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Application Proof of

Sainte Nutritional Inc.
聖桐特醫(青島)營養健康科技股份公司

(the "**Company**")

(a joint stock company incorporated in the People's Republic of China with limited liability)

WARNING

The publication of this Application Proof is required by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Securities and Futures Commission (the "**Commission**") solely for the purpose of providing information to the public in Hong Kong.

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IMPORTANT

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

Sainte Nutritional Inc.*
聖桐特醫（青島）營養健康科技股份公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	:	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	:	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	:	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	:	**RMB1.00 per H Share**
[REDACTED]	:	**[REDACTED]**

Sole Sponsor, [REDACTED]

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A copy of this document, having attached thereto the documents specified in "Appendix VIII — Documents Delivered to the Registrar of Companies and Documents on Display — A. Documents Delivered to the Registrar of Companies" to this document, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The final **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company on the **[REDACTED]**, which is expected to be on or before **[REDACTED]** (Hong Kong time) and, in any event, not later than 12:00 noon on **[REDACTED]** (Hong Kong time). The **[REDACTED]** will be not more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the final **[REDACTED]** is not agreed by 12:00 noon on **[REDACTED]** between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and our Company, the **[REDACTED]** will not proceed and will lapse.

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

Applicants for **[REDACTED]** may be required to pay, on application (subject to application channel), the maximum **[REDACTED]** of HK$**[REDACTED]** for each **[REDACTED]** together with brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the **[REDACTED]** as finally determined is less than HK$**[REDACTED]** per **[REDACTED]**.

The **[REDACTED]** (for itself and on behalf of the **[REDACTED]**), where considered appropriate and with our consent, may reduce the indicative **[REDACTED]** stated in this document and/or reduce the number of **[REDACTED]** being **[REDACTED]** pursuant to the **[REDACTED]** at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, notices of such reduction will be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.sainte.com.cn**. Further details are set out in the sections headed "Structure of the **[REDACTED]**" and "How to Apply for **[REDACTED]**" in this document.

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

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

ATTENTION

We have adopted a fully electronic application process for the [REDACTED]. We will not provide printed copies of this document to the public in relation to the [REDACTED].

This document is available at the website of the Stock Exchange (www.hkexnews.hk) and our Company (www.sainte.com.cn). If you require a printed copy of this document, you may download and print from the website addresses above.

IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

[**REDACTED**]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not made in this document must not be relied on by you as having been authorized by us, the Sole Sponsor, the [**REDACTED**], [**REDACTED**], [**REDACTED**], [**REDACTED**], *any of the* [**REDACTED**], *any of our or their respective directors, officers or representatives, or any other person or party involved in the* [**REDACTED**].

CONTENTS

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [**REDACTED**].

There are risks associated with any investment. Some of the particular risks in investing in the [**REDACTED**] ***are set out in the section entitled "Risk Factors" in this document. You should read that section carefully before you decide to invest in the*** [**REDACTED**].

OVERVIEW

Who We Are

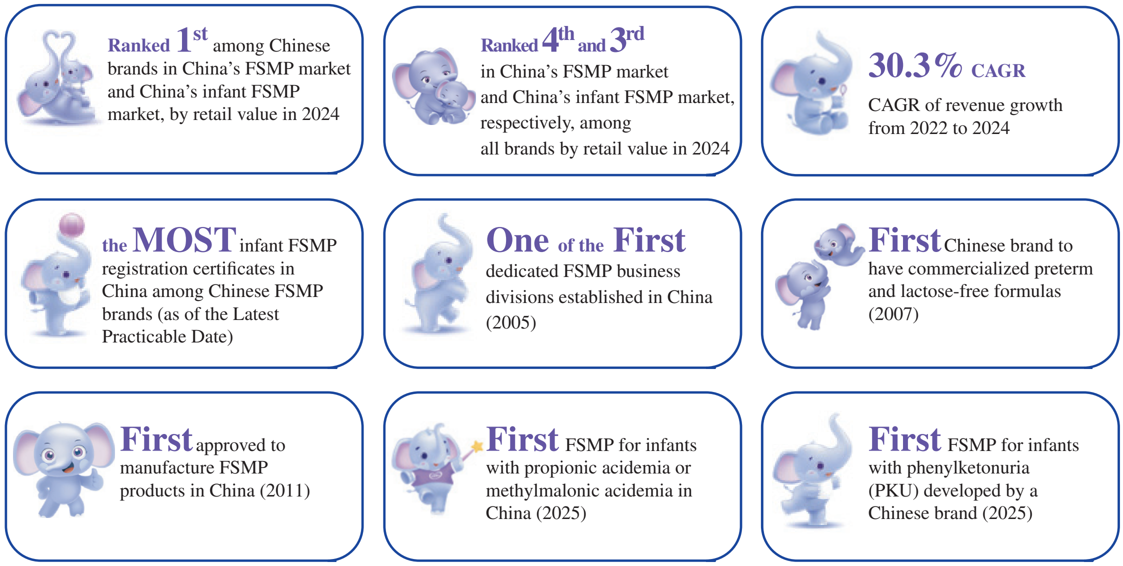
We are one of the leading providers of food for special medical purposes, or FSMP, in China, focusing on the development, production and sales of FSMP products. According to CIC, in terms of retail value in 2024, we ranked (i) first among homegrown FSMP brands, and fourth among all FSMP brands, in China's FSMP market, with a market share of 6.3%, and (ii) first among homegrown FSMP brands, and third among all FSMP brands, in China's infant FSMP market, with a market share of 9.5%.

We have consistently stood at the forefront of China's FSMP industry. Our odyssey began in 2005 as one of China's first dedicated FSMP business division when there was no homegrown brand in China's FSMP market. In 2007, we commercialized preterm and lactose-free formulas, which were the first FSMP products commercialized by Chinese FSMP brands. In 2011, we were the first that was approved to manufacture FSMP products in China. In January 2025, we obtained registration certificates for our metabolic disorder products – *Teai Bingjia (特愛丙佳),* China's first and only FSMP for infants with propionic acidemia or methylmalonic acidemia, and *Teai Benjia (特愛本佳),* the first FSMP for infants with phenylketonuria (PKU) developed by a Chinese brand.

Guided by our ethos of "Precise Nutrition, Professional Care (精確營養、專業呵護)," we care about the needs of special groups, from infants grappling with allergies, lactose intolerance and preterm vulnerabilities to the silver tsunami of an aging populace. As of the Latest Practicable Date, we had 14 main FSMP products, each with its distinctive medical purpose and addressable demographic, and 16 main new product candidates in the pipeline. As of the same date, we held the most infant FSMP registration certificates in China among Chinese FSMP brands.

During the Track Record Period, we recorded sustained growth in our revenue, which increased by 33.2% from RMB491.2 million in 2022 to RMB654.2 million in 2023, and further increased by 27.5% to RMB834.1 million in 2024.

Our Achievements



Our Market Opportunities

China has a large and growing underserved population that have rigid demand for FSMP products. As the market is still in its nascent stage, the current penetration rate (calculated as the population served divided by the population in need) of China's FSMP products is fledgling compared to that of mature markets, such as Europe and the United States. According to CIC, the penetration rate of FSMP products in China was only approximately 3% in 2024, which is far lower than the rate of over 40% in mature markets such as the United States. Therefore, China's FSMP industry remains a cerulean frontier, primed for future ascent as diagnostic rates improve and regulatory frameworks mature.

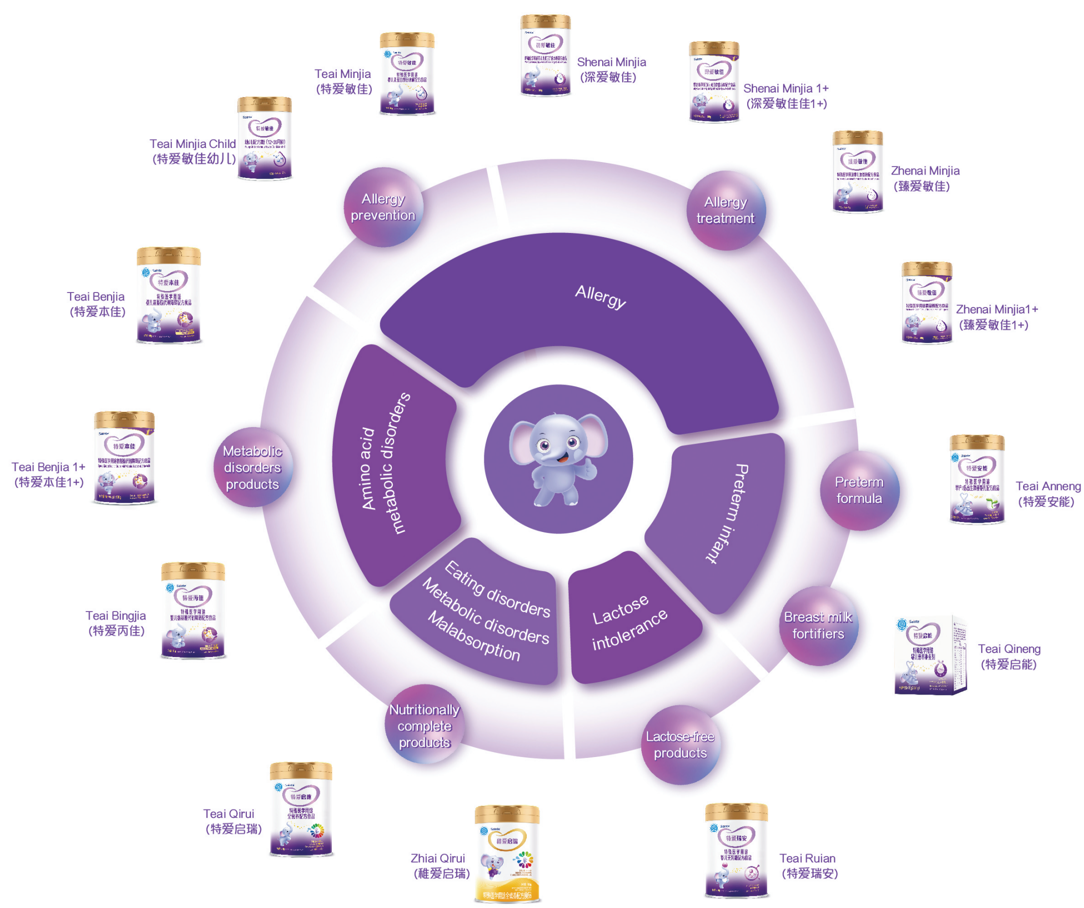
Market projections paint a hopeful growth trajectory. According to CIC, it is expected that the size of China's FSMP market will reach RMB53.1 billion by 2029, with a CAGR of 18.0% from 2024 to 2029. Infant FSMP products represent the largest share of China's FSMP market, which is expected to reach RMB27.4 billion by 2029, with a CAGR of 15.1% from 2024 to 2029. Non-infant FSMP products are emerging as a new growth engine, which is expected to reach RMB25.8 billion by 2029, with a CAGR of 21.5% from 2024 to 2029.

As penetration deepens and regulatory frameworks mature, we believe our agile regulatory certification capabilities and battle-tested channel mastery position us well to capture market opportunities.

Our Products

We currently have five product lines of FSMP products on offer, namely (i) allergy prevention and treatment products, (ii) products for preterm infants, (iii) lactose-free products, (iv) nutritionally complete products and (v) metabolic disorder products.

The chart below shows our main products and the clinical indications they address as of the Latest Practicable Date:



Our R&D engine continuously incubates new FSMP products to address consumers' nutritional needs across all life stages. The chart below shows our main new product candidates and their status as of the Latest Practicable Date:

Category	Product	Pre-clinical	Clinical trial	Registration	Actual/ Expected commencement of clinical trial	Expected application for registration	Expected completion of registration
1. Products subject to mandatory clinical trial before registration							
Non-infant FSMP	Nutritionally complete formula for tumor				2H2024	1H2026	1H2027
Non-infant FSMP	Nutritionally complete formula for kidney disease (after dialysis)				1H2027	2H2028	After 2028
Non-infant FSMP	Nutritionally complete formula for kidney disease (before dialysis)				1H2027	2H2028	After 2028
Non-infant FSMP	Nutritionally complete formula for liver disease				1H2028	After 2028	After 2028
Non-infant FSMP	Nutritionally complete formula for diabetes				1H2028	After 2028	After 2028
2. Products that may go through voluntary clinical trial before registration							
Infant FSMP	Infant amino acid formula				2H2025	2H2025	2H2026
Infant FSMP	Infant lactose-free extensively hydrolyzed formula				2H2025	2H2025	2H2026
Infant FSMP	Infant low-lactose extensively hydrolyzed formula				2H2025	2H2025	1H2027
3. Products that are not subject to any clinical trial before registration							
Infant FSMP	Preterm infants (post-hospitalized) formula				N/A	1H2027	1H2028
Infant FSMP	Ketogenic formula				N/A	2H2027	2H2028
Non-infant FSMP	Phenylketonuria formula 1+				N/A	2H2025	2H2026
Non-infant FSMP	Propionic acidemia formula 1+				N/A	2H2025	2H2026
Non-infant FSMP	Nutritionally complete hydrolyzed protein formula for children aged one to 10				N/A	2H2025	1H2027
Non-infant FSMP	Nutritionally complete hydrolyzed protein formula for individuals aged 10 or above				N/A	2H2026	2H2027
Non-infant FSMP	Ketogenic formula				N/A	2H2028	After 2028
Non-infant FSMP	High energy density formula				N/A	2H2028	After 2028

Note:

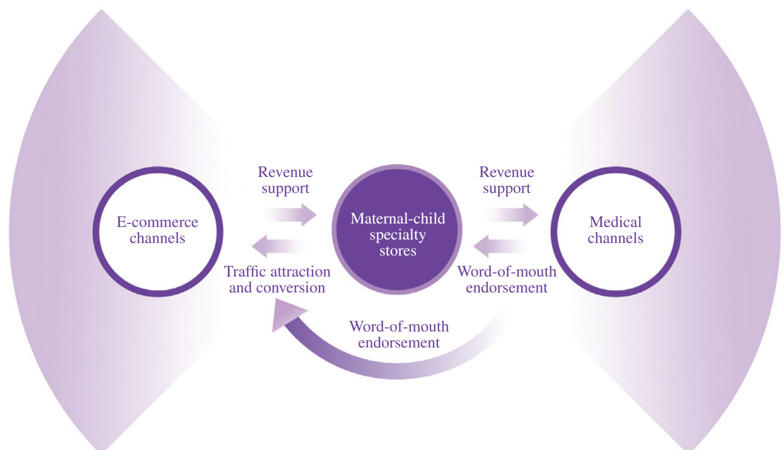
1. Pursuant to the Administrative Measures for the Registration of Foods for Special Medical Purposes (《特殊醫學用途配方食品註冊管理辦法》) promulgated by the SAMR on March 7, 2016, last revised on November 28, 2023 and effective as of January 1, 2024, generally, a clinical trials report shall be submitted when applying for the registration of FSMP with disease-specific nutritionally complete formula. Other types of FSMP are not subject to any mandatory clinical trials before registration under the relevant laws and regulations in the PRC. See "Regulatory Overview — Laws and Regulations on Production and Trade — Registration of Formula Food for Special Medical Purposes" for details.

Our Sales Channels

We have orchestrated a widely-reaching and deeply-penetrating sales network. In line with market practice, during the Track Record Period, we cooperated with distributors, who resold our products to consumers to expand our sales network, increase our market share and improve brand awareness. Our distributors typically sell our products through retail points of sale such as hospitals, postnatal care centers and other medical institutions, maternal-child specialty stores, and online stores. We also directly sell FSMP products to consumers through e-commerce platforms.

As of December 31, 2022, 2023 and 2024, we engaged 326, 346 and 338 offline distributors, respectively. As of December 31, 2024, our products were sold to or recommended by over 700 hospitals, postnatal care centers and other medical institutions and sold in over 17,000 retail points of sales.

Our sales network seamlessly integrates offline points of sales with e-commerce platforms, creating cross-channel synergies to maximize our consumer reach. The chart below shows the synergy among our sales channels:



For more details, see "Business — Sales and Distribution Channels."

OUR KEY TECHNOLOGIES

We possess the following key technologies for manufacturing our FSMP products:

(i) Protein hydrolysis technology, which effectively protects high-risk infants from allergic reactions and alleviates mild to moderate allergic reactions by precisely destroying allergenic protein epitopes.

(ii) Fat embedding production technology, which can significantly slow down the oxidation rate of unsaturated fatty acids contained in FSMP, while also taking into account flavor and solubility to meet consumers' demand for taste and nutrition.

(iii) Dry production technology, which has the advantages of maintaining nutritional activity, a clean production environment and flexible production capacity, and is suitable for the production of FSMP in view of the characteristics of FSMP that they usually have many varieties and are produced at small batches and the need to preserve the nutritional active ingredients.

For more details, see "Business — Research and Development — Our key technologies" for details.

OUR PRODUCTION FACILITIES

As of the Latest Practicable Date, we owned and operated one production plant, consisting of production workshops I and II, in Qingdao, Shandong province to manufacture our products. During the Track Record Period, production workshop I was our only production workshop in operation. Subsequent to the Track Record Period, we commenced the operations of our production workshop II in February 2025. Further, we are constructing a new production facility in Fengzhen, Inner Mongolia, which is expected to commence operations in or around the first quarter of 2026. For more details, see "Business — Production."

COMPETITIVE STRENGTHS

We believe that the following strengths contribute to our robust market position, ensuring our success and distinguishing us from our competitors: (i) we have always been at the forefront of China's FSMP industry, with a leading market share in the infant FSMP sector and strong growth momentum; (ii) we have an omnichannel sales network that drives our growth and accumulates consumer acclaim; (iii) our industry-academia-research collaboration transforms technology to products quickly to meet diverse consumer needs; (iv) guided by our ethos of "Precise Nutrition, Professional Care (精確營養、專業呵護)," we practice good corporate citizenship through transformative social initiatives, strengthen our brand image and drive the advancement of China's FSMP industry; and (v) we are led by visionary and seasoned management and backed by robust shareholder support.

For more details, see "Business — Competitive Strengths."

BUSINESS STRATEGIES

We plan to implement the following strategies (i) accelerate omnichannel expansion and increase sales; (ii) develop FSMP products serving a wider demographic, in particular non-infant FSMP products; (iii) expand production capacity, improve production efficiency and develop core technologies; (iv) reinforce brand recognition; and (v) attract and cultivate talent.

For more details, see "Business — Business Strategies."

OUR CUSTOMERS AND SUPPLIERS

Our customers primarily consist of distributors and direct sales customers. In 2022, 2023 and 2024, (i) sales to our largest customer amounted to RMB7.6 million, RMB7.6 million and RMB21.8 million, representing 1.6%, 1.2% and 2.6% of our revenue, respectively; and (ii) sales to our five largest customers amounted to RMB24.3 million, RMB25.5 million and RMB44.0 million, representing 4.9%, 3.9% and 5.3% of our revenue, respectively. To the best knowledge of our Directors, each of our five largest customers for each year during the Track Record Period is an Independent Third Party.

Our suppliers primarily consist of suppliers of raw and auxiliary materials, OEM services, e-commerce platform services and logistics services. In 2022, 2023 and 2024, (i) our purchases from our largest supplier amounted to RMB145.9 million, RMB185.9 million and RMB219.0 million, representing 43.8%, 37.8% and 35.3% of our total purchases, respectively; and (ii) our purchases from our five largest suppliers amounted to RMB284.9 million, RMB381.8 million and RMB382.7 million, representing 85.6%, 77.6% and 61.7% of our total purchases, respectively. To the best knowledge of our Directors, except for certain entities controlled by Mr. Zhang and Ms. Meng, our Controlling Shareholders, each of our five largest suppliers for each year during the Track Record Period is an Independent Third Party.

For more details, see "Business — Our Customers" and "Business — Our Suppliers."

COMPETITIVE LANDSCAPE

China's FSMP industry has relatively high entry barriers. As of the end of 2024, approximately 60 companies had registered FSMP products in China, with fewer than 20 companies having registered infant FSMP products. In recent years, the market share of domestic FSMP brands has steadily increased, with a significant rise in the number of registered products. Domestic brands are actively leveraging policy incentives and existing advantages to rapidly expand into the FSMP sector. For example, many infant FSMP brands have expanded from infant formula to infant FSMPs, quickly promoting their products through synergies in the maternal-child channel and digital marketing advantages, thereby enhancing brand visibility and sales. Some non-infant FSMP companies, leveraging their R&D capabilities, production management experience, and medical channel resources in the pharmaceutical or nutritional supplement sectors, are actively entering the non-infant FSMP market, demonstrating strong growth momentum. For more details, see "Industry Overview — Competitive Landscape of China's FSMP Industry."

SUMMARY OF FINANCIAL INFORMATION

Selected Information from Consolidated Statements of Profit or Loss and other Comprehensive Income

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	491,223	100.0	654,244	100.0	834,096	100.0
Cost of sales	(138,722)	(28.2)	(189,866)	(29.0)	(241,690)	(29.0)
Gross profit	352,501	71.8	464,378	71.0	592,406	71.0
Profit and total comprehensive income for the year	83,886	17.1	170,443	26.1	94,144	11.3
Adjusted net profit (non-IFRS measure)*	120,710	24.6	174,963	26.7	199,403	23.9

* We define adjusted net profit (non-IFRS measure), as profit and total comprehensive income for the year less loss on fair value change of financial liabilities at fair value through profit or loss ("**FVTPL**"). Our financial liabilities at FVTPL refers to our unconditional obligations in relation to preferential rights conferred to minority shareholders. Such preferential rights have been terminated in January 2025. The following tables reconcile our adjusted net profit (non-IFRS measure) for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit and total comprehensive income for the year	83,886	170,443	94,144
Less:			
Loss on fair value change of financial liabilities at fair value through profit or loss	(36,824)	(4,520)	(105,259)
Adjusted net profit (non-IFRS measure)	120,710	174,963	199,403

For details, see "Financial Information — Consolidated Statements of Profit or Loss and Other Comprehensive Income — Non-IFRS Measures."

