incorporation date	:	23 May 2018
Term of business operation . . .	:	23 May 2018 to 22 May 2028
Registered capital:.	:	RMB10 million
Paid-up capital	:	Nil
Attributable interest of our Company	:	100%
Scope of business:.	:	Sale of pet supplies and personal hygiene products, among others

Jinjiang Libaida

Nature of the company	:	Limited liability company (Invested or controlled solely by non-natural person (非自然人投資或控股的法人獨資))
Incorporation date	:	17 November 2011
Term of business operation . . .	:	17 November 2011 to 16 November 2041
Registered capital:.	:	RMB1 million
Paid-up capital	:	RMB1 million
Attributable interest of our Company	:	100%
Scope of business:.	:	Production and sale of hygiene products and disposable medical products, among others

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with our Company for an initial fixed term of three years commencing from the date thereof, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Our non-executive Director has entered into a letter of appointment with us for an initial fixed term of three years commencing from the [**REDACTED**] and will continue thereafter until terminated by not less than one months' notice in writing served by either party on the other.

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for an initial fixed term of one year commencing from the [**REDACTED**] and will continue thereafter until terminated by not less than one month's notice in writing by served by either party on the other.

The current basic annual remuneration of our Directors are as follow:

Mr. Ngan	RMB1,200,000
Mr. Zeng	RMB360,000
Mr. Zhou	RMB360,000
Mr. Gao	RMB360,000
Mr. Cai	nil
Ms. Leong Kai Weng Subrina	HK$120,000
Mr. Wong Tai Wai David	HK$120,000
Mr. Ng Brian Hong Jing	HK$120,000

Note: Our executive Directors who are receiving remuneration in the PRC through our subsidiaries in the PRC, such salaries have been converted into Hong Kong dollars and rounded to the nearest thousands.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration

The aggregate of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries in each year during the Track Record Period was RMB0.51 million, RMB0.67 million and RMB0.77 million, respectively.

Save as disclosed in this document, no other emoluments have been paid or are payable in each year during the Track Record Period by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 December 2024 would be approximately RMB[1.14] million, respectively.

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three financial years immediately preceding the issue of this document.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors in our share capital as at the Latest Practicable Date and following the Capitalisation Issue and the **[REDACTED]**

As at the Latest Practicable Date and immediately following completion of the Capitalisation Issue and the [**REDACTED**] and taking no account of any Shares which may be allotted and issued pursuant to the [**REDACTED**], the interests or short positions of our Directors and the chief executive of our Company in the shares, debentures, equity derivatives and underlying shares of our Company and our associated corporations, within the meaning of Part XV of the SFO which will have 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 recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures:

Long position in our Company

		As at the Latest Practicable Date		Immediately after the [REDACTED] and the Capitalisation Issue(1)	
Name of Director	**Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**	**Number of Shares**	**Approximate percentage of shareholding in our Company(1)**
Mr. Ngan(2)	Interest in controlled corporations	[90,000,000]	[90]%	[**REDACTED**]	[**REDACTED**]%
Mr. Zeng(3)	Interest in controlled corporations	[10,000,000]	[10]%	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) Assuming the [**REDACTED**] is not exercised.

(2) Mr. Ngan is the sole shareholder of Softo BVI, Wish BVI and Galaxey BVI and he is therefore deemed to be interested in the Shares held by these entities upon the [**REDACTED**].

(3) Mr. Zeng is the sole shareholder of Aspiring BVI and Ambition BVI and he is therefore deemed to be interested in the Shares held by these entities upon the [**REDACTED**].