During the Track Record Period, we generated revenue from sales of FSMP products. Our total revenue increased by 33.2% from RMB491.2 million in 2022 to RMB654.2 million in 2023, and further increased by 27.5% to RMB834.1 million in 2024, mainly due to an increase in the sales volume of our products. Such increase in sales volume was driven by the growing market demand for our products, which was in turn due to increasing consumer awareness and reception of FSMP products, our enhanced marketing efforts and the continued improvement of our brand recognition and reputation.

Our gross profit increased by 31.7% from RMB352.5 million in 2022 to RMB464.4 million in 2023 and by 27.6% to RMB592.4 million in 2024. The growth of our gross profit remained relatively stable throughout the three years, in line with our sales expansion throughout the Track Record Period. In 2022, 2023 and 2024, our gross profit margin was 71.8%, 71.0% and 71.0%, respectively.

For detailed analysis of our results of operations, see "Financial Information — Consolidated Statements of Profit or Loss and Other Comprehensive Income."

Revenue by Product Category

The following table sets forth a breakdown of our revenue generated from different product categories in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Allergy prevention and treatment products	419,863	85.5	577,320	88.2	752,933	90.3
Products for preterm infants	34,873	7.1	35,180	5.4	39,950	4.8
Lactose-free products	15,971	3.3	23,873	3.6	21,213	2.5
Nutritionally complete products	2,317	0.5	4,429	0.7	9,890	1.2
Metabolic disorder products	1,660	0.3	1,981	0.3	2,784	0.3
Other products	16,539	3.4	11,460	1.8	7,326	0.9
Total	**491,223**	**100.0**	**654,244**	**100.0**	**834,096**	**100.0**

Selected Items in Our Consolidated Statements of Financial Position

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	143,493	52,973	106,106
Current assets	213,626	359,727	311,380
Current liabilities	383,638	596,917	715,907
Net current liabilities	(170,012)	(237,190)	(404,527)
Non-current liabilities	36,123	26,837	19,489
Total deficit	(62,642)	(211,054)	(317,910)

We had net current liabilities of RMB170.0 million, RMB237.2 million and RMB404.5 million as of December 31, 2022, 2023 and 2024, respectively, primarily due to our financial liabilities at FVTPL related to certain preferential rights conferred to minority shareholders. We terminated such preferential rights in January 2025 and recorded net current assets of RMB82.9 million as of March 31, 2025.

For details, see "Financial Information — Discussion of Certain Key Items From Consolidated Statements of Financial Position."

Selected Items in Our Consolidated Statements of Cash Flows

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	108,914	135,689	156,106
Net cash (used in) generated from investing activities	(120,162)	184,425	(134,503)
Net cash used in financing activities	(17,000)	(138,855)	(88,532)
Net (decrease) increase in cash and cash equivalents	(28,248)	181,259	(66,929)
Cash and cash equivalents at beginning of the year	75,635	47,387	229,555
Effect of foreign exchange rate changes	–	909	13
Total cash and cash equivalents at end of the year	47,387	229,555	162,639

For further details, see "Financial Information — Liquidity and Capital Resources."

Key financial ratios

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Profitability ratios			
Gross profit margin *(%)*(1)	71.8	71.0	71.0
Net profit margin *(%)*(2)	17.1	26.1	11.3
Adjusted net profit margin *(%)*(3)	24.6	26.7	23.9
Return on equity *(%)*(4)	N/A	N/A	N/A
Adjusted return on equity *(%)*(5)	68.2	70.9	75.5
Return on assets *(%)*(6)	29.7	44.3	22.7
Adjusted return on assets *(%)*(7)	42.8	45.5	48.0
	As of December 31,		
	2022	**2023**	**2024**
Liquidity ratios			
Current ratio *(times)*(8)	0.6	0.6	0.4
Adjusted current ratio *(times)*(9)	2.3	3.0	2.3
Quick ratio *(times)*(10)	0.5	0.5	0.3
Adjusted quick ratio *(times)*(11)	2.0	2.3	1.4
Capital adequacy ratio			
Gearing ratio *(%)*(12)	N/A	N/A	N/A
Adjusted gearing ratio(13)	–	–	1.6

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin is calculated based on profit and total comprehensive income for the year divided by revenue and multiplied by 100%.

(3) Adjusted net profit margin is calculated based on adjusted profit and total comprehensive income for the year (non-IFRS measure) divided by revenue and multiplied by 100%.

(4) Return on equity is calculated based on profit and total comprehensive income for the year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%. Given that we had total deficit during the Track Record Period, this ratio is not meaningful.

(5) Adjusted return on equity is calculated based on adjusted profit and total comprehensive income for the year (non-IFRS measure) divided by the arithmetic mean of the opening and closing balances of total equity (excluding the impact of the recognition of financial liabilities at FVTPL) and multiplied by 100%.

(6) Return on assets is calculated based on profit and total comprehensive income for the year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(7) Adjusted return on assets is calculated based on adjusted profit and total comprehensive income for the year (non-IFRS measure) divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(8) Current ratio is calculated based on total current assets divided by total current liabilities.

(9) Adjusted current ratio is calculated based on total current assets divided by total current liabilities (excluding the impact of the recognition of financial liabilities at FVTPL).

(10) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(11) Adjusted quick ratio is calculated based on total current assets less inventories divided by total current liabilities (excluding the impact of the recognition of financial liabilities at FVTPL).

(12) Gearing ratio is calculated based on total borrowings (including bank borrowings and lease liabilities) divided by total equity multiplied by 100%. Given that we had total deficit, this ratio as of December 31, 2022, 2023 and 2024 is not meaningful.

(13) Adjusted gearing ratio is calculated based on total borrowings (including bank borrowings and lease liabilities) divided by total equity (excluding the impact of the recognition of financial liabilities at FVTPL) multiplied by 100%.

For further details, see "Financial Information — Key Financial Ratios."

DIVIDEND AND DIVIDEND POLICY

We declared dividends amounting to RMB17.0 million, RMB138.9 million and RMB201.0 million in years ended December 31, 2022, 2023 and 2024, respectively. Subsequent to the Track Record Period, we declared a special dividend in an amount of RMB109.8 million in March 2025. As of the Latest Practicable Date, our dividends declared in 2022 and 2023 had been fully paid and a total of RMB2.4 million dividends declared in 2024 and 2025 remained payable, which we will settle with our internal funds.

Subject to our constitutional documents and the applicable laws and regulations and on the condition that we are able to operate normally and sustainably, we have adopted a general annual dividend policy, according to which we expect to pay out dividend of not less than 50% of our annual distributable profit realized in each year after [**REDACTED**]. The actual dividend plan shall be determined by our Board of Directors, after considering factors such as our operation conditions, business development plan and cash flow for the relevant year, and the actual dividend amount shall be such amount as approved by our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends. In addition, our Directors may reassess our dividend policy in the future.

[REDACTED] EXPENSES

Based on the mid-point [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] and assuming the [**REDACTED**] is not exercised, the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] are RMB[**REDACTED**] million (HK$[**REDACTED**] million), accounting for approximately [**REDACTED**]% of the [**REDACTED**]. Our total [**REDACTED**] expenses consist of (i) [**REDACTED**] expenses and fees (including [**REDACTED**], Stock Exchange trading fee, SFC and AFRC transaction levy) of RMB[**REDACTED**] million (HK$[**REDACTED**] million); and (ii) [**REDACTED**] expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), including (a) fees payable to legal advisors and Reporting Accountants of RMB[**REDACTED**] million (HK$[**REDACTED**] million) and (b) sponsor fee and other fees and expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million). During the Track Record Period, we did not incur any

[**REDACTED**] expenses. Approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be charged to profit or loss for the year ending December 31, 2025, and approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) directly attributable to the issue of the Shares is expected to be deducted from equity upon the completion of the [**REDACTED**].

Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2025.

[REDACTED] STATISTICS

	Based on an [REDACTED] **of HK$**[REDACTED] **per H Share**	**Based on an** [REDACTED] **of HK$**[REDACTED] **per H Share**
Market capitalization of our H Shares(1)	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited [**REDACTED**] adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share(2)	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

1. The calculation of market capitalization is based on [**REDACTED**] H Shares expected to be in issue immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any H Shares to be issued upon exercise of the options granted under the Option Grant Agreement) and the conversion of all [**REDACTED**] Shares into [**REDACTED**] H Shares.

2. The unaudited [**REDACTED**] adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2024 per Share is calculated based on [**REDACTED**] Shares in issue immediately assuming the completion of the [**REDACTED**] and our Company's conversion into joint stock limited liability company had been completed on December 31, 2024. It does not take into account of any share which may be allotted and issued pursuant to the exercise of the [**REDACTED**], the termination of the preferential rights granted to certain investors or any other issuance or repurchase of shares by the Company.

   No adjustment has been made to the unaudited [**REDACTED**] adjusted consolidated net tangible assets of our Group attributable to owners of our Company as of December 31, 2024 to reflect any trading result or other transactions of our Group entered into subsequent to December 31, 2024. For details of adjustment made, please refer to "Appendix II – Unaudited [**REDACTED**] Financial Information."

[**REDACTED**]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] stated in this document), after deducting the [**REDACTED**] and estimated expenses paid or payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised.

In line with our strategies, we intend to apply the [**REDACTED**] from the [**REDACTED**], in the next few years, for the following purposes and in the amounts set forth below:

- approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**] million, will be used to continuously enhance our R&D capabilities and develop new products;

- approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**] million, will be used our brand building and expansion of sales network;

- approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**] million, will be used to expand and enhance our production capacity; and

- approximately [**REDACTED**]% of the [**REDACTED**], or HK$[**REDACTED**] million, will be used for working capital and general corporate purposes.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we obtained registration certificates for three new products, namely (i) our metabolic disorder product for infants aged six to 12 months – *Teai Bingjia (*特愛丙佳*),* China's first and only FSMP for infants with propionic acidemia or methylmalonic acidemia, (ii) our metabolic disorder product for infants aged six to 12 months – *Teai Benjia (*特愛本佳*),* the first FSMP for infants with phenylketonuria (PKU) developed by a Chinese brand, and (iii) our nutritionally complete product for children aged one to 10 – *Zhiai Qirui (*稚愛啟瑞*)* which can be used as a single source of nutrients to meet the nutritional needs of children with eating disorder, maldigestion, malabsorption or metabolic dysfunction.

Subsequent to the Track Record Period, we commenced the operations of our production workshop II for our metabolic disorder products in February 2025. See "Business — Production — Our Production Facilities" for details.

Subsequent to the Track Record Period, we declared a special dividend in an amount of RMB109.8 million. As of the Latest Practicable Date, such dividend had not been fully paid.

Subsequent to the Track Record Period, our revenue for the three months ended March 31, 2025 decreased as compared to the corresponding period in the previous year, which was due to a readjustment as we optimized our distributor incentive mechanism in an effort to cultivate a fair, healthy and orderly market for our products in the long run. We have taken measures to increase our sales. As a result of our continuous efforts, subsequent to the Track Record Period and as of the Latest Practicable Date, we had entered into cooperation agreements with a few new distributors who will help promote our products and expand our market reach, and we had started to accept purchase orders for our newly registered nutritionally complete product – *Zhiai Qirui (*稚愛啟瑞*)*, which is expected to generate revenue starting from June 2025. In addition, we have started assembling a new sales team dedicated to promoting our non-infant FSMP products, which we believe will help boost the sales of our non-infant FSMP products and improvement of our results of operations in general.

Our Directors confirm that, as of the date of this document, there has been no material adverse change in the financial condition or prospects of our Group since December 31, 2024, being the date of the latest reporting period of the audited consolidated financial statements as set out in the Accountants' Report in Appendix I to this document, and there has been no event since December 31, 2024 that would materially affect the information as set out in the Accountants' Report included in Appendix I to this document.

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any Shares which may be issued upon the exercise of options granted under the Option Grant Agreement, Shengyuan HK and Mr. Zhang Mengran, by virtue of an acting in concert agreement entered into between them, will control in aggregate approximately [**REDACTED**]% of the total share capital of our Company.

Shengyuan HK is a company wholly owned by Shengyuan BVI, which in turn is wholly owned by Beams Power, a company wholly owned by Ms. Meng. Ms. Meng and Mr. Zhang have a spousal relationship. Pursuant to the agreement entered into between Ms. Meng and Mr. Zhang on May 28, 2025, Ms. Meng and Mr. Zhang agreed and confirmed that since the date of incorporation of Beams Power, by virtue of their spousal relationship, they have been and would continue consulting with each other and reach a consensus between themselves before making decisions and exercising the voting rights or other shareholder's rights in Beams Power or through Beams Power at the Board and Shareholders' meetings. Mr. Zhang Mengran is the son of Ms. Meng and Mr. Zhang. Pursuant to the acting in concert agreement entered into between Shengyuan HK and Mr. Zhang Mengran on May 28, 2025, Shengyuan HK and Mr. Zhang Mengran agreed and confirmed that from the date Mr. Zhang Mengran became the shareholder of our Company to the date when any of them ceases to be the shareholder of our Company, they have been and would continue to be parties acting in concert and Mr. Zhang Mengran shall exercise his voting rights or other shareholder's rights at the Board and Shareholders' meetings in accordance with the direction of Shengyuan HK. Accordingly, Ms. Meng, Mr. Zhang, Mr. Zhang Mengran, Beams Power, Shengyuan BVI and Shengyuan HK constitute a group of our Controlling Shareholders under the Listing Rules.

In addition to their interests in our Group, our Controlling Shareholders are also interested in other businesses which mainly included (i) development, production and sales of infant formula and other milk powder products; (ii) development, production and sales of nutritional supplements, including raw materials and consumer facing finished products; (iii) development and marketing of dairy products including ice cream, cheese, butter, ultra-high-temperature milk and milk protein drinks; (iv) operation of a certified national standard laboratory (medical) specialized in the screening of newborns with metabolic disorders and allergies; (v) operation of a lifestyle handbook APP for younger generations; and (vi) operation of self-developed private domain member management software for private sales and live streaming. For details, see "Relationship with Our Controlling Shareholders."

[REDACTED] INVESTMENTS

Our Company attracted several rounds of [**REDACTED**] Investments. For details, see "History and Corporate Structure — [**REDACTED**] Investments."

CONNECTED TRANSACTIONS

We have entered into certain transactions which would constitute continuing connected transactions for our Company under the Listing Rules upon the [**REDACTED**]. We have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with certain requirements set out in Chapter 14A of the Listing Rules for certain continuing connected transactions. For details, see "Connected Transactions."

[REDACTED] SHARE OPTIONS

Pursuant to the written resolutions of our Shareholders passed on May 30, 2025 and the Option Grant Agreement dated May 30, 2025 entered into among our Company, Mr. Zhang and Shengyuan HK, options to subscribe for an aggregate of 2,400,000 Shares were granted to Mr. Zhang, representing approximately [**REDACTED**]% of the issued share capital of our Company immediately following the completion of the [**REDACTED**] (without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**] or H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement). Mr. Zhang may exercise the options within ten years after the vesting of such options, upon which the H Shares will be issued to Mr. Zhang or his designated entity (Shengyuan HK or other designated entity wholly owned by Mr. Zhang), at his direction. For details, see "Appendix VII — Statutory and General Information — D. [**REDACTED**] Share Options."

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in "Risk Factors" in this document. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include: (i) we may not be able to achieve a high rate of growth in revenue and profitability in the future; (ii) resources devoted to research and development may not yield new products that achieve commercial success, and failure to innovate or to introduce new products may reduce our future sales and market share, hinder our business expansion plans and impair our profitability; (iii) we may experience intense competition and fail to compete effectively; (iv) we are required to obtain and maintain certain licenses or approvals, including those required to produce and market our FSMP products, which may be costly and time-consuming. We may not be able to obtain such licenses or approvals, and such licenses or approvals may expire or be revoked in the future; and (v) we may fail to respond to changes in consumer preferences and market trends and introduce commercially viable products.

For details, see "Risk Factors."

IMPACT OF COVID-19

The outbreak of the COVID-19 pandemic and the related restrictive policies caused a decline in social networking and business activities, which in turn had adverse impacts on our business operations. For instance, during the COVID-19 pandemic, we experienced delays in registering and obtaining certificates for certain of our FSMP products. With respect to product sales, we were unable to deliver our products to certain restricted or lockdown areas, which required us to incur additional costs to deliver our products to these areas. In general, despite the challenges posed by the COVID-19 pandemic, it did not materially and adversely impact our operations or financial conditions during the Track Record Period and up to the Latest Practicable Date and our revenue and net profit maintained upward trends during the Track Record Period.

However, there is no assurance that our operation, production activities or financial condition will not be affected in the future due to the COVID-19 pandemic or other natural disasters, health epidemics or outbreaks. See "Risk Factors — Risks Relating to Our Business — We face risks related to health epidemics, contagious diseases and other outbreaks."

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Technical Terms" in this document.

DEFINITIONS

"Accountants' Report"	the accountants' report for the Track Record Period prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;
"Articles of Association" or "Articles"	the articles of association of our Company adopted on May 30, 2025 which shall become effective as of the date on which the H Shares are [**REDACTED**] on the Stock Exchange, as amended from time to time, a summary of which is set out in "Appendix VI — Summary of the Articles of Association" to this document;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audit Committee"	the audit committee of our Board;
"Beams Power"	Beams Power Investment Limited, a company incorporated in the BVI with limited liability on January 5, 2005 and one of our Controlling Shareholders, which is wholly owned by Ms. Meng;
"Board" or "Board of Directors"	the board of Directors;
"business day"	a day 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;

[**REDACTED**]

"China" or "PRC"	The People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not apply to Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Province;

"CIC"	China Insights Industry Consultancy Limited, a global market research and consulting company, which is an Independent Third Party;
"CIC Report"	an independent market research report commissioned by us and prepared by CIC for the purpose of this document;
"close associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time;
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Company"	Sainte Nutritional Inc. (聖桐特醫(青島)營養健康科技股份公司) (formerly known as Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司)), a company established in the PRC with limited liability on December 6, 2019 which was converted into a joint stock company with limited liability on May 12, 2025;
"Company Law" or "PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules;
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules, and unless the context requires otherwise, refers to Ms. Meng, Mr. Zhang, Mr. Zhang Mengran, Beams Power, Shengyuan BVI and Shengyuan HK, and a Controlling Shareholder shall mean each or any of them;

"COVID-19"	outbreaks of coronavirus disease 2019, an infectious disease caused by the recently discovered coronavirus (severe acute respiratory syndrome coronavirus 2, SARS-CoV-2);

[**REDACTED**]

"Director(s)"	the director(s) of our Company;
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time;
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below;

[**REDACTED**]

"Group"	our Company and all of our subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be);
"Guide"	The Guide for New Listing Applicants, as published by the Stock Exchange on November 29, 2023 and effective on January 1, 2024, as amended, supplemented or otherwise modified from time to time;
"H Share(s)"	shares of our Company for which;

[**REDACTED**]

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong;

[**REDACTED**]

[**REDACTED**]

"Independent Third Party(ies)"	individuals or company(ies), who or which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules;

[**REDACTED**]

"Jintao"	Korea Jintao Co., Ltd. (韓國金淘株式會社), a company incorporated in Korea and indirectly wholly-owned by Beams Power;
"Latest Practicable Date"	May 20, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication;

[**REDACTED**]

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented or otherwise modified from time to time;
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange;
"Ministry of Commerce" or "MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部);
"Mr. Zhang"	Mr. Zhang Liang (張亮), one of our Controlling Shareholders, the spouse of Ms. Meng and the father of Mr. Zhang Mengran;
"Ms. Meng"	Ms. Meng Xiuqing (孟秀清), one of our Controlling Shareholders, the spouse of Mr. Zhang and the mother of Mr. Zhang Mengran;
"Muguang Tongxing"	Qingdao Muguang Tongxing Equity Investment Partnership (Limited Partnership) (青島沐光桐行股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on March 26, 2025, which is owned as to approximately 3.57% by Mr. Gao Zhongheng (高中恒), our financial director, as its general partner, approximately 1.37% by Mr. Ma Shibo (馬世波), our Supervisor, as one of its limited partners, and approximately 95.06% by 12 other employees of our Group as its limited partners, and is our employee shareholding platform;
"Nomination Committee"	the nomination committee of our Board;

[**REDACTED**]

"Option Grant Agreement"	the share option grant agreement dated May 30, 2025 entered into among our Company, Mr. Zhang and Shengyuan HK, the principal terms of which are summarized in "Appendix VII — Statutory and General Information — D. [**REDACTED**] Share Options";

[**REDACTED**]

"PRC government"	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organizations of such government or, as the context requires, any of them;
"PRC Legal Advisors"	King & Wood Mallesons, our legal advisors as to PRC laws in connection with the [**REDACTED**];
"[**REDACTED**] Investment(s)"	the [**REDACTED**] investment(s) in our Company, details of which are set out in "History and Corporate Structure — [**REDACTED**] Investments" in this document;

"[**REDACTED**] Investor(s)"	the investor(s) of the [**REDACTED**] Investments;

[**REDACTED**]

"Regulation S"	Regulation S under the U.S. Securities Act;
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of our Board;
"Renminbi" or "RMB"	the lawful currency of the PRC;
"Securities and Futures Commission" or "SFC"	the Securities and Futures Commission of Hong Kong;
"Share(s)"	ordinary share(s) with par value RMB1.00 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of our Share(s);
"Shengtong HK"	ShengTong Nutritions HK Limited (聖桐營養香港有限公司), a company incorporated in Hong Kong with limited liability on April 24, 2020 and a wholly-owned subsidiary of our Company;
"Shengtong Shangmao"	Qingdao Shengtong Shangmao Co., Ltd. (青島聖桐商貿有限責任公司), a company established in the PRC with limited liability on February 21, 2019 and a wholly-owned subsidiary of our Company;
"Shengyuan BVI"	Shengyuan International Company Limited (聖元國際有限公司), a company incorporated in the BVI with limited liability on November 27, 2008 and one of our Controlling Shareholders, which is wholly owned by Beams Power;

"Shengyuan Group"	Beams Power and its subsidiaries which, for the purpose of this document and unless the context otherwise requires, excludes our Group;
"Shengyuan HK"	Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), a company incorporated in Hong Kong with limited liability on December 1, 2008 and one of our Controlling Shareholders, which is wholly owned by Shengyuan BVI;
"Shengyuan Nutritional"	Shengyuan Nutritional Food Co., Ltd. (聖元營養食品有限公司), a company established in the PRC with limited liability on September 17, 2001 and an indirect wholly-owned subsidiary of Beams Power;

[**REDACTED**]

"Sole Sponsor"	CITIC Securities (Hong Kong) Limited;

[**REDACTED**]

"State Council"	the State Council of the PRC (中華人民共和國國務院);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchange and Clearing 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;
"Supervisor(s)"	the supervisor(s) of our Company;
"Supervisory Committee"	the supervisory committee of our Company;
"Track Record Period"	the three years ended December 31, 2022 and 2023 and 2024;

[**REDACTED**]

"[**REDACTED**] Share(s)"	ordinary Share(s) issued by our Company with a nominal value of RMB1.00 each which is/are not [**REDACTED**] on any stock exchange;
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction;
"U.S. dollar(s)" or "US$"	United States dollar(s), the lawful currency of the United States;
"U.S. persons"	U.S. persons as defined in Regulation S;
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time;
"we," "us" or "our"	the Company or the Group, as the context requires;

[**REDACTED**]

"%"	percent.

ACRONYMS

"AFRC"	the Accounting and Financial Reporting Council of Hong Kong;
"BVI"	the British Virgin Islands;
"CAGR"	compounded annual growth rate, which is calculated by dividing the amount at the end of the period by the amount of the beginning of that period, raising the result to an exponent of one divided by the number of years in the period, and subtracting one from the subsequent result;

[**REDACTED**]

"CO_2e"	carbon dioxide equivalents, a measure of the effect of different greenhouse gases on the climate;
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會);
"ESG"	environmental, social, and governance;

[**REDACTED**]

"g"	gram;
"GFA"	gross floor area;

[**REDACTED**]

"IASB"	International Accounting Standards Board;
"IFRS"	International Financial Reporting Standards;
"IP"	intellectual property;

"NASDAQ"	a U.S.-based stock market exchange;
"OEM"	original equipment manufacturer;
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC;
"R&D"	research and development;
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局);
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局);
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time;
"sq.m."	square meter;
"STA"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局);
"tCO_2e"	ton of CO_2e;
"ton"	a unit of mass equal to 1,000 kilograms; and
"VAT"	value-added tax.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

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

For the purpose of this document, references to "provinces" of China include provinces, municipalities under direct administration of the central government and provincial-level autonomous regions.

In this document, unless the context otherwise requires, explanations and definitions of certain terms used in this document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"AA"	arachidonic acid, a polyunsaturated fatty acid derived from dietary sources such as meat, poultry, fish and eggs that resides in the cell membrane;
"amino acid"	the fundamental molecule that serves as the building block for proteins;
"amino acid metabolic disorder"	a group of inherited metabolic disorders that occur when amino acids are not properly processed in the body, including but not limited to phenylketonuria, propionic acidemia and methylmalonic acidemia;
"consignment"	a sales arrangement in which goods are provided by a seller (the consignor) to a third party (the consignee) for sale and the consignee pays the consignor for its products after the products are sold;
"clinical trials"	a type of research that studies new tests and treatments and evaluates their effects on human health outcomes;
"disease-specific nutritionally complete product"	FSMP that can serve as the sole source of nutrition, designed to meet the complete nutritional needs of target populations with specific diseases or medical conditions (such as cancer, diabetes, or chronic kidney disease). These products provide all essential nutrients, including proteins, fats, carbohydrates, vitamins, and minerals, and are scientifically formulated to address the specific metabolic requirements of these conditions, thereby supporting the patient's treatment and recovery process;
"DHA"	docosahexaenoic acid, an omega-3 fatty acid essential for brain, eye, and nervous system development and function;
"eating disorders"	mental disorders in which eating behaviors are abnormal and adversely affect a person's physical or mental health;

"end consumers"	our consumers who buy our products through our distributors and/or e-commerce channels and use our products;
"extensively hydrolyzed whey protein"	whey protein that has been extensively broken down into smaller peptides and amino acids through a process called hydrolysis;
"e-commerce"	buying and selling of goods and services electronically over digital platforms;
"FSMP"	food for special medical purposes, foods specially processed and formulated to meet the nutritional or dietary needs of individuals with restricted food intake, digestive absorption disorders, metabolic imbalances, or specific medical conditions. These products must be consumed under the guidance of a physician or dietitian, either alone or in combination with other foods;
"GMP"	good manufacturing practice, a system for ensuring that products are produced and controlled according to quality standards;
"HACCP"	Hazard Analysis and Critical Control Point, a globally recognized, systematic and science-based approach to food safety that addresses biological, chemical and physical hazards throughout the food chain from primary production to final consumption;
"hydrolyzed whey protein"	whey protein that is predigested and hydrolyzed for the purpose of easier metabolizing;
"infant formula"	a specially formulated food product intended for infants, primarily based on animal milk and/or soy derivatives, supplemented with appropriate vitamins, minerals, and/or other approved ingredients. It is designed to meet the energy and nutritional needs essential for the healthy growth and development of infants;
"KOL"	key opinion leader, a type of influencer that can influence an audience's opinions and purchasing decisions;

"KOS"	key opinion sales, strong content creators who possess professional sales skills and extensive knowledge about specific industries and brands;
"whey protein isolate powder"	whey protein produced by drying pasteurized liquid whey and removing non-protein components (lactose, fat, and some vitamins and minerals) using various separation techniques, resulting in a product that contains ≥90.0% protein;
"lactose intolerance"	an inability to digest lactose, a sugar found in milk and milk products;
"malabsorption"	impaired absorption of nutrients at any point where nutrients are absorbed;
"maldigestion"	impaired nutrient digestion within the intestinal lumen or at the brush border;
"maternal-child specialty store(s)"	highly specialized stores that involve and provide guidance in the entire parenting process from the preparation of pregnancy to the complete growth of the baby, offering a full range of related products to better meet the needs of healthy growth of the baby at different stages;
"metabolic disorders"	disorders of the normal metabolic processes by which cells convert food into energy;
"methylmalonic acidemia"	a rare, inherited disorder that prevents the body from properly breaking down certain proteins and fats, leading to a buildup of methylmalonic acid in the blood;
"milk protein allergy"	an abnormal immune system response to proteins found in cow's milk;
"non-nutritionally complete product"	FSMP that can meet part of the nutritional needs of the target population and is suitable for people who need to supplement single or partial nutrients, including formula types such as protein component formulas, electrolyte formulas, and carbohydrate component formulas;

"nutritionally complete product" FSMP that can be used as the sole source of nutrition to meet the entire nutritional needs of the target population. It is intended for individuals who require nutritional supplementation in general, without specific requirements for particular nutrients. The formula provides all essential nutrients needed by the human body, including proteins, fats, carbohydrates, vitamins, and minerals;

"partially hydrolyzed whey protein" whey protein produced by hydrolyzing a portion of the high molecular weight protein in whey protein powder to low molecular weight peptides and free amino acids using biological enzymatic hydrolysis technology;

"phenylketonuria" or "PKU" an inherited metabolic disorder that prevents the body from breaking down the amino acid phenylalanine, which can lead to intellectual and developmental disabilities if not treated;

"preterm infants" babies born alive before 37 weeks of pregnancy are completed;

"propionic acidemia" a rare inherited condition in which the body is unable to break down certain proteins and fats;

"QR code" quick-response code, a machine-readable code consisting of an array of black and white squares, typically used for storing information for reading by the camera on a smartphone;

"retail sales value" the gross sales made to consumers, which is equal to the retail price multiplied by total sales volume; and

"whey" a liquid by-product of cheese, which contains high level of protein.

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

We have included in this document forward-looking statements that are not historical facts but relate to our intentions, beliefs, expectations or predictions for future events and conditions which may not occur. Even though these statements have been made by our Directors after due and careful consideration and on bases and assumptions that we believe are fair and reasonable at the time, they nevertheless involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Some of the risks are listed in the section entitled "Risk Factors" and elsewhere in this document. In some cases, you can identify these forward-looking statements by words such as "aim," "anticipate," "believe," "continue," "could," "expect," "intend," "may," "might," "plan," "potential," "predict," "project," "propose," "seek," "should," "will," "would" or similar expressions, or their negatives. These forward-looking statements include, without limitation, statements relating to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- our business and operating strategies and our ability to implement such strategies;
- our ability to control or reduce costs;
- our capability to identify and integrate suitable acquisition targets;
- expected growth of and changes in the PRC FSMP industry;
- our future business development, results of operations and financial condition;
- the future competitive environment for the PRC FSMP industry;
- determination of the fair value of our Shares;
- our dividend policy;
- capital market development;
- exchange rate fluctuations and restrictions; and

- risks identified under the section entitled "Risk Factors" in this document.

This document also contains market data and projections that are based on a number of assumptions. The markets may not grow at the rates projected by the market data, or at all. The failure of the markets to grow at the projected rates may materially and adversely affect our business and the [**REDACTED**] of our Shares. In addition, due to the rapidly changing nature of the PRC economy and the FSMP industry, projections or estimates relating to the growth prospects or future conditions of the markets are subject to significant uncertainties. If any of the assumptions underlying the market data prove to be incorrect, actual results may differ from the projections based on these assumptions. You should not place undue reliance on these forward looking statements.

We do not guarantee that the transactions and events described in the forward-looking statements in this document will happen as described, or at all. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risks and uncertainties set forth in the section entitled "Risk Factors" in this document. You should read this document in its entirety and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements made in this document relate only to events as of the date on which the statements are made or, if obtained from third-party studies or reports, the dates of the respective studies or reports. Since we operate in an evolving environment where new risks and uncertainties may emerge from time to time, you should not rely upon forward-looking statements as predictions of future events. We undertake no obligation, beyond what is required by law, to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made, even when our situation may have changed.

An investment in our H Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before making an investment in our H Shares. These risks and uncertainties could materially and adversely affect our business, financial condition, results of operations or prospects. The **[REDACTED]** ***of our H Shares may decline due to any of these risks and uncertainties, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a PRC company and are governed by a legal and regulatory environment which may differ significantly from those prevailing in other jurisdictions. These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.***

RISKS RELATING TO OUR BUSINESS

We may not be able to achieve a high rate of growth in revenue and profitability in the future.

Driven by a continuous increase in sales volume, our revenue increased by 33.2% from RMB491.2 million in 2022 to RMB654.2 million in 2023 and further increased by 27.5% to RMB834.1 million in 2024. Our adjusted net profit (non-IFRS measure) increased by 44.9% from RMB120.7 million in 2022 to RMB175.0 million in 2023, and further by 14.0% to RMB199.4 million in 2024. There is no guarantee that demand for our products will continue to grow at a similar rate in the future, or that we will not experience slower growth in the future due to market saturation as well as increased competition from new market entrants and alternative products.

Our sales to distributors have grown from RMB211.3 million in 2022 to RMB295.3 million in 2023, and further to RMB414.3 million in 2024. There is no guarantee that our sales and distribution network will grow at a similar rate or our sales will continue to grow at a similar rate in the future, or that we will not experience slower growth in the future due to market saturation as well as increased competition from competitors. There is also no guarantee that we will be able to manage our expanded sales and distribution network effectively. If we fail to sustain our growth in sales to distributors or through e-commerce platforms or fail to manage our expanded sales and distribution network effectively, our business, financial condition and results of operations could be adversely affected.

Our ability to continue to achieve a high rate of growth will require us to continue (i) improving our operational, financial and management systems; (ii) managing our liquidity position while committing substantial resources to market expansion, business development, and product development efforts; (iii) developing our sales and marketing channels; (iv) innovating and developing new products; (v) developing the skills of our management team; (vi) training, motivating, managing and retaining our employees; (vii) maintaining adequate facilities and equipment; (viii) enhancing our risk monitoring to assess the financial condition and business potential of new and existing customers; and (ix) managing the increased complexity and costs associated with expanded operations, which may divert our resources and require substantial capital commitment. In addition, we may face increased competition as we expand our product lines and distribution areas, which could result in lower sales, margins and market share. If we fail to sustain our profitability or manage our growth effectively, our business, financial condition and results of operations could be adversely affected.

Resources devoted to research and development may not yield new products that achieve commercial success, and failure to innovate or to introduce new products may reduce our future sales and market share, hinder our business expansion plans and impair our profitability.

Our mission is to continue to make new scientific discoveries and improvements to our products so that our FSMP products can satisfy the special medical needs of infants, children, and individuals aged 10 or above who suffer from a disease, disorder, or medical condition as much as possible. Our ability to continue to achieve advancements depends on the success of our in-house research and development efforts and our collaborations with research institutes and other organizations. The research and development process can be expensive and prolonged, and entails considerable uncertainties. Our investments and efforts may not yield any successful or commercially viable results; our products currently under development or that we may develop in the future may not complete the development process; or we may be unable to obtain the relevant licenses and approvals required to market and sell such products. Even if we succeed in introducing new FSMP products, we can give no assurance that a market will develop for any new products that we launch or that our new product offerings will meet consumer requirements. If we fail to innovate or successfully bring new products to market, our business, results of operations and prospects may be adversely affected and we may not be able to maintain our market position in the PRC FSMP market.

We may experience intense competition and fail to compete effectively.

We face intense competition with international and domestic companies in the FSMP market in the PRC. We also compete with cross-border purchases made by PRC consumers, which indirectly reduce the demand for our products in the PRC. A number of our primary competitors may have longer operating histories, stronger capital resources, larger customer bases, greater brand or name recognition and customer loyalty, greater expertise in regional markets, wider distribution networks, greater financial, technical, marketing and public relations resources and a wider range of products than we do. Furthermore, developments in PRC laws and regulations relating to the FSMP market may cause small-scale FSMP producers to exit the market resulting in higher market concentration and consolidation among industry participants in the PRC, which may lead to the emergence of stronger domestic competitors as well as competitors who are more specialized in particular areas and geographic markets. Some of our competitors may be better positioned to develop superior products, offer more favorable pricing to customers, and better adapt to market trends than we are. Such competitive pressures may lead us to reduce our prices or increase our costs, which could reduce our margins and materially and adversely affect our business, financial condition and results of operations.

We are required to obtain and maintain certain licenses or approvals, including those required to produce and market our FSMP products, which may be costly and time-consuming. We may not be able to obtain such licenses or approvals, and such licenses or approvals may expire or be revoked in the future.

In accordance with PRC laws and regulations, we are required to obtain and maintain various licenses and approvals, including those required in order to produce and market our FSMP products. We are also required to comply with applicable food safety standards in relation to our production and sale processes. The premises we used for production and sale are subject to inspections by the regulatory authorities for compliance with the relevant laws and regulations of the PRC. See "Regulatory Overview." Failure to pass these inspections, make full payment for relevant fees promptly, or maintain the validity of or to renew our licenses and approvals, could subject us to fines and the temporary or permanent suspension of some or all of our production activities, and could disrupt our business operations. We cannot assure you that we will be able to renew these licenses or approvals upon their expiration in the future. If we are unable to renew our existing licenses or approvals upon their expiration, our business and results of operations could be materially and adversely affected.

We may fail to respond to changes in consumer preferences and market trends and introduce commercially viable products.

Our success depends on our ability to anticipate, identify, interpret and react to the evolving tastes, dietary habits and nutritional needs of end consumers and to offer products that appeal to them. We devote significant efforts to develop product formulations that we believe would respond to end consumer needs and preferences. For instance, we endeavor to develop products that are more suitable for infants, children and individuals aged 10 or above with certain disease, disorder, or medical condition. We use high quality ingredients such as hydrolyzed protein, vegetable fat powder and nutrient fortifiers, among others, and manufacture all of our products without adding any artificial flavoring. However, sales of our products could be affected by nutritional and health-related concerns about our products, such as fat, cholesterol, calorie, sodium, lactose, sucrose, bacteria and other ingredients contained in the products. Consumer trends in the FSMP product market are constantly changing and our failure to anticipate, identify, interpret and react to these changes, or our failure to generate consumer acceptance or recognition of our new products, could lead to, among others, reduced demand for and price reductions of our products, inventory obsolescence, write-downs or write-offs, which could materially and adversely affect our business, financial condition and results of operations.

Even if we do correctly anticipate, identify, interpret and react to these changes, there can be no assurance that we will be able to successfully compete, that demand for our new products will grow to the extent that we expect, or that these new products will provide the returns that we expect. The new products we develop may not be commercially viable due to factors such as inadequate technical, managerial and capital resources, downturns in general economic conditions, declines in market demand and other factors beyond our control. In addition, any new products that we successfully launch may not gain market acceptance or be effective in meeting consumer needs, or result in increased profits. If we are unable to respond to rapid changes in consumer preferences in a timely manner or at all, or if our competitors are able to address these concerns more effectively or efficiently, our business, financial condition and results of operations could be materially and adversely affected.

Our business depends on market recognition of our brands. Any damage to our reputation or any of our brands may materially and adversely affect our business and results of operations.

All of our products are branded and marketed under our own brands. Our continued success and growth depend significantly on our ability to protect and promote our brands in our existing markets and new markets. The reputation of our Group and our brands form the foundation of our relationships with consumers, customers as well as suppliers. If we fail to promote our brands or protect our brand image, or if we fail to properly supervise the distribution of our products by our sales channels, or if such sales channels fail to comply with our sales policies or abuse our brands, the market recognition of our brands may deteriorate, which in turn may adversely affect our sales performance and profitability. We have adopted various measures to protect our brands. For example, our trademarks have been or are being registered; we monitor the market and communicate with our sales channels to identify any potential counterfeit products; and we have included confidentiality terms in the employment contracts with our key management and research and development employees. However, we cannot assure you that these measures will be effective in protecting our brands.

Further, the success of our business depends on our ability to continuously promote our brands and offer quality products that are attractive to consumers, and our business can suffer if our marketing plans or product initiatives do not have the desired effect to attract consumers. As technologies, industry trends and consumer preferences continue to change, we must make continuous efforts to develop new products, achieve a diversified mix of products and refine the approach we market and sell our products. For example, it is increasingly common for key opinion leaders or ordinary consumers to share their user experience of different kinds of consumer products on social media platforms, which could potentially influence how our products may be perceived by the public.

Market changes bring new opportunities as well as challenges to our sales and marketing abilities. If we fail to formulate suitable sales and marketing strategies in response to market changes, our brand recognition, market share and results of operations may be materially and adversely affected. The process of developing new brands and products and formulating marketing plans may be time consuming and incur research and development and marketing expenses. Further, there is no guarantee that the new brands and products will be well received by consumers, in which case our financial performance may not meet our expectation. There is also no guarantee that we will not face any defamation, libel or misinformation against us from our competitors or other third parties, which could damage our brand image and reputation. Our results of operations or cash flows could also be negatively impacted if our Group or any of our brands suffers substantial reputational harm due to any significant product recall, product-related litigation or defects in our products. Any of the above could have an adverse effect on our business, financial condition and results of operations.

Effective marketing and promotions of our products are essential to the success of our products. Inappropriate marketing activities will affect our reputation and may lead to administrative penalties, which may materially and adversely affect our business and results of operations.

The success of our operation depends on the effectiveness of our sales and marketing activities. We invest substantially in our sales and marketing activities to enhance brand recognition and promote new products. We incurred distribution and selling expenses of RMB191.7 million, RMB267.4 million and RMB328.6 million, respectively, representing 39.0%, 40.9% and 39.4%, respectively, of our total revenue, in 2022, 2023 and 2024, respectively. However, there can be no assurance that collaboration with our partners in marketing campaigns will not terminate, in which case our sales and marketing activities, business operations and financial performance may be adversely affected.

The promotion of FSMP products is intensively regulated in the PRC. Under the relevant laws and regulations in the PRC, advertisements for FSMP shall be true and legitimate, and shall not contain any false or misleading contents. Advertisers shall be responsible for the veracity and legitimacy of the contents of advertisements for FSMP. An application for the review of an advertisement for FSMP shall be filed with the advertisement review authority of the place where the production enterprise or import agent or any other advertiser is located. If our sales and marketing programs contain inappropriate content, our reputation may be damaged, which could potentially lead to administrative penalties. As a result, our business and results of operations may be materially and adversely affected. See "Regulatory Overview — Laws and Regulations on Production and Trade — Advertisement of Formula Food for Special Medical Purposes" for details.

In addition, we may be required to develop and adopt new marketing strategies to meet evolving market trends and shifting consumer preferences. Failure to develop effective marketing strategies to meet the changing market trends and consumer preferences may result in unnecessary distribution and selling expenditure, which may materially and adversely affect our results of operations and financial condition.

We may face inadequate production capacity issue, which could hinder our capabilities to satisfy consumer demand and growth prospects.

As of the Latest Practicable Date, we had one production plant in operation in the PRC. See "Business — Production — Our Production Facilities." We cannot assure you that our current production capacity will be able to meet the demand for our products in the future. As our business grows, we may need to expand our production capacity by building additional production lines, upgrading existing production lines as well as building new production plants. We cannot assure you that our production expansion plan will be successfully implemented on time or at all, or our production capacity after expansion will be adequate to cope with our potential business growth. We may face various difficulties which could delay our expansion plan or increase the relevant costs, such as:

- failure to raise sufficient funds to establish the new production plants and maintain working capital for ongoing operation;
- failure to obtain regulatory approvals from the relevant government authorities according to our expected timetable or at all;
- failure to find suitable sites for establishing new production plants according to our expected timetable;
- shortage or delay in supply of building materials, machinery and equipment, or increased costs of such items;
- shortage of workers and suitable management personnel, or increased wage levels;
- unforeseeable factors affecting the construction progress and resulting in delay in completion of the new production plants; and
- failure to accurately forecast the market demand, resulting in excessive or insufficient production capacity.