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date and immediately following completion of the Capitalisation Issue and the [**REDACTED**] and taking no account of any Shares which may be issued or bought-back by the Company pursuant to the general mandate, so far as our Directors are aware, in addition to the interests disclosed under paragraphs headed "(a). Interests and short positions of our Directors in our share capital as at the Latest Practicable Date and following the Capitalisation Issue and the [**REDACTED**]" above, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of our Group:

Interests positions in our Company

		As at the Latest Practicable Date		Immediately after the [REDACTED] and the Capitalisation Issue(1)	
Name of Shareholder	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding(1)**	**Number of Shares**	**Approximate percentage of shareholding(1)**
Softo BVI(2)(3)	Beneficial owner and interest in controlled corporations	[90,000,000]	[90.00]%	[**REDACTED**]	[**REDACTED**]%
Wish BVI	Beneficial owner	[16,000,000]	[16.00]%	[**REDACTED**]	[**REDACTED**]%
Galaxey BVI	Beneficial owner	[15,050,000]	[15.05]%	[**REDACTED**]	[**REDACTED**]%
Aspiring BVI(4)	Beneficial owner and interest in a controlled corporation	[10,000,000]	[10.00]%	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) Assuming the [**REDACTED**] is not exercised.

(2) Mr. Ngan is the sole shareholder of Softo BVI, Wish BVI and Galaxey BVI and he is therefore deemed to be interested in the Shares held by these entities upon the [**REDACTED**].

(3) Softo BVI is the sole shareholder of Wish BVI and Galaxy BVI and it is therefore deemed to be interested in the Shares held by these entities upon the [**REDACTED**].

(4) Aspiring BVI is the sole shareholder of Ambition BVI and it is therefore deemed to be interested in the Shares held by the entity upon the [**REDACTED**].

2. Disclaimers

Save as disclosed in this document:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalisation Issue and the [**REDACTED**] (without taking into account any Shares which may be allotted and issued upon the exercise of the [**REDACTED**]), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be interested in 10% or more of the issued voting shares of any other members of our Group;

(b) none of our Directors has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are [**REDACTED**];

(c) none of our Directors nor any of the parties listed in the section headed "F. Other Information — 10. Consents of experts" in this appendix is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed "F. Other Information — 10. Consents of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(e) save in connection with the [**REDACTED**], none of the parties listed in the section headed "F. Other Information — 10. Consents of experts" in this appendix:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

F. OTHER INFORMATION

1. Deed of Indemnity

Mr. Ngan, Softo BVI, Wish BVI, and Galaxey BVI (the "**Indemnifiers**") [have entered] into the Deed of Indemnity with and in favour of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

(a) certain estate duty, death duty, inheritance tax, succession duty or any similar tax or duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong) (the "**Estate Duty Ordinance**");

(b) any fines, late payment fees, damages, loses, attorney fees, litigation fees and public relationship costs which might be payable by the Group in relation to occupation of land and property without obtaining the certificate of title to real estate by the Group, and any relocation expenses, decoration expenses, losses arisen from relocation and suspension of operation when the Group or any other members of our Group is prohibited from occupation and usage of such land and property;

(c) all claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any member of our Group directly or indirectly as a result of or in connection with the non-compliance or alleged non-compliance by any member of our Group with any applicable laws, rules and regulations in PRC or any jurisdictions in the course of its business occurred on or before the [**REDACTED**] and/or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any member of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted or threatened against any member of our Group and/or any act, non-performance, omission or otherwise of any member of our Group accrued or arising on or before the [**REDACTED**]; and

(d) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the [**REDACTED**] or any event on transaction on or before [**REDACTED**] whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

(c) to the extent that provision or allowance has been made for such taxation in the combined financial statements of our Group as set out in Appendix I to this document for the three years ended 31 December 2021, 2022 and 2023 (the "**Accounts**") or in the audited accounts of the relevant members of the Group for the Track Record Period; or

(d) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 30 September 2022 up to and including the [**REDACTED**] or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or

(e) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the [**REDACTED**] or to the extent such claim arises or is increased by an increase in the rates of taxation after the [**REDACTED**] with retrospective effect; or

(f) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Indemnifiers (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our indemnifiers have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the section headed "Business — Non-compliance" in this document.