Failure to expand our production capacity could hinder our capabilities to satisfy consumer demand and growth prospects. Even if we are able to expand our production capacity, any decrease in consumer demand in the future could result in excess in our production capacity and adversely affect our profitability. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We rely on a limited number of suppliers, and any shortage or interruption in supply from such suppliers could delay our production and reduce sales of our products.

Some of the raw materials in our FSMP products come from limited sources of supply. We may therefore be subject to the risk of shortages and long lead times in the supply of these raw materials and the risk that our suppliers discontinue the supply of raw materials used in our FSMP products. In addition, our agreements with most of our third-party suppliers are non-exclusive. Our suppliers may dedicate more resources to other companies, including our competitors. We may experience raw material shortages and price fluctuations of certain raw materials, and the availability and pricing of these raw materials may be beyond our control. Raw material shortages or pricing fluctuations could be material in the future. In the event of a raw material shortage, supply interruption or material pricing change from suppliers of these raw materials, we may not be able to develop alternate sources in a timely manner in the case of limited sources. Developing alternate sources of supply for these raw materials may be time-consuming, difficult and costly, and we may not be able to source these raw materials on terms that are acceptable to us.

Disruption of our production operations and supply chain could materially and adversely affect our business.

Our ability to efficiently manufacture, market and sell products is critical to our success. The manufacture of our products is an exact and complex process, partly due to strict quality and safety requirements. In particular, certain stages of our production process must occur in sterile or temperature-controlled environments to preserve the quality of our ingredients as well as to reduce the risk of contamination. Problems may arise during the production process for a variety of reasons, including equipment malfunction, power outages, failure to follow specific protocols and procedures, and quality defects in raw materials, which could compromise the quality of our products.

In addition, any natural disasters or other unanticipated catastrophic events, including bad weather, natural disasters, fires, technical or mechanical difficulty, storms, explosions, earthquakes, strikes, acts of terrorism, wars and outbreaks of epidemics could impair our operations or the operations of our suppliers, and impede our ability to manufacture and deliver our products to customers in a timely manner. We rely on the timely supply of our raw materials, such as hydrolyzed protein, vegetable fat powder and nutrient fortifiers, in order to carry out our production plans as scheduled. Any delays or disruptions in raw material supplies from our suppliers, may have a material and adverse impact on our ability to meet our contractual obligations to customers.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material delays or disruptions in our supply chain during the Track Record Period. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single facility or supplier, could materially and adversely affect our business, financial condition and results of operations.

Our operating results may be materially and adversely affected by changes in prices and quality of raw materials.

Our production and profitability depend on our ability to purchase key raw materials from our suppliers at reasonably acceptable prices. The primary ingredients for our FSMP product production are hydrolyzed protein, vegetable fat powder and nutrient fortifiers, which we primarily procure through domestic trading companies from local or foreign origins. As we continue to expand our business and operations, we expect our cost of hydrolyzed protein, vegetable fat powder and nutrient fortifiers procurement to continue to account for a significant portion of our total cost of sales.

The market for our hydrolyzed protein, vegetable fat powder and nutrient fortifiers and other raw materials may be subject to price volatility depending on a variety of factors beyond our control, including the global and PRC economy and related government policies. There is no guarantee that we will be able to secure favorable prices to protect us against the risk of price fluctuations, or pass on increased costs to our end customers. Any increase in our cost of raw materials may require us to adjust our pricing strategies which could result in a less competitive product, or compel us to identify less costly sources which may be of a lower quality. In addition, our ability to pass on part or all of our cost increases to end consumers depends largely on general market conditions. To maintain our competitiveness, we may decide not to increase the price of our products despite the increase in costs, and we may experience lower profitability as a result.

Our operations are also affected by our ability to secure raw materials that meet our quality standards and to maintain a stable and sufficient supply. We depend on suppliers to supply a large volume and variety of raw materials for our products. The quality of such procured raw materials is key to our overall product quality, and we inspect each batch of raw materials to ensure their quality. For more information about our quality control measures, see "Business — Quality Control." However, we do not have direct control over our suppliers and may be unable to make assurances as to the integrity of their quality control systems. We may not always be able to detect defects in time as certain defects may in some cases become evident only after acceptance of delivery. Any quality defects in our raw materials may subject us to product liability claims and significantly affect our business, reputation and results of operations.

We may not be able to efficiently manage our inventory risks.

Our business requires us to manage a large volume of inventory effectively. We rely on our forecasts of demand for various products to make purchasing and production decisions and to manage our inventory. Demand for our products, however, may fluctuate from time to time due to factors unpredictable or out of our control, such as new competitive products, new market prices, product defects, changes in consumer spending patterns, changes in consumer needs and preferences, birth rates and general economic conditions. It may be difficult to accurately forecast demand and determine appropriate stock levels of products or raw materials. If we fail to manage our inventory effectively, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, or significant inventory write-offs in the case of over-estimation of consumer demand, or increased costs due to urgent procurement and production in the case of under-estimation of consumer demand. If we fail to meet consumer demand or deliver our products to our customers in a timely manner, our reputation and customer relationships may be damaged. In addition, if we have to sell our products at a lower price in order to reduce inventory level, or if we have to pay higher prices to our suppliers for urgent procurement or extra wages for our workers for urgent production, our profit margin might be negatively affected. Any of the above may materially and adversely affect our business, financial condition and results of operations.

Any quality issues related to our products may damage our reputation and sales and we may also face product liability claims as a result.

The success of our business depends on our ability to consistently deliver products with high quality and reliability. Maintaining consistent product quality depends significantly on the effectiveness of our quality control measures. However, we cannot assure you that our quality control measures will prove to be effective at all times, or that our employees and other third parties involved in our operations will fully adhere to our quality control policies and guidelines, or that we will be able to identify any defects in our quality control measures and resolve the issues in a timely manner. If the quality of our products deteriorates or is perceived to be dissatisfactory for any reason, we may face customer complaints, product returns, cancellations of orders and decline in sales. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product returns or recalls, complaints, claims or legal proceedings related to product quality. However, we cannot assure you that we will not experience any material product quality issue in the future. There is also no guarantee that consumers will not experience allergic reactions or other undesirable outcomes for reasons unrelated to our product quality, such as due to their personal health issues or improper use of our products. These incidents may lead to negative publicity and loss of consumer confidence. Moreover, if any defect or adverse effect of our products results in personal injury, we may face product liability claims or product recalls, resulting in financial losses and reputational damage. Any quality issues related to our products may have a material and adverse effect on our business, results of operations and prospects.

We may experience negative publicity or media reports related to product tampering, adulteration, counterfeiting and quality control concerns.

The FSMP industry and FSMP products are highly sensitive to consumers' perception of safety, quality, hygiene and awareness for health, which may, in turn, lead to extensive media exposure of us, the FSMP industry and our FSMP products. Any tampering, adulteration, counterfeiting or other quality control concerns relating to any of our FSMP products, whether real or perceived and whether or not manufactured by us, may result in negative publicity that could adversely affect us.

Any substantial and sustained negative publicity concerning the FSMP industry or FSMP products could lead to loss of consumer confidence, reduction in sales and prices of our products, or a widespread recall of FSMP products involved in such incident, thereby potentially having a material and adverse effect on our business, reputation and results of operations.

We may not be able to develop and maintain good relationships with our distributors.

Given the medical feature of FSMP products, we rely heavily on distributors to maintain the cooperation with local hospitals, and train the store staffs so that they can educate consumers. The competition for distributors is intense in our industry and many of our competitors are expanding their distribution networks. We may not be able to offer the most favorable arrangements with distributors as compared to competitors who may be larger and have better-funded sales campaigns. We regularly evaluate our distributors and terminate or engage distributors in line with our business strategies. For the years ended December 31, 2022, 2023 and 2024, we terminated a total of 122, 90 and 94 distributors, respectively. For more details, see "Business — Sales and Distribution Channels — Sales to Distributors." Finding replacement distributors may be time-consuming and any resulting delay may be disruptive and costly to our business. In addition, we may not be able to successfully manage our distributors and the cost of any consolidation or further expansion of our distribution network may exceed the revenue generated from these efforts. We may experience challenges when developing our distribution network in regions where we have relatively low or no presence, such as unfamiliarity with local business and market practices and local laws and regulations, as well as fierce competition with other FSMP brands. Moreover, from time to time we may terminate certain distributors for strategic business reasons and based on the performance of different sales channels and regional markets, and we may incur penalties for such termination. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products, cause us to incur penalties or limit our growth, any of which could materially harm our financial condition and results of operations.

We may not be able to effectively manage any competition among our distributors and e-commerce channels.

During the Track Record Period, we sold our products to distributors as well as through e-commerce channels. Although we have implemented measures to manage any competition among our sales channels, we cannot assure you that these measures will be effective or sufficient to manage the competition among our sales channels, in part due to our limited control over our distributors and e-commerce channels. Any adverse competition or cannibalization among our sales channels will have a negative impact on the stability of our sales network and retail prices of our products, which may have a material and adverse effect on our profitability, business, financial condition and results of operations.

We rely on Independent Third Party distributors over whom we have limited control.

During the Track Record Period, we sold a substantial portion of our products to distributors. For the years ended December 31, 2022, 2023 and 2024, 43.0%, 45.1% and 49.7% of our total revenue, respectively, was generated from our sales to distributors. The performance of our distributors and their abilities to sell our products, uphold our brand, expand their businesses and their sales network are crucial to the future growth of our business and may directly affect our sales volume and profitability. Our distributors may engage in activities that violate applicable laws and regulations in connection with the sales or marketing of our products. If our distributors violate laws or otherwise engage in unlawful practices, we could be liable for damages or fines, which could negatively affect our financial condition and results of operations. We cannot guarantee that there will not be any improper or unauthorized use of our trade name by any of our distributors in the future. In addition, our distributors are required to abide by geographic selling restrictions stipulated in the distribution agreement but are not required to exclusively distribute our products. We have limited control over daily business activities of our distributors as they are generally Independent Third Parties. Non-compliance by any of our distributors with our distribution agreements or our sales policies may harm our brand reputation and image and disrupt our sales, resulting in a failure to meet sales targets. In light of the above, our brand and reputation, our sales activities or the price of our H Shares could be adversely affected if we become the target of any negative publicity as a result of any actions taken by our distributors.

We outsourced a portion of our production to an OEM supplier during the Track Record Period.

During the Track Record Period, we outsourced a portion of the production of FSMP products to an OEM supplier, Jintao, and sold them through third-party cross-border e-commerce platforms. Jintao, located in South Korea, is a subsidiary of Beams Power, one of our Controlling Shareholders. Jintao owns a factory in South Korea that is qualified to manufacture FSMP products containing amino acids in South Korea.

However, any (i) reduction, delay or cancelation of our OEM supplier's production yields, (ii) unfavorable change in the relationship between us and Beams Power, (iii) our OEM supplier's failure to maintain its license to lawfully provide OEM services for us, and (iv) adverse change in PRC-South Korea trading and tariff arrangements, may cause material fluctuations or declines in our revenue and have a material and adverse effect on our financial condition and results of operations. While we may engage alternative OEM suppliers in South Korea or other jurisdictions to reduce our reliance on Jintao, we cannot guarantee that we will successfully engage such alternative OEM suppliers.

Failure to maintain our relationships with cross-border e-commerce platforms could result in a loss of customer base and a decrease in sales.

We sell our imported FSMP products through certain cross-border e-commerce platforms. During the Track Record Period, our revenue generated through cross-border e-commerce platforms amounted to approximately RMB268.6 million, RMB340.9 million and RMB405.1 million, respectively, representing approximately 54.7%, 52.1% and 48.6% of our revenue in each of the same years, respectively. Our sales of imported FSMP products through these e-commerce platforms are therefore subject to the terms and conditions set out in the service agreements entered into with these third-party e-commerce platforms, which could be restrictive to our operations. In addition, we are generally required to comply with the various operational rules and guidance set by these e-commerce platforms, including but not limited to sales arrangements, invoicing and settlement arrangements, and arrangements for custom clearance, warehousing and delivery. We may face the risk of being terminated from our collaborations with these e-commerce platforms if their requirements are not fulfilled. If our relationship with them was terminated, or if these platforms restrict or suspend our imported FSMP products, it would result in a loss of customer base and adversely affect our business and financial performance.

Under relevant PRC laws and regulations, individual PRC consumers may purchase cross-border e-commerce retail imported goods up to RMB5,000 in a single transaction and up to an annual cap of RMB26,000 in total. The existence of such limits, and any potential downward adjustment, will affect the purchase volume of individual consumers, which may adversely impact the sales of our imported FSMP products through cross-border e-commerce.

We are subject to risks relating to warehousing and logistical issues.

Our raw materials and finished products are stored temporarily in warehouses operated by ourselves and third-party warehousing service providers before they are used for production or delivered to our customers. If our inventories are not properly stored at suitable conditions, their quality and shelf-life may be adversely affected, which may result in inventory obsolescence or defective products, and in turn we may suffer damage to our reputation and face product liability. We may sustain loss and damage of inventories due to unpredictable factors, such as theft, fire and flood. While we maintain property-related insurance that covers financial losses we may sustain as a result of accidents in line with local industry practices, if accidents actually happen, the actual financial losses may exceed the insurance coverage, and we may also suffer damage and loss of customers due to failure to supply our products as promised. We cannot assure you that we will be able to maintain sufficient warehouses for storing our inventory, or that our warehouses will not face any disruptions, which could affect our sales and product delivery. Any inadequate supervision or management of our warehouses could also affect our operation and lead to potential losses.

We are subject to risks relating to third-party logistics service providers.

We engage third-party logistics service providers for the delivery of raw materials and finished products. We cannot assure you that we can continue or extend relationships with our current logistics service providers on terms and prices acceptable to us, or at all. We also cannot assure you that, as we expand our sales and distribution channels, we will be able to establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services.

If we are unable to maintain or develop good relationships with logistics service providers, we may experience increases in our operation costs, or disruption to our ability to offer products in sufficient quantities on a timely basis or at prices acceptable to our customers. As we do not have any direct control over these logistics service providers, we cannot guarantee the quality of their services. If there is any delay in delivery, damage to products resulting from poor handling, we may lose customers and sales and our brand image may be damaged. In addition, delays in delivery due to disruptions to the transportation network, such as natural disasters, strikes or infrastructure congestion, could adversely impact our ability to timely deliver products to our customers. Should any of these factors materialize, our business, financial conditions and results of operations could be materially and adversely affected.

Our industry may be negatively impacted by fluctuations in birth rates.

The growth of the infant FSMP industry in the PRC may be impacted by fluctuations in birth rates. According to the National Bureau of Statistics, the total number of newborns in China was 9.6 million, 9.0 million, and 9.5 million in 2022, 2023, and 2024, respectively. The prices at which we sell our infant FSMP products and the estimated demand for our infant FSMP products may be negatively affected by declines in birth rate in the PRC. Our business growth may be adversely impacted by demographic, consumer and economic trends in the PRC as well as changes in the regulatory environment of our industry. If competition in the FSMP industry intensifies as a result of a decline in birth rate, we may be required to implement price adjustments and re-evaluate our marketing and business strategies to respond to market pressures, which may materially and adversely affect our business and results of operations.

We may be subject to product returns or exchanges.

Our distributors are generally not allowed to return products unless our products have defective packaging prior to their confirmation of acceptance. Our customers who purchase our products through direct sales on e-commerce platforms generally may return products within seven days of purchase. Returned products are netted off our revenue for the same period. During the Track Record Period, we did not experience material product returns or exchanges. However, we cannot guarantee that we will not experience material product returns or exchanges from customers as our direct sales through domestic e-commerce platforms increase in the future, which would have an adverse impact on our revenue. Product returns or exchanges due to quality defects could also damage our reputation and have a material adverse effect on our sales.

We may incur extra costs to improve the awareness of environmental, social and governance ("ESG") risks among our employees and contractors.

We believe the value of environmental protection as well as the health and safety of our workers are fundamental and enabling elements of our growth. We are committed to fostering enduring and positive impact on the ESG aspects for our customers, suppliers, and the communities influenced by our operations and operating our business in a lawful, ethical and responsible way. We plan to provide training to our Directors, senior management, and other key employees on the identification and mitigation of ESG risks. We may incur extra costs to improve the awareness of ESG risks among our employees and contractors. See "Business — Environmental, Social and Governance ('ESG')."

We may not be able to adequately protect our intellectual property rights, which could harm the value of our brand and adversely affect our business and operation.

We rely on a combination of patents, trademarks, domain name registrations and confidentiality agreements to protect our intellectual property rights. We also possess a number of know-how or trade secrets in relation to proprietary product formulations, technologies and production processes, which we believe are material to our operations and which are not covered by patents. We rely on various protective measures to safeguard such unpatented proprietary information, including entering into confidentiality agreements with our relevant employees and third parties. However, we cannot assure you that our protective measures will be sufficient to protect our trade secrets, know-how or other proprietary information against any unauthorized use, misappropriation or disclosure. We also cannot guarantee that we will be successful in enforcing confidentiality provisions or undertaking enforcement proceedings in the event that there is any unauthorized use of our intellectual property.

The brand names and trademarks under which our products are marketed and sold are also important to our business and we have invested considerable efforts in seeking trademark protection for our brands. If we fail to effectively protect our intellectual property from inappropriate or unauthorized use by third parties in ways that adversely affect our brand name, our reputation could suffer, which in turn could have a material and adverse effect on our business, financial condition and results of operations. Furthermore, any litigation to protect our intellectual property would be time-consuming and costly, and may divert the attention of our senior management and key personnel from our business operations.

We may be subject to intellectual property infringement or misappropriation claims by third parties, which could damage our reputation and adversely affect our business and operations.

We may become subject to claims from competitors or third parties alleging intellectual property infringement in our ordinary course of business. The validity and scope of claims relating to the intellectual property rights of FSMP products development and technology may involve complex scientific, legal and factual questions and analyses, which results in uncertainty and ambiguity. Any third parties assertion of intellectual property infringement against us may involve us in litigation or administrative proceedings, which can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay on-going royalties or significant damages, to reformulate our products, or be prevented from selling our products altogether. Moreover, litigation to defend our intellectual property may cause our reputation to suffer severe damage, causing current or potential customers and consumers to defer or limit their purchase or use of our products.

Failure to comply with property-related laws and regulations regarding certain of our owned and leased properties may adversely affect our business.

As of the Latest Practicable Date, we had not received construction commencement permits, and had not completed the filing procedures for our Facility Upgrade Project in Qingdao.

According to the Measures for Construction Permission Management of Construction Projects (《建築工程施工許可管理辦法》), for any construction project without a construction permit (施工許可證) being obtained, the relevant government authority may order to suspend the construction, request for rectification within a specified period and impose on the owner of the construction project a fine of 1% to 2% of the contract value of the construction project. According to the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), the owner of the construction project shall complete the filing formalities for the filing of as-built inspection of the project with the construction administrative department of the people's government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed. If the construction entity fails to complete the formalities for the filing of as-built inspection of the project within 15 days as of the date on which the project passes the as-built inspection, the filing authority shall order it to make a rectification within a time limit, and impose a fine of not less than RMB200,000 but not more than RMB500,000. Furthermore, according to the Fire Protection Law of the PRC (《中華人民共和國消防法》) and the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), within five working days from the date of passing the final inspection of any other as-built construction project (other than special construction projects requiring fire protection designs in accordance with the national technical standards of fire protection for construction projects), the owner of the construction project shall report for recordation to the competent department. If the owner of the construction project fails to report to the housing and urban-rural development authority for recordation as required by the Fire Protection Law of the PRC after final inspection, the housing and urban-rural development authority shall order the construction entity to rectify and impose a fine of not more than RMB5,000.

During the Track Record Period and up to the Latest Practicable Date, we had not received any penalties or requests for rectification from the government authorities regarding the Facility Upgrade Project. However, we cannot assure that we will not receive such requests in the future. See "Business — Properties — Owned Properties."

Further, as of the Latest Practicable Date, we leased a property in the PRC. We have not registered our lease agreement with the relevant government authorities in accordance with PRC laws and regulations. According to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》), and the Commercial Building Leasing Administrative Measures (《商品房屋租賃管理辦法》), the relevant local governments may require the rectification of the non-registration of lease agreement within a certain period of time. If rectification is not completed within the specified time, we may be subject to a fine ranging from RMB1,000 to RMB10,000 for our unregistered lease agreement. See "Business — Properties — Leased Property."

We cannot guarantee that we will not be involved in claims, disputes and legal proceedings in our ordinary course of business.

From time to time, we may be involved in claims, disputes and legal proceedings in our ordinary course of business. These may concern issues relating to, among others, breach of contract, employment or labor disputes, infringement of intellectual property rights and environmental matters. In particular, the manufacture and sales of our products subjects us to potential product liability claims if our products are proven to have failed to meet relevant health and safety or other laws and regulations, or cause or are alleged to have caused illness or health issues. If we are unsuccessful in any product liability claims, we may be subject to substantial damages to compensate the claimants. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Furthermore, claims, disputes or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

We may not be able to retain or secure key members of our senior management team or other key personnel for our operations.

Our continuing and future success depends on the services and efforts of our senior management and key personnel, and other senior management team. Losing the services of our key personnel with industry expertise, know-how or experience in areas such as risk management, research and development, production, sales and marketing and accounting and financial management could have a material and adverse effect on our ability to sustain and grow our business. Moreover, there is no assurance that our senior management and key personnel will not join a competitor or form a competing business or will honor the agreed upon terms and conditions of their employment contracts. As competition for skilled technical personnel and experienced management is fierce in our industry, any loss of key personnel or failure to recruit and retain personnel for our future operations and development may have a material adverse effect on our business.

Failure to make full contributions to social insurance and housing provident funds for our employees in accordance with the relevant PRC laws and regulations may subject us to penalties.

Companies operating in the PRC are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business.

During the Track Record Period, we did not fully contribute to certain social insurance and housing provident funds for some of our employees and we also engaged certain service providers to make contributions for mandatory social insurance and housing provident funds for a few employees. Pursuant to relevant PRC laws and regulations, if we fail to pay social insurance contributions on time or in full amount directly through our own accounts, the relevant authorities may require us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. With respect to a failure to pay the full amount of housing provident fund as required directly through our own accounts, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the people's court for compulsory enforcement. During the Track Record Period and as of the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance or housing provident fund contributions, nor had we received any order or been informed to settle the under-contributions, and we do not have any significant disputes with our employees regarding social insurance and housing provident fund contributions. However, we cannot assure you that such incidents will not arise in the future. We have not made any provision concerning the under-contributions. If we are demanded by the relevant regulatory authorities to settle the under-contributions, our financial performance may be adversely affected. See "Business — Employees."

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding acquisitions, mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and without taking into account any Shares to be issued upon exercise of the options granted under the Option Grant Agreement), our Controlling Shareholders will directly or indirectly, individually or together with others control [**REDACTED**]% of the issued share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. These events may occur even if they are opposed by our other Shareholders. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders. It is possible that our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

If we fail to maintain adequate internal controls, we may not be able to effectively manage our business and may experience errors or information lapses affecting our business. We may not be able to detect or prevent fraud, corruption or other misconduct committed by our employees or third parties.

Our success depends on our ability to effectively manage various aspects of our operations and minimize our risks through adequate internal controls. As we continue to expand, we will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our internal controls, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal controls may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to effectively manage our business may be affected.

Misconduct committed by our employees, customers, suppliers or other third parties, such as fraud, corruption, bribery, failure to comply with sanctions programs administered by the U.S. Office of Foreign Assets Control, the EU, or any other relevant sanctions authorities, unauthorized business transactions, breach of our policies and procedures, or any illegal acts, may be difficult to detect or prevent. Specifically, due to the regional socio-economic circumstances, several of our geographic markets and export destinations were rated with below-average Corruption Perception Indices in 2023 by Transparency International, which reflects a relatively high level of anti-corruption risks for businesses operating in these areas. Such misconduct could subject us to financial loss and penalties imposed by government authorities while seriously damaging our reputation and our business relationships with our business partners.

There is no guarantee that our internal control system can detect and prevent fraud, corruption or other misconduct committed by our employees or third parties effectively and promptly, or at all. Therefore, we are subject to the risk that fraud, corruption or other misconduct may have previously occurred but remain undetected, or may occur in the future. This may materially and adversely affect our business, financial condition and results of operations.

We recorded net liabilities and net current liabilities during the Track Record Period.

As of December 31, 2022, 2023 and 2024, we recorded net liabilities of RMB62.6 million, RMB211.1 million and RMB317.9 million, respectively, and net current liabilities of RMB170.0 million, RMB237.2 million and RMB404.5 million, respectively, primarily due to our financial liabilities at FVTPL. Our financial liabilities at FVTPL refers to our unconditional obligations in relation to preferential rights historically conferred to minority shareholders. Our financial liabilities at FVTPL refers to our unconditional obligations in relation to preferential rights conferred to minority shareholders. Such preferential rights have been terminated in January 2025 and we were at a net current asset position as of March 31, 2025. As of December 31, 2022, 2023 and 2024, our financial liabilities at FVTPL amounted to RMB291.5 million, RMB476.0 million, RMB581.3 million, respectively. See "Financial Information — Consolidated Statements of Profit or Loss and Other Comprehensive Income — Loss on Fair Value Change of Financial Liabilities at FVTPL" and "Financial Information — Net Current Assets/(Liabilities)" for details.

There is no guarantee that we may not record any financial assets or liabilities at FVTPL in the future under similar or other circumstances. If we record any financial assets or liabilities at FVTPL, any fluctuation in the fair value of such financial assets or liabilities at FVTPL may materially and adversely affect our financial results. Our net liabilities and net current liabilities position may expose us to liquidity risks and there is no assurance that we will not record net liabilities or net current liabilities in the future. If we record net liabilities or net current liabilities, our working capital for business operations may be constrained. If we fail to generate sufficient revenue from our operations or if we fail to maintain sufficient cash and financing resources, we may not have sufficient cash flows to fund our business operations and capital expenditure, and our business and financial position may be adversely affected.

Failure to obtain government grants or tax benefits that may be available to us, or the discontinuation, reduction or delay of any of the government grants or tax benefits currently enjoyed by us in the future could adversely affect our business, financial condition, results of operations and prospects.

In 2022, 2023 and 2024, we recorded under other income RMB3.1 million, RMB3.4 million, and RMB0.6 million of government grants, respectively. The government grants we received during the Track Record Period primarily include one-off financial incentive for key taxpayers, recurring handling fees for tax withholding, collection and entrusted levy, one-off incentive funds for industrial enterprises above designated size and recurring employment stabilization subsidy. Such government grants are unconditional. In addition, we qualified as a High and New Technology Enterprise (高新技術企業) in 2023 and 2024 and enjoyed a lower statutory income tax rate of 15% in such years.

There is no guarantee that such government grants or tax benefits will be available in the future. The discontinuation, reduction or delay of these government grants or tax benefits could adversely affect our business, financial condition, results of operations and prospects. In addition, we may not be able to successfully or timely obtain the government grants or tax benefits that may become available to us in the future, and such failure could adversely affect our business, financial condition, results of operations and prospects.

Our insurance coverage may not be sufficient to cover all of our potential losses.

We purchase and maintain insurance policies that we believe are customary with the standard commercial practice in our industry and as required under the relevant laws and regulations. However, we cannot guarantee that our insurance policies will provide adequate coverage for all the risks in connection with our business operations. Consistent with customary practice in the PRC, we purchase insurance for our fixed assets and our inventory, and do not carry any business interruption, product liability, or litigation insurance. If we were to incur substantial losses and liabilities that are not covered by our insurance policies, we could suffer significant costs and diversion of our resources, which could have a material and adverse effect on our financial condition and results of operations. We may be required to bear our losses to the extent that our insurance coverage is insufficient.

Any security and privacy breaches may damage our customer relations, our reputation and expose us to liability.

We electronically collect and store personal information. We process customers' personal information and deliver our products by using computer systems and telecommunications networks operated by both us and third-party service providers. If we are unable to maintain, or our customers perceive that we are unable to protect, the security of such information and network systems:

- our customers may lose confidence in our services;
- our reputation may be harmed;
- we may be subject to litigation or claims under applicable network data security and personal information protection laws, which could be complex, expensive and time-consuming to defend and may ultimately carry monetary or other penalties;
- we may be exposed to unbudgeted or uninsured financial liability;
- we may be subject to increased regulatory scrutiny; and
- our expenses may increase as a result of potential remediation costs.

While we believe we use secure applications and processes designed for data security, there can be no assurance that our use of these applications and processes will be sufficient to counter all current and emerging technology threats designed to breach our systems in order to gain access to confidential customer information. Moreover, despite using such applications and processes for data security, such measures may not address all internal threats, whether inadvertent or not, such as through employee error, malfeasance, faulty password management and other irregularities.

Additionally, if third parties with whom we work, such as our online platforms and logistic suppliers or information system developers, violate applicable laws or our policies, such violations may also put our customers' information at risk. The risk of these types of events is likely to increase as we expand our network of suppliers and other third parties and markets. Any of the foregoing and/or any other failures or inadequacies in our security and privacy measures could adversely affect our reputation and brand and the market's acceptance of our products, which could materially and adversely affect our business, financial condition and results of operations.

Our information technology systems may experience unexpected system failure, interruption, inadequacy or security breaches.

We rely on our information technology systems, particularly the enterprise resource planning ("**ERP**") system to effectively manage our day-to-day business activities such as accounting, procurement, project management, risk management and compliance, and supply chain operations. Our growing use and reliance on information technology will place an increasing pressure on such systems. We may encounter problems when upgrading our systems and services, which could adversely affect our sales and other operations.

In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including power outages, fire, natural disasters, systems failures, security breaches and viruses. Any significant failure of our information technology systems, or loss or leakage of confidential information could have a material adverse effect on our business and result in transaction errors, processing inefficiencies and loss of sales and customers.

Moreover, any security breach caused by hackings to gain unauthorized access to our information or systems, or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment, or any intentional or inadvertent transmission of computer viruses and similar events or third-party actions could have a material and adverse effect on our business. Operations of our enterprise resource management involve storage of customer data and information in our facilities and on our equipment, networks and corporate systems, which may be breached due to the actions of outside parties, employee error, malfeasance, or a combination of these or otherwise. If any actual or perceived breach of our security occurs, our customers' confidence in the effectiveness of our security measures could be harmed and we may lose customers and suffer financial losses due to such events or in connection with remediation efforts, investigation costs and system protection measures, any of which could harm our reputation and materially and adversely affect our business and results of operations.

We face risks related to health epidemics, contagious diseases and other outbreaks.

Our business could be materially and adversely affected by the outbreaks of contagious diseases such as COVID-19, H5N1 avian influenza, human swine flu or another epidemic or outbreak. An outbreak of contagious diseases, and other adverse public health developments in the PRC could result in a widespread health crisis and restrict the business activities in affected areas, which may, in turn, materially and adversely affect our business operations. In addition, since we are in the FSMP industry, any outbreak of epidemic may directly impact our operations, including our ability to obtain safe and high quality raw materials, manufacture and ship our products, as well as cause temporary closure of our manufacturing facilities. In such an event, our operations would be severely disrupted and our financial condition and results of operations will be materially and adversely affected. We have not adopted any written preventive measures or contingency plans to combat any future outbreak of avian influenza, COVID-19, human swine flu or any other epidemic.

RISKS RELATING TO DOING BUSINESS IN THE JURISDICTION WHERE WE OPERATE

Changes in the political and economic policies of the geographic markets in which we operate may pose challenges to our ability to maintain our current expansion plans and overall business performance and affect our business, financial condition and results of operations.

Our financial performance, growth prospects and overall business operations are heavily influenced by economic, political and legal developments in the country where we operate. Changes in government policies could significantly impact our business.

Most of our business, assets and operations are located in the PRC, and therefore, our business, financial condition, results of operations and prospects are affected to a large extent by the general political, economic and social developments in the PRC. Similar to many other countries and regions, the PRC regulates its economy through imposing and adjusting industrial, fiscal or monetary policies from time to time. Our business has been and would continue to be affected by the PRC's economy, which in turn is increasingly influenced by the global economy. The uncertainties in the global economy and the geo-political or social environment in various regions around the world would continue to influence the PRC's economic growth and may cause uncertainties in our prospects. Future changes in economic, political, social, and regulatory conditions may continue to influence our business, financial condition, results of operations and prospects.

Changes and evolvement in the interpretation and enforcement of PRC laws and regulation could affect our business.

Our business operations are subject to the PRC laws and regulations which continue to evolve. Any changes to such laws and regulations or their interpretation or enforcement may expose us to the risk of non-compliance and may require us to conform our activities and operations to comply with such laws and regulations. We cannot predict the nature of such future laws, regulations, interpretations, or applications, nor can we predict their impact on our business. Furthermore, our failure to comply with any applicable laws and regulations on a timely basis could subject us to, among others, fines, injunctions, product recalls or seizures, suspension of operations, penalties and other sanctions, which could have a material and adverse effect on our business, financial condition and results of operations.

Holders of our H Shares may be subject to PRC income tax obligations.

Under applicable PRC tax laws, regulations and statutory documents, non-PRC resident individuals and enterprises are subject to different tax obligations with respect to dividends received from us or gains realized upon the sale or other disposition of our H Shares. Non-PRC individuals are generally subject to PRC individual income tax under the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) with respect to PRC source income or gains at a rate of 20%. We are required to withhold related tax from dividend payments paid to non-PRC resident individuals, unless specifically exempted by the tax authority of the State Council or reduced or eliminated by an applicable tax treaty. Pursuant to the Circular on Questions Concerning the Collection of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) (國稅函[2011]348號) dated June 28, 2011, issued by the SAT, dividends paid to non-PRC resident individual holders of H Shares are generally subject to individual income tax of the PRC at the withholding tax rate of 10%, depending on whether there is any applicable tax treaty between the PRC and the jurisdiction in which the non-PRC resident individual holder of H Shares resides as well as the tax arrangement between the PRC and Hong Kong. Non-PRC resident individual holders who reside in jurisdictions that have not entered into tax treaties with the PRC are subject to a 20% withholding tax on dividends received from us. However, pursuant to the Circular Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the MOF of the PRC and the SAT on March 30, 1998, gains of individuals derived from the transfer of listed shares of enterprises may be exempt from individual income tax. As of the Latest Practicable Date, the aforesaid provision had not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

Pursuant to the EIT Law and its implementing rules, non-PRC resident enterprises that do not have establishments or premises in the PRC, or that have establishments or premises in the PRC but their income is not related to such establishments or premises, are generally subject to PRC EIT at the rate of 10% on dividends received from PRC companies and gains realized upon disposition of equity interests in such PRC companies, which may be reduced or eliminated under special arrangements or applicable treaties between the PRC and the jurisdiction where the non-resident enterprise resides. Pursuant to Notice on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2008] No. 897) (國稅函[2008]897號), dated November 6, 2008, issued by the SAT, we intend to withhold tax at a rate of 10% from dividends paid to non-PRC resident enterprise holders of our H Shares. Non-PRC resident enterprises that are entitled to be taxed at a reduced rate under an applicable income tax treaty will be required to apply to the PRC tax authorities for a refund of any amount withheld in excess of the applicable treaty rate, and payment of any such refund will be subject to the PRC tax authorities' verification. As of the Latest Practicable Date, there were no specific rules on how to levy tax on gains realized by non-resident enterprise holders of H Shares through the sale or transfer by other means of H Shares. If any PRC income tax is collected from the transfer of our H Shares or on dividends paid to our non-PRC resident investors, the value of your investment in our H Shares may be affected.

Changes in currency conversion policies may adversely affect the value of your investment.

We may need to convert a portion of our revenue into foreign currencies to meet obligations such as operating costs, expenses and any dividends declared on our H Shares. However, if there are shortages in the availability of foreign currency, our ability to remit sufficient funds to cover these obligations could be restricted, including our ability to pay dividends or meet other foreign currency-denominated commitments.

Under current PRC foreign exchange regulations, payments for current account items like profit distributions, interest payments and trade-related transactions can be made in foreign currencies without prior approval from the State Administration of Foreign Exchange (SAFE), provided that certain procedural requirements are met. However, when converting Renminbi into foreign currency to pay for capital expenses, such as the repayment of foreign currency-denominated loans, approval or registration with relevant government authorities is required. Additionally, if a significant imbalance in international payments arises, the PRC government may impose safeguards or other control measures. There is no guarantee that the regulations governing the remittance of Renminbi in and out of China will remain unchanged in the future, and any modifications could impact our ability to meet foreign currency obligations.

Fluctuations in exchange rates of the Renminbi could result in foreign currency exchange losses.

The exchange rate of the Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC Government and changes in the international political and economic conditions, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the Renminbi and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The [**REDACTED**] from the [**REDACTED**] will be received in Hong Kong dollars. As a result, any appreciation of the Renminbi against the U.S. dollar, the Hong Kong dollar or any other foreign currencies may result in the decrease in the value of our [**REDACTED**] from the [**REDACTED**]. Conversely, any depreciation of the Renminbi may adversely affect the value of, and any dividends payable on, our Shares in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Any of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, our Shares in foreign currency terms.

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

We are a company incorporated under the laws of the PRC and most of our business, assets and operations are located in the PRC. In addition, the majority of our Directors and executive officers reside in the PRC, and substantially all of the assets of such Directors and executive officers are located in the PRC. As a result, it may not be possible for you to directly effect service of process upon us or such Directors or executive officers who reside in the PRC, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Pursuant to Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) effective on January 29, 2024, promulgated by the Supreme People's Court, a party with an enforceable final court judgment rendered by any designated people's court of the PRC or any designated Hong Kong court with respect to any civil and commercial cases excluding certain types of which, may apply for recognition and enforcement of the judgment in the relevant people's court of the PRC or Hong Kong court. The PRC has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and many other countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgments. In accordance with the Civil Procedure Law of the PRC and other applicable laws, regulations, and interpretations, a court judgment obtained in the United States and any of the other jurisdictions mentioned above may be recognized and enforced in the PRC or Hong Kong in consideration of the treaties providing for the reciprocal enforcement of judgments of courts between the PRC and the country where the judgment was made.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our H Shares, their market [REDACTED] may be volatile and an active [REDACTED] for our H Shares may not develop.

No public market currently exists for our H Shares. The [**REDACTED**] for our H Shares to the public will be the result of negotiations between our Company and the [**REDACTED**] (for itself and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] of our H Shares following the [**REDACTED**]. We have applied to the Stock Exchange for the [**REDACTED**] of, and [**REDACTED**], the H Shares. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] for our H Shares will develop, or if it does develop, that it will be sustained following the

[**REDACTED**], or that the [**REDACTED**] of the H Shares will rise following the [**REDACTED**]. The [**REDACTED**] and [**REDACTED**] volume of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the [**REDACTED**].

The [**REDACTED**] and [**REDACTED**] volume of our H Shares may be highly volatile. Several factors beyond our control such as variations in our revenue, earnings and cash flow, strategic alliances, the addition or departure of key personnel, litigation, the removal of the restrictions on H share transactions or volatility in [**REDACTED**] and changes in demand for our products may cause significant and sudden changes to the [**REDACTED**] and [**REDACTED**] volume of our H Shares. Furthermore, the [**REDACTED**] of our H Shares could also decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the public market, or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. New shares or share-linked securities issued by our Company may also confer rights and privileges that take priority over those conferred by the H Shares. The Stock Exchange and other securities markets have, from time to time, experienced significant [**REDACTED**] and [**REDACTED**] volume volatility that is not related to the operating performance of any particular company. This volatility may also materially and adversely affect the [**REDACTED**] of our H Shares.

Potential investors will experience immediate and substantial dilution as a result of the [REDACTED].

Potential investors will pay a [**REDACTED**] per H Share in the [**REDACTED**] that substantially exceeds the per H Share value of our tangible assets after subtracting our total liabilities as of September 30, 2024. Therefore, purchasers of our H Shares in the [**REDACTED**] will experience a substantial immediate dilution in [**REDACTED**] net tangible assets, and our existing Shareholders will receive an increase in the [**REDACTED**] adjusted net tangible assets per Share on their Shares. As a result, if we were to distribute our net tangible assets to the Shareholders immediately following the [**REDACTED**], potential investors would receive less than the amount they paid for their H Shares. For more information, see "Unaudited [**REDACTED**] Financial Information" in Appendix II to this document.

The filing or regulatory review of the [REDACTED] by the CSRC or other PRC government authorities may be required under PRC laws.

On February 17, 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 March 31, 2023. The Overseas Listing Trial Measures comprehensively improve and reform the previous 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.

As advised by our PRC Legal Advisors, the [**REDACTED**] will be considered a direct overseas offering and listing activity by a PRC domestic company under the Overseas Listing Trial Measures. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for [**REDACTED**] to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

However, we cannot assure you that we will be able to complete these filing procedures in a timely manner, or at all, which could adversely affect our ability to carry out this [**REDACTED**] and future [**REDACTED**]. Moreover, we cannot guarantee that future laws or regulations will not impose additional requirements or restrictions on our financing activities. If we fail to obtain such approval, perform the necessary filing procedures, or meet other regulatory requirements, either in a timely manner or at all. In such a case, we could face potential sanctions from the CSRC or other PRC regulatory authorities, which could include fines, penalties, restrictions on our operating activities within China, or limitations on our ability to pay dividends outside of China. Any of these outcomes could have a material adverse effect on our business, financial condition, and overall operations.

We cannot guarantee the accuracy of facts, forecasts and other statistics obtained from official government sources or other sources contained in this document.

Certain facts, statistics and data contained in this document relating to the PRC, Hong Kong and the industries in which we operate have been derived from various official government publications, industry associations, independent research institutions, third party reports and/or other publicly available sources we generally believe to be reliable. Such information has not been prepared or independently verified by us, the [**REDACTED**] or any of our or their respective affiliates or advisors, and we cannot guarantee the quality or reliability of such source materials.

Therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled within or outside of the PRC and Hong Kong. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the statistics herein may be inaccurate or incomparable to statistics produced with respect to other economies and should not be relied upon. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should give due consideration as to how much weight or importance you should attach to or place on such facts, forecasts or statistics.

There is no assurance whether and when we will pay dividends.

We declared dividends amounting to RMB17.0 million, RMB138.9 million and RMB201.0 million in years ended December 31, 2022, 2023 and 2024, respectively. Subsequent to the Track Record Period, we declared a special dividend in an amount of RMB109.8 million. However, historical dividends are not indicative of future dividends. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under IFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under IFRS. Subject to our constitutional documents and the applicable laws and regulations, we have adopted a general annual dividend policy, according to which we expect to pay out dividend of not less than 50% of annual distributable profit realized in each year after [**REDACTED**], subject to certain conditions. See "Financial Information — Dividend and Dividend Policy" for details. However, there is no guarantee that we will pay out dividend based on such policy or expectation. Our Board may or may not declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

Forward-looking statements contained 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 us or our business, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, business operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform to our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and investors should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, 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.

You should read this entire document carefully and should not consider or rely on any particular statements in published media reports without carefully considering the risks and other information contained in this document.

Prior to the publication of this document, and subsequent to the date of this document but prior to the completion of the [**REDACTED**], there may have been or may be press and media coverage regarding us, our business, our industry and the [**REDACTED**]. Such press and media coverage may include references to information that do not appear in this document or is inaccurate. We have not authorized the publication of any such information contained in such press and media coverage. Therefore, we make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the press or media and do not accept any responsibility for the accuracy or completeness of any financial information or forward-looking statements contained therein. To the extent that any of such information is inconsistent or conflicts with the contents of this document, we expressly disclaim responsibility for them. Accordingly, prospective investors should only rely on information included in this document and not on any of the information in press articles or other media coverage in deciding whether or not to invest in our [**REDACTED**]. By applying to purchase our H Shares in the [**REDACTED**], you will be deemed to have agreed that you have not and will not rely on any information other than that contained in this document, the [**REDACTED**], and any formal announcements made by us in Hong Kong in relation to our [**REDACTED**].