2. Litigation

As at the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged 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 us, that would have a material adverse effect on our results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses incurred or proposed to be incurred are approximately US$4,233.76 and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of our Company to the Stock Exchange for the [**REDACTED**] of, and permission to deal in, the Shares in issue and to be issued as mentioned in this document, including the [**REDACTED**] and any Shares which may fall to be allotted and issued pursuant to the exercise of [**REDACTED**]. The Sole Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will be paid by our Company a total fee of approximately HK$4.50 million to act as sponsor to our Company in connection with the [**REDACTED**].

6. No material adverse change

Our Directors confirm that, except as disclosed in the "Accountants' Report" in Appendix I to this document, there has been no material adverse change in our Company's financial or trading position or prospects since 31 December 2023 (being the date to which our latest audited combined financial statements were made up).

7. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

8. Miscellaneous

Save as disclosed in this document, within the two years immediately preceding the date of this document,

(a) 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;

(b) 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;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) no commission has been paid or payable (except commissions to the [**REDACTED**]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any Shares in or debentures of our Company;

(f) none of the equity and debt securities of our Company is [**REDACTED**] or dealt with in any other stock exchange nor is any [**REDACTED**] or permission to deal being or proposed to be sought; and

(g) our Company has no outstanding convertible debt securities.

There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this document.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualification
Sunny Fortune Capital Limited	A corporation licensed under SFO and permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Mazars CPA Limited	Certified Public Accountants
Ogier	Legal advisers as to Cayman Islands law
Tian Yuan Law Firm	PRC legal advisers
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
BonVision International Appraisals Limited	Independent valuer
Hogan Lovells	Legal advisers as to International Sanctions laws

10. Consents of experts

Each of the experts named in paragraph 9 of this Appendix has given and has not withdrawn their respective consent to the issue of this document with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual document

The English language and the Chinese language versions of this document are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(i) the written consents referred to in the paragraph headed "Statutory and General Information — F. Other Information — 10. Consents of experts" in Appendix V to this document; and

(ii) copies of the material contracts referred to in the section headed "Statutory and General Information — C. Further Information about Our Business — 1. Summary of the Material Contracts" in Appendix V to this document.

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.Insoftb.com** during a period of 14 days from the date of this document:

(1) the Memorandum and the Articles of Association;

(2) the Accountants' Report of our Group prepared by Mazars CPA Limited, the text of which is set out in Appendix I to this document;

(3) the audited consolidated financial statements as have been prepared for the companies now comprising our each of the Track Record Period (or for the period since their respective dates of incorporation, if shorter);

(4) the letter issued by Mazars CAP Limited on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to the document;

(5) the legal opinions as to the laws of the PRC issued by Tian Yuan Law Firm, our PRC Legal Advisers, in respect of certain general corporate matters and property interests of our Group;

(6) the legal memorandum issued by Hogan Lovells, our legal advisers as to International Sanctions laws in respect of International Sanctions risk analysis;

(7) the letter of advice prepared by Ogier, our legal advisers as to the laws of the Cayman Islands, summarising certain aspects of the Companies Act referred to in Appendix IV to this document;

(8) the Companies Act;

(9) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., form which information in "Industry Overview" of this document is extracted;

(10) the valuation report prepared by BonVision International Appraisals Limited in relation to an industrial real estate development situated at 488 Suzhou North Road, Langya District, Chuzhou City, Anhui Province, the People's Republic of China;

(11) the service contracts and letters of appointment with our Directors referred to in the section headed "Statutory and General Information — D. Further Information about our Directors — 1. Directors' service contracts and letters of appointment" in Appendix V to this document;

(12) the material contracts referred to in the section headed "Statutory and General Information — C. Further Information about Our Business — 1. Summary of the Material Contracts" in Appendix V to this document; and

(13) the written consents referred to in the section headed "Statutory and General Information — F. Other Information — 10. Consents of experts" in Appendix V to this document.