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rules 8.12 and 19A.15 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong and, in normal circumstances, at least two of the issuer's executive directors must be ordinarily resident in Hong Kong.

Our Company has only one executive Director who resides in the PRC and for the foreseeable future will not be ordinarily resident in Hong Kong. Our Group's business operations, management headquarter, senior management and assets are primarily conducted and located in the PRC, and our management is best able to attend to its function by being based in the PRC. It would be practically difficult and commercially unnecessary for us to relocate our executive Director to Hong Kong, or to appoint additional executive Directors solely for the purpose of satisfying Rules 8.12 and 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Listing Rules subject to, among others, the following conditions:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed two authorized representatives, Mr. Zha Feng (查峰) ("**Mr. Zha**"), our executive Director, chairman of our Board and general manager, and Mr. Chan Sun Kwong (陳晨光) ("**Mr. Chan**"), one of our joint company secretaries, who will act as our Company's principal channel of communication with the Stock Exchange. Mr. Chan is ordinarily resident in Hong Kong. Although Mr. Zha resides in the PRC, he possesses valid travel documents and is able to renew such travel documents when they expire to travel to Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and/or email (where available). Each of our authorized representatives is authorized to communicate on our behalf with the Stock Exchange. Our Company [has been registered] as a non-Hong Kong company under Part 16 of the Companies Ordinance and Mr. Chan has also been authorized to accept service of legal process and notices in Hong Kong on behalf of our Company;

(b) both of our authorized representatives have means to contact all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. Each of our Directors has provided his/her respective mobile phone numbers, office phone numbers, facsimile numbers and/or email addresses (where available) to our authorized representatives. In the event that a Director expects to travel, he/she will endeavor to provide the phone number of the place of his/her accommodation to our authorized representatives or maintain an open line of communication via his/her mobile phone. Each of our Directors and authorized representatives has provided his/her mobile phone numbers, office phone numbers, facsimile numbers and/or email addresses (where available) to the Stock Exchange;

(c) pursuant to Rule 3A.19 of the Listing Rules, we have appointed Altus Capital Limited as our compliance advisor (the "**Compliance Advisor**"), which shall have access at all times to our authorized representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication between the Stock Exchange and us; and

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or the Compliance Advisor, or directly with our Directors within a reasonable time frame. We will promptly inform the Stock Exchange of any changes of our authorized representatives and/or the Compliance Advisor.

JOINT COMPANY SECRETARIES

According to Rules 3.28 and 8.17 of the Listing Rules and Chapter 3.10 of the Guide issued by the Stock Exchange, the secretary of an issuer must be a person who has the requisite knowledge and experience to discharge the functions of the company secretary and is either (i) a member of the Hong Kong Chartered Governance Institute, a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) or a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong); or (ii) an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

According to Chapter 3.10 of the Guide, the waiver under Rule 3.28 of the Listing Rules will be granted for a fixed period of time, but in any case, will not exceed three years from the [**REDACTED**] (the "**Waiver Period**") and on the conditions that (i) the company secretary in question must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company.

We have appointed Ms. Li Jiayi (李嘉依) ("**Ms. Li**") and Mr. Chan as our joint company secretaries. Ms. Li joined our Group as a compliance manager in July 2023 and was appointed as our Board secretary on May 12, 2025, where she has been primarily responsible for the compliance, internal control and company secretarial matters of our Group. Our Directors are of the view that, having regard to Ms. Li's thorough understanding of the overall compliance, internal control and company secretarial matters of our Group, she is considered as a suitable person to act as a company secretary of our Company. In addition, as our headquarters and principal business operations are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Ms. Li as a company secretary whose presence in the headquarters of our Group enables her to attend the day-to-day corporate secretarial matters of our Group and to take the necessary actions in an effective and efficient manner.

However, given that Ms. Li does not possess a qualification stipulated in Rule 3.28(1) of the Listing Rules nor the "relevant experience" set out in Rule 3.28(2) of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. In order to provide support to Ms. Li, we have appointed Mr. Chan, a fellow member of the Hong Kong Chartered Governance Institute, the Chartered Governance Institute in the United Kingdom, the Institute of Chartered Accountants in England and Wales, the Association of Chartered Certified Accountants in the United Kingdom and the Hong Kong Institute of Certified Public Accountants, who is qualified under Rule 3.28 of the Listing Rules, to act as the other joint company secretary to closely work with and provide support to Ms. Li during the Waiver Period so as to enable Ms. Li to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties as a company secretary of a listed issuer.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Li as our joint company secretary on the condition that Ms. Li will be assisted by Mr. Chan as our joint company secretary throughout the Waiver Period. By virtue of his experience in accounting, auditing, banking and corporate secretarial fields, Mr. Chan is, in our Directors' opinion, a qualified and suitable person to render assistance to Ms. Li so as to enable her to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties. In addition, Ms. Li will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the Waiver Period. Our Company will further ensure that Ms. Li has access to the relevant training and support that would enhance her understanding of the Listing Rules and the duties of a company secretary of an issuer listed on the Stock Exchange.

Such waiver will be revoked immediately if and when Mr. Chan ceases to provide such assistance or our Company commits any material breaches of the Listing Rules during the Waiver Period. Before the expiry of such three-year period, we will liaise with the Stock Exchange to enable it to assess the then experience of Ms. Li, having had the benefit of Mr. Chan's assistance for three years, will have acquired the relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See "Directors, Supervisors and Senior Management" in this document for the biographical information of Ms. Li and Mr. Chan.

CONTINUING CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**]. We have applied for, and the Stock Exchange [has granted] us, waivers from strict compliance with (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions — Summary of Our Continuing Connected Transactions — (B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but exempt from the Circular and Independent Shareholders' Approval Requirements"; and (ii) the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "Connected Transactions — Summary of Our Continuing Connected Transactions — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements". For further information, see "Connected Transactions" in this document.

[REDACTED]

[REDACTED]

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

[REDACTED]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Director		
Mr. Zha Feng (查峰)	Building 129 No. 106, Dongluyuan Tongzhou District Beijing PRC	Canadian
Non-executive Directors		
Ms. Cai Ning (蔡寧)	990 La Mesa Terrace Unit K Sunnyvale CA 94086 USA	American
Mr. Zhao Shouming (趙守明)	101, 1/F-3/F, Building 39 8th District, Dongluyuan Tongzhou District Beijing PRC	Chinese
Mr. Wu Jin (吳進)	10/F, 659 Fengyang Road Jingan District Shanghai PRC	Chinese
Ms. Yi Lin (易琳)	2009, Building 3 Yangguang Dushi 18 Xinzhong Street Dongcheng District Beijing PRC	Chinese
Ms. Yin Yuehan (殷悦焓)	Room 902, No. 27, Lane 87 Yaohua Road Shanghai PRC	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Ms. Li Liangqiu (厲梁秋)	803, 1/F-3/F, Building 8 Fuxiang Yuan, Fuhai Yuyuan Shunyi District Beijing PRC	Chinese
Mr. Siu Wing Hay (蕭永禧)	Room 1, 36/F, Block B Beverly Hill, 6 Broadwood Road Happy Valley Hong Kong	Chinese
Mr. Chan Cho Nam Caleb (陳祖男)	20A, Tower 2, Belair Phase 6 Pok Fu Lam Hong Kong	British

SUPERVISORS

Name	Address	Nationality
Mr. Xu Fusen (徐福森)	Room 1202, Unit 1, Building 4 3 Yinshatan Road Huangdao District Qingdao, Shandong PRC	Chinese
Mr. Ma Shibo (馬世波)	Room 301, Unit 5 479 Wuyishan Road Huangdao District Qingdao, Shandong PRC	Chinese
Mr. Zhang Jie (張杰)	Room 402, Unit 1, Building 17 1017 Lingshanwan Road Huangdao District Qingdao, Shandong PRC	Chinese

See "Directors, Supervisors and Senior Management" in this document for further details of our Directors and Supervisors.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**CITIC Securities (Hong Kong) Limited** 18/F, One Pacific Place 88 Queensway Hong Kong

[REDACTED]

Legal advisors to our Company	*As to Hong Kong laws:* **Sidley Austin** Level 39, Two International Finance Centre 8 Finance Street Central Hong Kong *As to PRC laws:* **King & Wood Mallesons** 18/F, East Tower World Financial Center No. 1 Dongsanhuan Zhonglu Chaoyang District Beijing PRC
Legal advisors to the Sole Sponsor and the [REDACTED]	*As to Hong Kong laws:* **Jingtian & Gongcheng LLP** Suites 3203-3207 32/F Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC laws:* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing PRC

Auditors and Reporting Accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 35/F One Pacific Place 88 Queensway Hong Kong
Industry consultant	**China Insights Industry Consultancy Limited** 10/F, Block B, Jing'an International Center 88 Puji Road, Jing'an District Shanghai PRC
Independent property valuer	**AVISTA Valuation Advisory Limited** Suites 2401-06, 24/F, Everbright Centre 108 Gloucester Road Wan Chai Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered office	No. 167, Zhaizishan Road Huangdao District Qingdao, Shandong PRC
Headquarter	No. 167, Zhaizishan Road Huangdao District Qingdao, Shandong PRC
Principal place of business in Hong Kong	Room No. 1818, 18/F Beverley Commercial Centre 87-105 Chatham Road South Tsim Sha Tsui, Kowloon Hong Kong
Company's website	**http://www.sainte.com.cn** *(Information on this website does not form part of this document)*
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China Construction Bank (Asia) Corporation Limited
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FSMP INDUSTRY IN CHINA

Overview of FSMP industry in China

The definition of FSMP (Food for Special Medical Purposes) exhibits considerable diversity on a global scale, shaped by the distinct health management practices and nutritional requirements of different countries. In general, FSMP refers to specialized dietary products specifically formulated to meet the unique nutritional needs of individuals with medical conditions that impair normal eating, digestion, or metabolism. When standard diets fail to address the nutritional requirements of these patients, FSMP typically serves as their primary or supplementary source of nutrition. With the global aging population, the increasing prevalence of chronic diseases, metabolic disorders, and other health conditions, the demand for FSMP is growing rapidly. Additionally, the rising awareness of health and advancements in medical technology have contributed to the rapid growth of the global FSMP market. The market size of global FSMP, in terms of retail value, has grown from approximately RMB100 billion in 2019 to approximately RMB181 billion in 2024, with a CAGR of 12.8%.

In China, FSMP refers to formula foods specially processed and formulated to meet the nutritional or dietary needs of individuals with restricted food intake, digestive absorption disorders, metabolic imbalances, or specific medical conditions. These products must be consumed under the guidance of a physician or dietitian, either alone or in combination with other foods. Since 2010, the release of national standards like the "The General Principles for Infant Formula Foods for Special Medical Purposes" has clarified the definition, classification, and technical requirements of FSMP, laying a solid foundation for the rapid growth of the market in China. The release of the "Administrative Measures for Registration of Food for Special Medical Purposes" in 2016 marked the establishment of the FSMP registration system in China. Subsequently, the FSMP market has witnessed opportunities for rapid development, driven by the standardization of FSMP registration, the enhancement of consumers' nutritional awareness, and the change in health demands. The market size for FSMP in China has grown from approximately RMB7.3 billion in 2019 to RMB23.2 billion in 2024, with a CAGR of 26.1%. However, compared to mature FSMP markets in regions such as the United States and Europe, the FSMP market in China is still in its early stages. The penetration rate of FSMP — measured by the proportion of the population served relative to the population in need — in China was approximately 3% in 2024, significantly lower than the over 40% observed in mature markets such as the United States. This substantial gap underscores the significant growth potential of China's FSMP market. Driven by rising health awareness, improving clinical practices, the market size of FSMP in China is expected to continue growing to RMB53.1 billion by 2029, with a CAGR of 18.0%.

Classification of FSMP in China

According to the age group of the target consumers, FSMP in China is divided into two main categories: infant FSMP and non-infant FSMP.

- ***Infant FSMP:*** FSMP intended for consumption by infants aged 0-12 months, specifically designed to meet the dietary and nutritional needs of infants with special medical conditions, such as metabolic disorders, diseases, or other medical situations.

- ***Non-infant FSMP:*** Non-infant FSMP refers to medical nutrition products designed for individuals over the age of one. These products are specifically formulated to meet the nutritional or dietary needs of people with eating restrictions, digestive absorption disorders, metabolic imbalances, or specific health conditions. Non-infant FSMP can be further classified into FSMP for children aged 1 to 10 and FSMP for adults aged 10 or above. FSMP for children aged 1 to 10 are typically formulated with precise nutrient ratios tailored to the growth and nutritional needs of this age group, such as nutritionally complete products. In addition, some FSMP for children are designed to continue addressing the nutritional needs from infancy, such as formulas specifically developed for children with amino acid metabolic disorders. These products provide ongoing, precise nutritional support throughout the child's development, ensuring that children aged 1 to 10 meet their nutritional requirements during their growth stages. FSMP for adults aged 10 or above provide specialized nutritional support for adults and elderly individuals with medical or dietary needs, covering various applications such as metabolic diseases, chronic disease management, and post-surgery recovery.

Based on product origin, the Chinese FSMP industry is primarily composed of two main categories: domestically produced FSMP and imported FSMP.

- ***Domestic FSMP:*** Domestic FSMP refers to medical nutrition products that are produced within China and comply with the relevant regulations and standards for FSMP in China. According to the "Administrative Measures for the Registration of Formula Food for Special Medical Purposes", companies must undergo a rigorous registration process to ensure that their products meet national standards in terms of safety, nutritional content, and suitability for target consumers. As of April 30, 2025, a total of 258 FSMP products have been approved for registration, of which 222 are domestic FSMP. Based on the number of registrations, domestically produced FSMP are gradually establishing a dominant presence in the Chinese market.

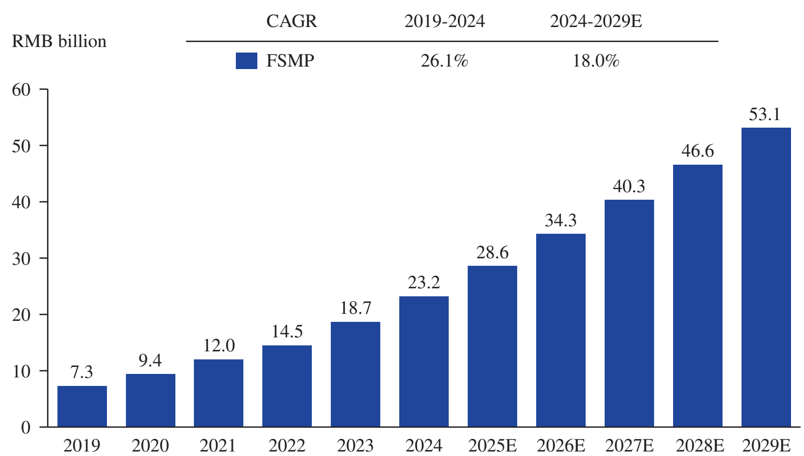
- ***Imported FSMP:*** Imported FSMP refers to medical nutrition products produced overseas. These products can be classified into two categories. The first category includes imported FSMP that comply with Chinese regulations and standards for FSMP and are registered domestically. As of April 30, 2025, a total of 36 imported FSMP has been approved for registration. The second category includes products that are legally manufactured in their country of origin and possess the intended therapeutic effects. These products are imported into China via cross-border e-commerce channels, primarily to meet the specific nutritional needs of certain groups, particularly in the case of rare diseases. Due to the lack or limited number of registered domestic products, these overseas FSMP, which comply with international standards, effectively fill the market gap.

Market size of China's FSMP industry

In recent years, the potential size of the population with special nutritional needs has been steadily increasing, coupled with a growing consumer awareness and demand for FSMP. At the same time, the government has been continuously improving regulatory and incentivizing policies for the FSMP industry, encouraging enterprises to actively invest in the research, development, and production of FSMP, thereby enhancing market supply capacity. Domestic dairy companies, pharmaceutical companies, health supplement companies, and others have increasingly entered the FSMP sector. The continuous expansion of product categories and distribution channels has made it easier for consumers to access FSMP that meet their specific needs, driving the Chinese FSMP market into a phase of rapid growth.

In terms of retail value, the market size of FSMP in China grew from RMB7.3 billion in 2019 to RMB23.2 billion in 2024, with a CAGR of 26.1%. With the increasing penetration of FSMP, further refinement of product categories, and diversification of distribution channels, the market size of FSMP in China is expected to grow further, reaching RMB53.1 billion by 2029, with a CAGR of 18.0% from 2024 to 2029.

Market size of the FSMP industry in China, in terms of retail value, 2019-2029E

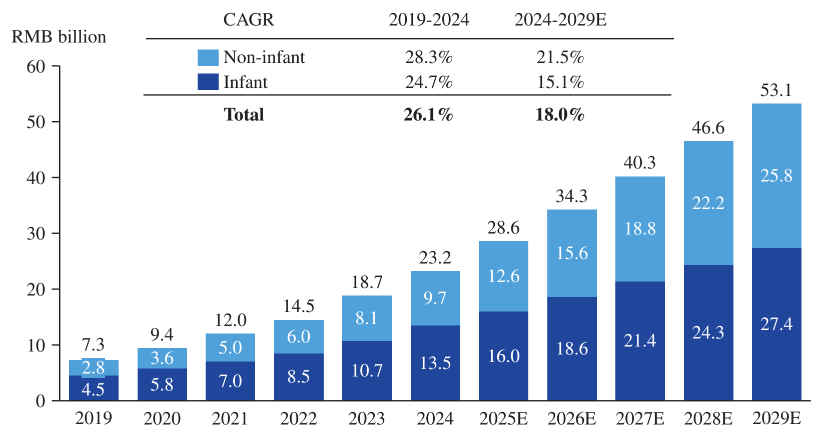


Source: The CIC Report

According to the demographic segmentation, FSMP can be divided into infant FSMP and non-infant FSMP. Due to the increasing penetration rate of FSMP among infants with special nutrition needs, growing parental awareness of specialized nutrition, and continuous product launches in the industry, the market size of infant FSMP in China has grown from RMB4.5 billion in 2019 to RMB13.5 billion in 2024, with a CAGR of 24.7%. The market size of infant FSMP accounted for 58.1% of the total market in 2024, holding a leading position, and is expected to further expand to RMB27.4 billion by 2029 with a CAGR of 15.1% from 2024 to 2029.

Compared with infant FSMP, the potential consumer group of non-infant FSMP is much larger, including the chronic disease group, the postoperative rehabilitation group, the hospitalized group, etc. However, the penetration rate of non-infant FSMP among different demand groups is at an extremely low level. With factors such as the improvement of consumer awareness, policy support and the increase in product promotion efforts, the penetration rate of non-infant FSMP has been gradually increasing in recent years, driving the market to grow at a high speed. The non-infant FSMP market in China has developed rapidly, with its market size increasing from RMB2.8 billion in 2019 to RMB9.7 billion in 2024, reflecting a CAGR of 28.3%, which surpasses the growth rate of infant FSMP. The non-infant FSMP market is expected to maintain a high growth rate to reach RMB25.8 billion by 2029, with a CAGR of 21.5% from 2024 to 2029.

Market size of FSMP market in China, by demand groups, in terms of retail value, 2019-2029E



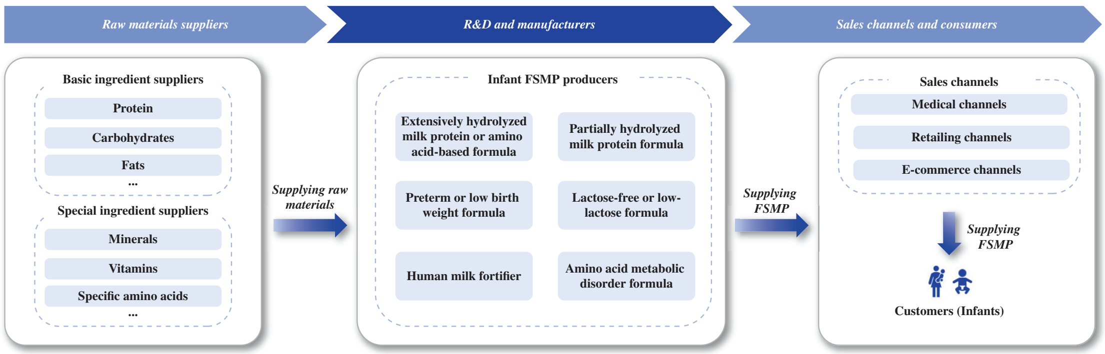
Source: The CIC Report

INFANT FSMP INDUSTRY IN CHINA

The industry chain of infant FSMP in China

The value chain of the infant FSMP industry in China primarily includes key segments such as raw material supply, product development, manufacturing, sales channels, and end consumers. First, raw material suppliers provide high-quality ingredients that meet the standards for infant FSMP. Basic ingredients, such as whey protein and casein, provide energy and essential nutrients, while special ingredients, such as specific amino acids, minerals, and vitamins, cater to the unique nutritional needs of infants with specific medical conditions, ensuring the safety and nutritional integrity of the products. Next, companies engage in product development, leveraging advanced scientific research and clinical data to create foods specifically designed to meet the nutritional requirements of infants, covering a wide range of nutritional needs from birth throughout infancy. The manufacturing process strictly adheres to national regulations and standards, ensuring that the products meet the safety, quality, and efficacy requirements for infant FSMP. Products are distributed through various sales channels, including maternal-child specialty stores, chain supermarkets, e-commerce platforms, and medical channels such as hospitals and specialized medical institutions. Ultimately, infant FSMP reaches end consumers through these channels, addressing the specific nutritional needs of infants during their growth and development, thereby promoting the positive cycle and growth of the entire industry chain.

The industry chain of infant FSMP in China



Source: The CIC Report

Market size of China's infant FSMP industry

According to indications, the infant FSMP market can be divided into segments such as allergy, premature birth, diarrhea, and others. The classification of infant FSMP and its corresponding target demographic are as follows.

The classification, characteristics and target demographic of infant FSMP in China, 2024

Indication	Formula name	Formula characteristic	Target demographic
Allergy	• (a) Extensively hydrolyzed milk protein formula; (b) amino acid-based formula	• (a) Extensive hydrolysis of all milk proteins into short peptides and amino acids; (b) Direct replacement of milk proteins with amino acids	• Infants with food protein allergies or gastrointestinal dysfunction
	• Partially hydrolyzed milk protein formula	• Partial hydrolysis of all milk proteins into small-molecule milk proteins, peptides and amino acids	• Infants at high-risk cow's milk protein allergy or functional gastrointestinal disorders

Indication	Formula name	Formula characteristic	Target demographic
Premature Birth	• Preterm or low birth weight formula	• High energy density formulation	• Preterm or low birth weight infants
	• Human milk fortifier	• Nutritional fortification of breast milk with high energy density	
Diarrhea	• Lactose-free or low-lactose formula	• Complete or partial substitution of lactose with other utilizable carbohydrates	• Infants with lactose intolerance
Others	• Amino acid metabolic disorder formula	• Complete elimination of non-metabolizable amino acids	• Infants with amino acid metabolic disorders (e.g. PKU)

Source: State Administration for Market Regulation, The CIC Report

The allergy segment includes extensively hydrolyzed milk protein formula and amino acid-based formula for treating allergies, as well as partially hydrolyzed milk protein formula for preventing allergies. The following table provides a comparative analysis of various allergic FSMP, along with regular infant formula.

Comparison of infant formulas with different protein hydrolysis degrees

Type	Regular formulas	Partially hydrolyzed milk protein formulas	Extensively hydrolyzed milk protein formulas	Amino acid-based formulas
Protein specifications	• Macromolecular intact milk proteins	• Small molecule milk proteins, peptide fragments and amino acids	• Small molecule peptides and amino acids • Free of food proteins	• Amino acids as a protein source • Free of food proteins and peptide fragments

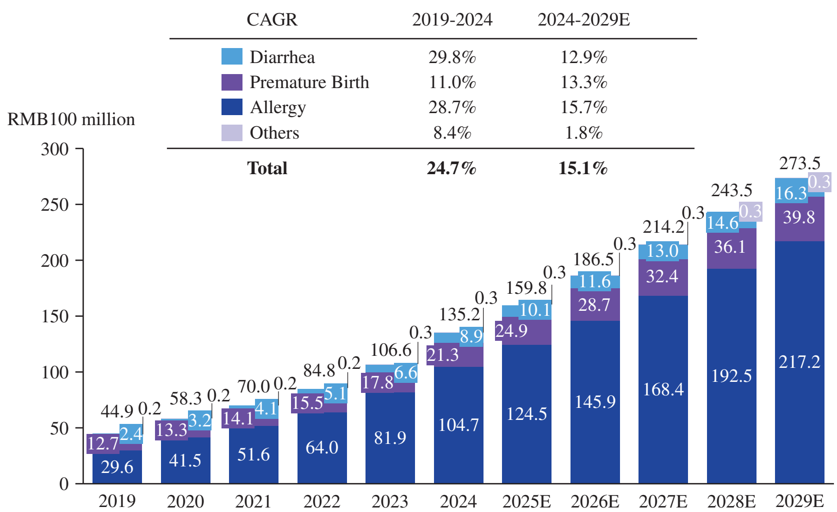
Type	Regular formulas	Partially hydrolyzed milk protein formulas	Extensively hydrolyzed milk protein formulas	Amino acid-based formulas
Protein hydrolysis degree	• Intact protein, unhydrolyzed	• Partially hydrolyzed protein	• Extensively hydrolyzed protein	• No milk protein added
Illustration				
Advantages and functions	• High quality milk proteins	• Small molecule protein to promote gastric emptying and easier digestion and absorption • Relieving gastrointestinal discomfort • Being used in the dietary management of functional gastrointestinal disorders or feeding discomfort	• Enhancing gastrointestinal tolerance and digestive absorption capacity • Reducing allergenicity and immunogenicity • Being used as a nutritional management measure for the prevention or relief of gastrointestinal discomfort and milk protein allergy symptoms	• Satisfying infants' needs for amino acids while avoiding allergens • Being used in the dietary management of infants with food protein allergy
Target demographic	• General infants and children, not for allergy treatment	• Infants with high risk of milk protein allergy • Infants with functional gastrointestinal disorders	• Infants with milk protein or multiple food protein allergy • Infants with gastrointestinal dysfunction	• Infants with severe milk protein or multiple food protein allergy • Infants with gastrointestinal dysfunction

Source: State Administration for Market Regulation, The CIC Report

In 2024, approximately 30% of the infants exhibited symptoms of allergies, among which approximately 6% suffered from food protein allergy in China. Due to parents' increasing concern about infants' allergic conditions, the market demand for infant FSMP that can effectively address or prevent allergies is relatively high. In 2024, the market size of allergic infant FSMP in China was RMB10.5 billion, accounting for approximately 77.4% of the infant FSMP market. The market for extensively hydrolyzed formula or amino acid-based formula FSMP in China accounted for 52.0% of the total infant FSMP market in 2024, and partially hydrolyzed milk protein formula products accounted for 25.4%, in terms of retail value. Due to their demonstrated efficacy in improving gastrointestinal digestion and absorption functions in infants, the approved indications for allergic FSMP have been expanded under the newly revised General Principles for Infant Formula Foods for Special Medical Purposes. In addition to their original application in managing allergic conditions, these products are now also approved for the dietary management of functional gastrointestinal disorders and gastrointestinal dysfunctions, providing effective relief of symptoms associated with gastrointestinal dysfunction. With a growing target population and increasing market penetration, the allergic segment is well-positioned for substantial growth to reach RMB21.7 billion by 2029, with a CAGR of 15.7% higher than the market average.

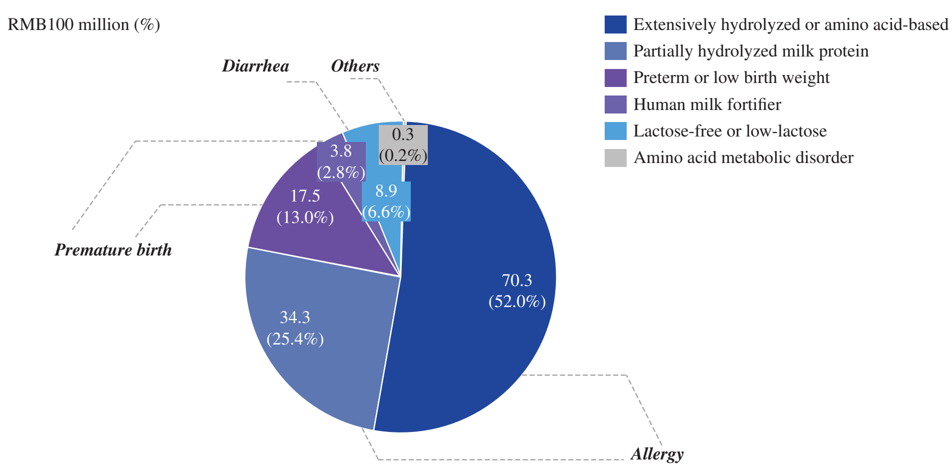
The premature birth segment includes preterm or low birth weight formula and human milk fortifier. The preterm birth rate among Chinese newborn infants is approximately 7% in 2024, and the market size of the premature birth segment reached RMB2.1 billion in 2024. With the rising average maternal age and an increasing proportion of multiple pregnancies, the incidence of preterm births in China is expected to remain on an upward trend. Meanwhile, continuous advancements in medical technology have significantly improved the survival rates of preterm infants and increased their reliance on nutritional intervention. These infants typically require prolonged and systematic nutritional support to achieve normal growth trajectories. Driven by these multiple factors, the demand for preterm birth FSMP has shown a steady upward trend. The premature birth FSMP market in China is expected to reach RMB4.0 billion by 2029, representing a CAGR of 13.3% from 2024 to 2029, highlighting strong future growth potential for the segment. The diarrhea segment refers to the market of lactose-free or low-lactose formula, which can quickly relieve discomfort symptoms such as diarrhea, abdominal distension, and abdominal pain in babies caused by lactose intolerance. In 2024, approximately 15% of infants in China exhibited symptoms of lactose intolerance. Generally, infants with this condition can relieve and control symptoms after taking lactose-free or low-lactose FSMP for about one month. In recent years, its market size has grown rapidly, increasing from RMB0.2 billion in 2019 to RMB0.9 billion in 2024, with a CAGR of 29.8%. The other segment mainly includes products of amino acid metabolic disorder formula. Due to the limited patient base, the market size is at a relatively low level. However, for patients with related diseases, these products are essential for maintaining normal growth and development, so the demand for such products in the market persists over the long term.

Market size of infant FSMP market in China, by indications, in terms of retail value, 2019-2029E



Source: The CIC Report

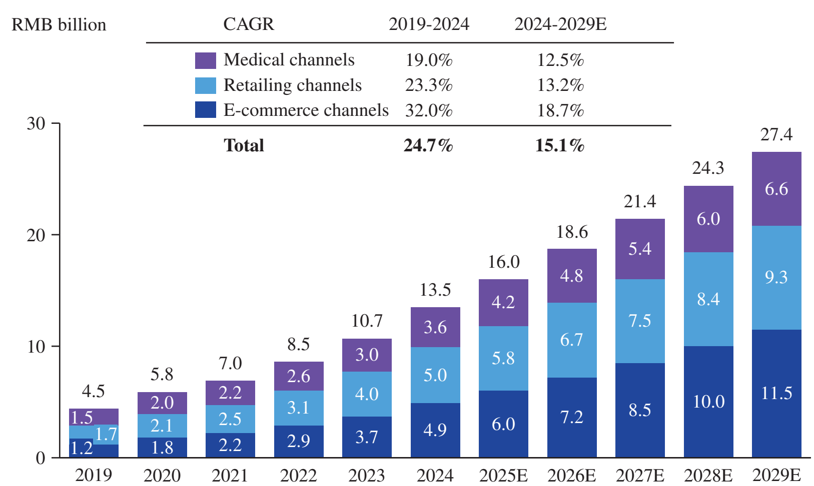
Market size of infant FSMP market in China, by formula, in terms of retail value, 2024



Source: The CIC Report

The sales channels for infant FSMP in China mainly include retail, e-commerce, and medical channels. Among these, the retail channel encompasses maternal-child specialty stores, chain supermarkets, and convenience stores. Maternal-child specialty stores, in particular, have become a key sales channel due to their focus on infant products and strong alignment with the target consumer group. In 2024, the market size of infant FSMP in retail channels reached RMB5.0 billion, and it is projected to grow at a CAGR of 13.2%, reaching RMB9.3 billion by 2029. Meanwhile, the e-commerce channel not only includes FSMP sold on integrated platforms but also covers imported products sold through cross-border e-commerce channels. The latter has become an important distribution channel in the industry, effectively filling gaps in certain product categories in the domestic market. In recent years, the market size of the e-commerce channel has been growing continuously. It has increased rapidly from RMB1.2 billion in 2019 to RMB4.9 billion in 2024, and is expected to further grow to RMB11.5 billion by 2029 with a CAGR of 18.7%. While the market size of the medical channel is relatively small compared to other channels, it plays a crucial role in consumer education and product promotion. Through hospitals, clinics, and specialized medical institutions, FSMP can effectively reach patient groups with specific nutritional needs. Additionally, the medical channel collaborates with physicians, dietitians, and other professionals to enhance the awareness and credibility of FSMP, further driving its penetration within the target consumer group. As such, the medical channel plays an indispensable role in increasing market penetration and building consumer trust in FSMP. The market size of China's infant FSMP sold through the medical channel is expected to increase from RMB3.6 billion in 2024 to RMB6.6 billion by 2029, with a CAGR of 12.5%.

Market size of infant FSMP market in China, by sales channels, in terms of retail value, 2019-2029E



Source: The CIC Report

Market drivers of China's infant FSMP industry

- ***Infant FSMP products demonstrating strong and rapid clinical efficacy in managing specific medical conditions in infants:*** As formula is often infants' primary source of nutrition, switching to targeted FSMP products frequently leads to observable symptom relief within a short period. This drives favorable prognostic judgments and increased recommendations from physicians. Such medical endorsements strengthen the confidence of channel participants, including distributors and retailers, accelerating product penetration. At the consumer level, visible health improvements enhance trust and generate positive word-of-mouth, encouraging broader adoption. These reinforcing effects support ongoing market education and drive steady expansion of the infant FSMP market.

- ***Increased focus on intensive parenting leading to better parent knowledge:*** While the number of newborns in China has plateaued in recent years, couples who choose to have children are increasingly prioritizing intensive parenting and precision nutrition. This shift has elevated the recognition of concepts such as active allergy management, preterm care, lactose intolerance intervention, and other nutrition-related health strategies. As a result, parents are more proactive in addressing these conditions and increasingly aware of FSMP's role in supporting management. Industry players have further accelerated this awareness through targeted investments in parental education programs, creating a virtuous cycle of knowledge dissemination and demand growth. It is anticipated that as the awareness of FSMP among parents grows, its reach and market size will continue to expand.

- ***Industry policies driving R&D and production investment in FSMP to meet more precise nutritional needs:*** With the promulgation of the Administrative Measures for the Registration of Formula Foods for Special Medical Purpose in 2016, China initially established the FSMP registration system. Since January 1, 2019, the relevant system has been fully implemented, and FSMP products manufactured domestically or exported to China must legally obtain FSMP registration certificates for normal sales. This marks the formal establishment of FSMP registration thresholds in China and the industry's advancement toward professionalism and standardization. The system not only serves as a key endorsement of the effectiveness of FSMP products but also opens a window for healthcare professionals to understand such products, bringing significant development opportunities to China's FSMP market. Subsequently, the government continued to optimize FSMP-related policies, improving guidelines for clinical trials, production, and review of FSMP. These documents provide clear guidance for enterprises, reduce innovation risks, and shorten the review and approval cycle for special-needs products, enabling companies to more efficiently focus on R&D and production to meet more precise special nutritional needs. This has sparked strong interest and investment in FSMP development across the industry, driving its orderly and rapid growth.

Future trends of China's infant FSMP industry

- ***Rising penetration rate of infant FSMP with increasing focus of parents on infant nutritional health:*** As parenting knowledge becomes more widespread and there is greater emphasis on infant health, parents of babies with nutritional deficiencies such as milk protein allergies, lactose intolerance, and congenital metabolic disorders are actively seeking suitable nutritional solutions under the guidance of medical professionals. This shift from passive to proactive learning has further driven the demand for specialized infant FSMP, increasing their penetration among babies with nutritional deficiencies. As a result, despite the decline in birth rates, the number of infants in need of and consuming FSMP continues to grow, injecting strong momentum into the industry's development.

- ***Increasingly refined category of infant FSMP with advancements in R&D technologies and continuous policy guidance:*** In recent years, domestic FSMP manufacturers have significantly increased their investment in research and development, making great strides in food technology and gradually overcoming key technical challenges, such as protein hydrolysis, high-purity amino acid extraction, and stability control. Some companies are even utilizing biotechnology to promote product innovation. Supported by these technological advancements, FSMP manufacturers are developing a wider range of specialized products to meet the unique needs of babies with different nutritional deficiencies, while also focusing on finer product category segmentation to precisely match the nutritional needs of specific disease groups. For instance, more segmented infant FSMP has been introduced to address allergies to different nutrients. Additionally, government policies have further encouraged the refinement of the infant FSMP category. In 2023, the government revised its registration management system, introducing a priority approval system for specific diseases and rare conditions, providing a fast track for relevant products, and accelerating industry development. The government also encourages enterprises to research the nutritional needs of special populations, and relevant departments continue to improve the classification standards for FSMP, clarifying the applicable populations and nutritional requirements for different categories, thus guiding companies to develop and produce products according to more precise standards. These policies not only promote the diversification and refinement of the infant FSMP category but also ensure the quality and safety of products, providing more precise and effective nutritional support for infants with specific nutritional deficiencies.

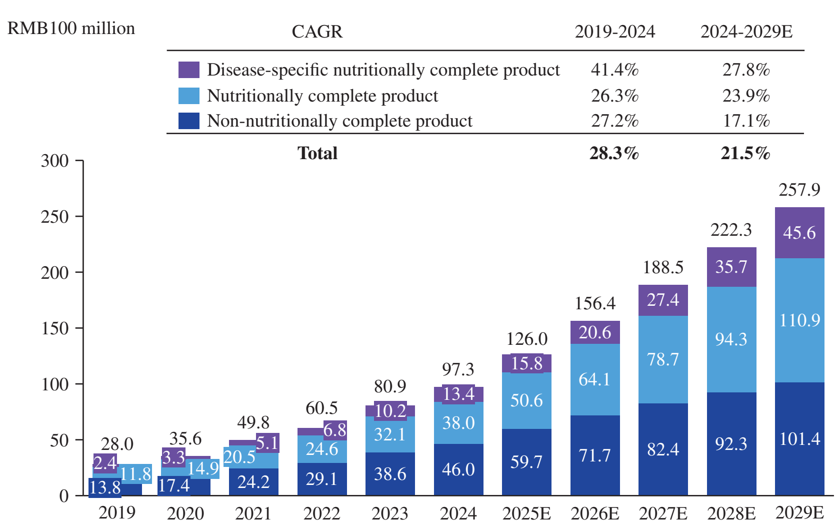
- ***FSMP companies diversifying sales channels with a focus on recommendations through medical channels:*** From the supply side, companies are actively expanding their sales reach by establishing new channels. Building on the core foundation of medical channel recommendations, they are increasing cooperation with retail outlets such as pharmacies, maternal-baby specialty stores, and supermarkets, while also launching e-commerce platforms to broaden product sales and capture consumer attention. This trend is driven by the growing popularity of non-hospital channels, such as e-commerce platforms and maternal-child specialty stores, which, due to their convenience, are more conducive to repeat purchases compared to the complex process of purchasing through hospital prescriptions. From a policy perspective, the government has strongly supported the diversification of FSMP distribution channels by encouraging companies to expand their sales networks, standardizing the sale of FSMP in non-hospital channels, and strengthening supervision over pharmacies and e-commerce platforms to ensure product quality and sales compliance. The diversification of distribution channels increases product accessibility for target consumer groups and is expected to further expand the infant FSMP market.

NON-INFANT FSMP INDUSTRY IN CHINA

Overview of non-infant FSMP industry in China

With the growing awareness of public health and the continuous promotion of in-hospital channels, the penetration of enteral nutrition support and its medical nutrition products is rapidly increasing in China. Enteral nutrition support provides the necessary nutrients through the gastrointestinal tract, with enteral nutrition formulas primarily used to meet the basic nutritional needs of general patients. Meanwhile, FSMP is specifically designed to address the unique nutritional needs of certain groups, such as patients with chronic diseases and those undergoing post-surgery recovery. These products are formulated and processed with precision to offer more targeted nutritional support, making them an essential component of enteral nutrition support. Historically, public awareness of enteral nutrition, particularly FSMP, has been relatively limited in China, and the efforts of healthcare professionals in promoting and popularizing these products have also been insufficient, resulting in lower penetration rates among the target patient groups. In China, among inpatients requiring clinical nutrition support, the penetration rate of enteral nutrition support is approximately 10% in 2024, significantly lower than the level exceeding 80% in the U.S. and EU, highlighting substantial growth potential in the industry. Within this segment, FSMP — particularly non-infant category — has demonstrated rapid growth in recent years. China's non-infant FSMP market has developed rapidly in recent years, growing from RMB2.8 billion in 2019 to RMB9.7 billion in 2024 with a CAGR of 28.3%, and is expected to maintain strong growth, reaching RMB25.8 billion by 2029 with a CAGR of 21.5% from 2024 to 2029.

Market size of the non-infant FSMP industry in China, by nutritional type, in terms of retail value, 2019-2029E



Source: The CIC Report

According to nutritional types, the non-infant FSMP market can be categorized into nutritionally complete product, disease-specific nutritionally complete product, and non-complete nutrition product. The nutritionally complete product refers to FSMP that can be used as a single source of nutrition to meet the nutritional needs of the target demographic, with its market size reaching RMB3.8 billion in 2024. As the penetration rate of nutritionally complete product among various demand groups, particularly the elderly population prone to chronic diseases, is expected to gradually increase with the deepening of market education, this segment is projected to grow to RMB11.1 billion by 2029, making it the largest category within China's non-infant FSMP market. The disease-specific nutritionally complete product refers to FSMP that can be used as a single source of nutrition to meet the nutritional needs of the target demographic under specific diseases or medical conditions, such as patients with tumors and kidney diseases. Currently, there is only one registered disease-specific nutritionally complete product in China. However, it is expected that more registered products will emerge, propelling the market to grow at a leading CAGR of 27.8% from 2024 to 2029, reaching RMB4.6 billion by 2029. The non-nutritionally complete product refers to FSMP that can meet part of the nutritional needs of the target population and is suitable for people who need to supplement single or partial nutrients, including formula types such as protein component formulas, electrolyte formulas, carbohydrate component formulas, etc. The market size of non-nutritionally complete product has seen rapid growth, increasing from RMB1.4 billion in 2019 to RMB4.6 billion in 2024, reflecting a CAGR of 27.2%.

In the non-infant FSMP market, the demand groups with relatively high penetration rates are currently the post-operative rehabilitation group and the in-hospital inpatient group, who typically receive prescriptions in hospitals and consume non-infant FSMP to promote recovery. As a result, medical channels, including nutrition departments, in-hospital pharmacies, and out-of-hospital pharmacies, account for the largest proportion of the market. The market size of non-infant FSMP sold through medical channels in China accounted for approximately 52.5% of China's non-infant FSMP market size in 2024. Historically, due to the strong professionalism and complex product information associated with non-infant FSMP, as well as the channel layout preferences of FSMP brands, consumer groups rarely purchased these products through retail channels like supermarkets and department stores. However, with increasing awareness of nutrition and health among potential demand groups, especially patients with chronic diseases, there has been a shift towards purchasing non-infant FSMP as a supplement for daily nutritional needs.

Future trends of China's non-infant FSMP industry

- ***The non-Infant FSMP product matrix expected to further segment and deepen:*** Non-infant FSP can be categorized into products designed for individuals aged 1 to 10 and those aged 10 or above. Due to significant differences in nutritional needs across various life stages, the market is increasingly focusing on developing refined and specialized nutritional solutions. For the 1-10 age group, which is in a period of rapid physical and cognitive development, enterprises are increasingly focusing on accurately configuring nutrients and launching FSMP that meet the growth characteristics and nutritional needs of children. With the continuous trend of population aging, the demand for medical nutrition among people aged 50 and above — who are more prone to chronic diseases such as diabetes, kidney disease, and cancer — has been continuously increasing, prompting enterprises to increase R&D investment in customized FSMP products for elderly consumers. Going forward, this segment is expected to become more refined and targeted, with product lines covering a wide range of specific needs including diabetic nutrition management, renal-adapted formulas, and oncology nutrition support. As a result, FSMP products suitable for individuals over 50 are expected to account for an increasing share of the non-infant FSMP market and become a key driver of future market growth.

- ***Social healthcare policies strengthening non-hospital health management:*** China is undergoing rapid aging, with the population aged 65 and above currently accounting for 15.6% in 2024 and showing a continuous upward trend. To prevent excessive strain on the public healthcare system, China's healthcare regulatory and policy-making authorities are gradually shifting their focus to non-hospital health management, with a notable increase in emphasis on nutritional management. For example, the Guidelines for the Construction and Management of Clinical Nutrition Departments (Trial) issued in 2023 clearly mandates the strengthening of clinical nutrition talent training and promotes nutritional diagnosis and treatment in medical institutions. The promotion of non-hospital health management will encourage the use of non-infant FSMP as an effective nutritional management tool, driving their increased penetration among target populations.

- ***Expanding potential consumer base for non-infant FSMP driven by aging population and the rising incidence of chronic diseases:*** Research indicates that the incidence of chronic diseases increases with age, leading to a greater prevalence of age-related health issues such as cardiovascular diseases, diabetes, hyperlipidemia, and malnutrition. For example, the prevalence of diabetes among people aged 60 and above in China reaches approximately 20%, while the prevalence of hypertension is approximately 60%. Additionally, as Generation X approaches old age, their higher education levels, greater health awareness, and relatively higher income levels are expected to significantly boost the demand and acceptance of FSMP. This demographic shift is set to drive substantial market growth of non-infant FSMP, as more individuals recognize the importance of tailored nutritional support in managing chronic diseases and promoting healthy aging.

COMPETITIVE LANDSCAPE OF CHINA'S FSMP INDUSTRY

China's FSMP industry has relatively high entry barriers. As of the end of 2024, approximately 60 companies had registered FSMP products, with fewer than 20 companies having registered infant FSMP products in China. In recent years, the market share of domestic FSMP brands has steadily increased, with a significant rise in the number of registered products. Domestic brands are actively leveraging policy incentives and existing advantages to rapidly expand into the FSMP sector. For example, many infant FSMP brands have expanded from infant formula to infant FSMP, quickly promoting their products through synergies in the maternal-baby channel and digital marketing advantages, thereby enhancing brand visibility and sales. Some non-infant FSMP companies, leveraging their R&D capabilities, production management experience, and medical channel resources in the pharmaceutical or nutritional supplement sectors, are actively entering the non-infant FSMP market, demonstrating strong growth momentum.

In 2024, the total market size of FSMP in China reached RMB23.2 billion. Based on the retail value of FSMP by brand in 2024, the top five companies collectively accounted for 78.0% of the market share, indicating a relatively high market concentration. The Company's FSMP retail value for 2024 was RMB1.5 billion, ranking fourth in the Chinese FSMP industry with a market share of 6.3%. Additionally, in terms of retail value, the Company ranked first among domestic FSMP brands in China in 2024 and is the only domestic brand among the top five FSMP brands in the market, solidifying its leadership position in the domestic FSMP sector.

Top market participants in China's FSMP market in terms of retail value, 2024

Rank	FSMP brands	Brand origin	Retail value	Market share
			(RMB billion)	
1	Brand A	Foreign	10.3	44.2%
2	Brand B	Foreign	3.8	16.3%
3	Brand C	Foreign	1.9	8.4%
4	**The Company**	**Domestic**	**1.5**	**6.3%**
5	Brand D	Foreign	0.6	2.7%

Source: The CIC Report

Notes:

1. Brand A is affiliated with a globally renowned food, beverage and nutrition company. Established in 1866, the company is listed on the SIX Swiss Exchange with its headquarters located in Switzerland.

2. Brand B is affiliated with a global food, beverage and health nutrition company. Established in 1919, the company is listed on the Euronext Paris with its headquarters located in France.

3. Brand C is affiliated with a globally leading healthcare company. Established in 1888, the company is listed on the New York Stock Exchange with its headquarters located in the United States.

4. Brand D is affiliated with a global company that focuses on infant nutrition. Established in 1905, the company is now a private company with its headquarters located in the United States.

The total market size of infant FSMP in China reached RMB13.5 billion in 2024. Based on the retail value of infant FSMP by brand in 2024, the top five companies accounted for 92.9% of the market share, indicating a very high level of market concentration. The Company achieved retail value of RMB1.3 billion in infant FSMP in 2024, ranking third in China's infant FSMP market with a market share of 9.5%. Among domestic infant FSMP brands, the Company ranked first in 2024, maintaining a leading position.

Top market participants in China's infant FSMP market in terms of retail value, 2024

Rank	FSMP brands	Brand origin	Retail value	Market share
			(RMB billion)	
1	Brand A	Foreign	7.7	57.0%
2	Brand B	Foreign	2.5	18.4%
3	**The Company**	**Domestic**	**1.3**	**9.5%**
4	Brand D	Foreign	0.6	4.7%
5	Brand E	Domestic	0.4	3.3%

Source: The CIC Report

Note:

1. Brand E is affiliated with a company specializing in dairy products. Established in 1956, the company is a private company with its headquarters located in China.

The Company ranked third in the sales of allergic infant FSMP and second in the sales of partially hydrolyzed milk protein formulas (for allergy prevention) in 2024, demonstrating the Company's leading advantage in the allergic FSMP, which is the most important sector in infant FSMP.

Entry barriers of China's FSMP industry

- ***Strict registration management presenting significant challenges to the R&D capabilities:*** The government enforces stringent registration regulations for FSMP, requiring companies to submit extensive documentation, including product formulas, production processes, label instructions, and clinical trial reports to demonstrate the scientific validity and safety of their products. The review process is rigorous, demanding high levels of professional R&D capability and a meticulous approach, which limits entry for companies lacking sufficient expertise. Furthermore, the application process is complex and time-consuming, involving several stages such as acceptance, technical review, on-site inspection, and approval. Any issues during these stages may result in delays, adding to the time cost for companies. The lengthy registration cycle presents a significant challenge for companies eager to enter the market, thus creating a barrier to entry.

- ***Strong brand reputation and broad market recognition to expand sales:*** Consumers are highly concerned about the quality and safety of FSMP, often preferring well-known brands. Companies with established, trusted brand images are more likely to earn consumer trust. New entrants must invest time and resources over the long term to build brand recognition and credibility. In a highly competitive market, the disadvantage of being an unknown brand makes it difficult for new companies to gain rapid market access, further increasing the challenge of entering the market.

- ***Strong sales channel development and operational capabilities:*** To succeed, companies must establish robust sales channels, including hospitals, pharmacies, maternal-child specialty stores, and e-commerce platforms. Hospital channels serve as the core gateway for FSMP brands to establish professional trust, validating product efficacy through physician endorsements and clinical scenarios while providing foundational market penetration traffic and authoritative support for long-term consumer mindshare occupation. Entering the hospital channel requires building strong relationships with medical institutions and navigating procurement processes such as drug tenders. Additionally, expanding into e-commerce requires expertise in online operations and marketing. Companies also need a professional after-sales service team to provide nutritional consulting and guidance. New companies often face challenges in accumulating the necessary operational experience and resources to develop these channels effectively.

- ***Substantial initial capital investment:*** Developing, producing, and marketing FSMP requires significant financial investment. R&D costs include product formula development, clinical trials, and registration applications, all of which require high funding. The production process entails building standard-compliant manufacturing facilities and purchasing advanced equipment, which is costly. Furthermore, substantial investments are needed for sales promotion, including channel development, brand advertising, and academic marketing. Companies with insufficient funding may struggle to sustain the entire business process, limiting the ability of new entrants to compete in the industry.

- ***High technical requirements:*** The production of FSMP requires precise control over the nutritional composition and quality of ingredients. For example, when producing hydrolyzed whey protein formula milk powder, a special hydrolysis process is used to break down large protein molecules into smaller ones while ensuring that the nutritional content remains intact. Companies must also have advanced testing technologies to rigorously monitor the quality of raw materials, semi-finished products, and finished goods throughout the production process. Mastering these core technologies requires significant R&D investment and specialized technical talent, making it difficult for new entrants to overcome technical bottlenecks in the short term.

Key success factors of China's FSMP industry

- ***Ability to independently develop product formulas to meet clinical needs and ensure timely adjustments:*** Regulatory authorities conduct rigorous reviews of the scientific basis and uniqueness of product formulas during the FSMP registration process. Companies with in-house research and development capabilities can precisely design formulas to meet the specific nutritional needs of different patient groups, carefully controlling the content of amino acids, vitamins, and minerals to address the unique metabolic requirements of patients. Such specialized formulations, based on in-depth research and expertise, can strongly demonstrate the product's efficacy and safety for the target population, ensuring successful market registration and access. Additionally, as FSMP regulations and standards continue to evolve, companies with in-house R&D capabilities can quickly adapt and modify formulas to remain compliant with these changes.

- ***Early brand building to form trust and secure mindshare:*** The brand building of FSMP products starts with hospital channels. While brands continuously promote the growth of out-of-hospital sales to demonstrate their products' market appeal, the construction of FSMP brands would be so inefficient as to be hardly widely recognized without hospital channels as a foundation. A physician's endorsement is many times more persuasive than a retailer's sales pitch, and hospitals and physicians are also very careful in selecting brands to cooperate with or recommend due to their professional prestige. With the good prognosis of FSMP products, especially infant FSMP, it's also less common for hospitals and physicians to switch from a familiar brand that they know works well to a less-known brand. As such, the industry shows signs of apparent first-mover advantage. Early entrants can establish and accumulate brand trust, secure and maintain hospital cooperation, and use such cooperation to secure shares of consumer mind.

- ***Active channel expansion to enhance consumer awareness and market competitiveness:*** FSMP companies are increasingly diversifying their sales channels to improve consumer recognition and product competitiveness. Hospitals, as key sales channels for FSMP, provide both professionalism and authority. By establishing close partnerships with hospitals and participating in drug and supply tenders, companies can integrate their products into hospital supply systems and offer professional training to healthcare providers, ensuring accurate product recommendations to patients. Hospital channels allow for precise targeting of the consumer base, leveraging the credibility of healthcare professionals to enhance consumer trust. Collaborating with large hospitals also facilitates clinical nutrition support programs, which can increase product usage, gather valuable clinical feedback, and further optimize the product to enhance market competitiveness.

- ***Ability to effectively control product costs and sales and marketing expenses:*** Effective cost control is essential to the production and operational efficiency of FSMP companies, directly influencing profitability and market competitiveness. In the procurement stage, companies can reduce costs through long-term partnerships with high-quality suppliers and bulk or centralized purchasing strategies. During production, implementing advanced manufacturing equipment and optimizing processes can improve efficiency while reducing energy consumption and waste. For marketing, accurately targeting customer segments and devising scientific marketing plans helps allocate resources effectively and avoid unnecessary expenditures. By employing comprehensive control measures in product cost and marketing expense, companies can lower product prices while maintaining quality, improving cost-effectiveness, and ensuring long-term sustainability.

- ***Ability to establish quality control and traceability systems to protect consumer rights and safeguard brand reputation:*** Ensuring product safety and quality is a top priority for consumers of FSMP. Establishing rigorous quality control and traceability systems is crucial for gaining consumer trust. Companies must implement strict quality monitoring throughout the entire production process, from raw material sourcing and manufacturing to packaging, storage, and distribution, with comprehensive batch testing to ensure compliance with quality standards. A robust traceability system enables swift identification of the source of any quality issues, allowing for timely product recalls to minimize negative impact, protect consumer rights, and uphold the company's brand reputation.

SOURCES OF INFORMATION

We commissioned CIC, an independent market research and consulting company founded in Hong Kong and engaging in the provision of professional consulting services across multiple industries, to conduct an analysis of and report on the FSMP market in China. The CIC Report was prepared by CIC independent of our influence. The fee for the preparation of the CIC Report was RMB600,000, which we believe reflects the market rate for such reports.

The information and data collected by CIC have been analyzed, assessed and validated using CIC's in-house analysis models and techniques. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing market data obtained from several publicly available data sources. The methodology used by CIC is based on analyzing information gathered from multiple levels and ensures that this information is cross-referenced for reliability and accuracy.

The market projections in the CIC 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) the economic and industry development in China is likely to maintain a steady growth trajectory during the forecast period, accompanied by continuing urbanization; (iii) related key industry drivers are likely to propel continued growth in China's FSMP industry throughout the forecast period; and (iv) there will be no extreme force majeure event or unforeseen industry regulation that may significantly or fundamentally affect the relevant market and industry.

Our Directors confirm that after taking reasonable enquiries, there had been no material adverse change in the market information since the date of the CIC Report which may qualify, contradict or have an impact on the information set out in this section. Except as otherwise mentioned, all data and forecasts contained in this section are extracted from the CIC Report.

We are subject to a variety of PRC laws, rules and regulations across a number of aspects of our business. This section sets forth a summary of the most significant laws and regulations that are applicable to our current business activities within the territory of the PRC.

LAWS AND REGULATIONS ON FOREIGN INVESTMENT

According to the PRC Company Law (《中華人民共和國公司法》), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on December 29, 1993, last revised on December 29, 2023 and came into effect on July 1, 2024, companies are generally classified into two categories, namely limited liability companies and joint stock limited companies. The company is an enterprise legal person, which has independent corporate property and enjoys the property right of the legal person. The PRC Company Law also applies to foreign-invested limited liability companies and joint stock limited companies.

On March 15, 2019, the NPC promulgated the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》, the "**FIL**"), which came into effect on January 1, 2020, and replaced the Law of the PRC on Chinese-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the PRC on Chinese-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》). The FIL establishes the basic framework for the access, promotion, protection and management of foreign investment to establish investment protection measures and fair competition. According to the FIL, China adopts the management system of pre-establishment national treatment and negative list for foreign investment. In order to further clarify and elaborate the FIL, the State Council promulgated the Implementing Regulation of the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》, the "**FIL Implementation Regulation**") on December 26, 2019, which came into effect on January 1, 2020, further clarifying that China encourages and promotes foreign investments, protects the legitimate rights and interests of foreign investors, standardizes administration of foreign investments, continuously optimizes the foreign investment environment, and promotes higher level of opening up.

On September 6, 2024, the National Development and Reform Commission ("**NDRC**") and the Ministry of Commerce ("**MOFCOM**") jointly issued the Special Administrative Measures for Foreign Investment Access (Negative List) (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》, the "**Negative List**") which came into effect on November 1, 2024. Pursuant to the FIL, the FIL Implementation Regulation and the Negative List, foreign investors shall not invest in fields for which investment is prohibited by the Negative List. Investments by foreign investors in fields for which investment is restricted by the Negative List shall comply with the restrictive admission special administrative measures such as equity requirements, senior management personnel requirements stipulated by the Negative List. Fields not included in the Negative List shall be subject to administration pursuant to the principle of equal treatment for domestic and foreign investments.

On December 30, 2019, the MOFCOM and the State Administration for Market Regulation ("**SAMR**"), jointly promulgated the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》),which became effective on January 1, 2020. Pursuant to the measures, foreign investors carrying out investment activities in China directly or indirectly shall submit investment information to the commerce administrative authorities.

LAWS AND REGULATIONS ON PRODUCTION AND TRADE

Food Safety Law and the Implementation Rules of the Food Safety Law

According to the Food Safety Law of the PRC (《中華人民共和國食品安全法》, the "**Food Safety Law**"), which was promulgated by the SCNPC on February 28, 2009 and was last revised on April 29, 2021 and became effective on the same day, food producers and operators shall engage in production and trade in accordance with laws, regulations, and food safety standards, ensure food safety, maintain integrity and self-discipline, take responsibility to the society and the public, accept supervision from the society, and assume social responsibilities. China shall adopt a licensing system for food production and trade. Whoever engages in food production or sale or catering services shall obtain a permit in accordance with the law. However, a permit is not required for the sale of edible agricultural products and prepacked food. The sale of prepacked food shall be reported to the food safety regulatory department of the local people's government at or above the county level for recordation.

Where anyone, in violation of the Food Safety Law, engages in food production or trade activities without a food production or trade permit or engages in the production of food additives without a food additive production permit, the food safety supervision and administration department of the people's government at or above the county level shall confiscate its illegal income, the food or food additives illegally produced or dealt in, and the tools, equipment, raw materials, and other items used for illegal production or operation; and impose a fine of not less than RMB50,000 but not more than RMB100,000 on it if the goods value of the food or food additives illegally produced or dealt in is less than RMB10,000 or a fine of not less than ten times but not more than 20 times the goods value if the goods value is RMB10,000 or more.

China shall establish a food recall system. Where a food producer discovers that any food produced by it does not meet the food safety standards or there is evidence that the food is potentially hazardous to human health, it shall immediately stop the production of the food, recall all such food already on the market, notify the relevant producers, traders, and consumers, and record the recall and notification.

The Implementation Rules of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》, the "**Implementation Rules of the Food Safety Law**"), which was promulgated by the State Council on July 20, 2009 and was last revised on October 11, 2019 and became effective on December 1, 2019, further clarifying that food producers and traders shall conduct production and trading activities in accordance with laws, regulations and food safety standards, establish and improve food safety management rules, and take effective measures to prevent and control food safety risks, so as to ensure food safety.

Food Production Licensing

According to the Measures for the Administration of Food Production Licensing (《食品生產許可管理辦法》) promulgated by the SAMR on January 2, 2020 and effective as of March 1, 2020, whoever intends to conduct food production activities within the territory of the PRC shall obtain a food production permit in accordance with the law. The market regulatory departments of provinces, autonomous regions and municipalities directly under the Central Government shall be responsible for the licensing for the production of health food, formula food for special medical purposes, infant formula food, infant supplementary food, edible salt, and other food. The date of issue for the food production license is the date of decision-making, and the license is valid for 5 years. Where food producers need to extend the validity period of the lawfully obtained food production licensing, they shall file an application with the market regulatory authority which originally issued the license 30 working days before its expiration.

Food Operation Licensing and Record-filing

According to the Administrative Measures for Food Operation Licensing and Filing (《食品經營許可和備案管理辦法》) promulgated by the SAMR on June 15, 2023 and effective on December 1, 2023, a food operation licensing shall be obtained in accordance with the law to engage in food selling and catering services within the territory of the PRC. The sale of prepackaged food only shall be filed for record with the local market regulatory authority at or above the county level. The issuance date of a food trade permit shall be the date when the licensing decision is made, and the permit shall be valid for five years. Where a food trader needs to extend the validity period of its lawfully obtained food operation licensing, it shall file an application with the market regulatory authority which originally issued the permit within the period from 90 working days to 15 working days before its expiration.

Supervisory Inspection of Food Production and Operation

According to the Administrative Measures for Supervision and Inspection of Food Production and Business Operation (《食品生產經營監督檢查管理辦法》) released by the SAMR on December 24, 2021 and effective on March 15, 2022, food producers and traders shall be responsible for the safety of the food they produce and trade, and shall actively cooperate with market regulatory departments in supervisory inspections. The market regulatory department may, as required by its work, conduct unannounced inspections of food producers and traders for which clues to problems are found through sampling inspections for food safety, and conduct systematic inspection on the operation of quality management systems of special food, high-risk bulk food production enterprises, and large-scale food trade enterprises, among others. The supervisory inspection result, interview held by the market regulatory department with the food producer or trader, and rectification made by the food producer or trader shall be included in the food safety credit archives of such a food producer or trader.

Food Recalls

According to the Administrative Measures for Food Recall (《食品召回管理辦法》) promulgated by the SAMR on March 11, 2015, revised on October 23, 2020 and effective on the same day, the food producer or trader shall assume the primary responsibilities for food safety according to the law, establish and improve the relevant management systems, collect and analyze food safety information, and perform the duties to cease the food production and business operation, recall and disposal of unsafe foods in accordance with the law. Where a food producer knows that any food it produced and distributed is unsafe by such means as self-examination, complaints and reporting of the general public, and notification of dealers and regulatory authorities, it shall voluntarily recall such food. A food trader shall, in accordance with the provisions of relevant laws and regulations, voluntarily recall unsafe foods caused due to its own reason within its business scope.

Registration of Formula Food for Special Medical Purposes

According to the Food Safety Law, China shall implement stringent supervision and administration for special foodstuffs such as health food, special formula foodstuffs for special medical purposes and infant formula. Special formula foodstuffs for special medical purposes shall be registered with the food safety supervision and administration department of the State Council. The product formula, manufacturing process, label, instructions and materials stating the product's safety, nutritional adequacy and clinical results of special medical purposes shall be submitted at the time of registration. The provisions of the Advertising Law of the PRC (《中華人民共和國廣告法》) and other laws and administrative regulations on administration of drug advertisements shall apply to advertisements of special formula foodstuffs for special medical purposes.

Pursuant to the Administrative Measures for the Registration of Foods for Special Medical Purposes (《特殊醫學用途配方食品註冊管理辦法》) promulgated by the SAMR on March 7, 2016, last revised on November 28, 2023 and effective as of January 1, 2024, applicants for the registration of formula food for special medical purposes shall have research and development ("**R&D**") capability, manufacture capacity and inspection capability that are appropriate to the formula food for special medical purposes being manufactured, establish a R&D body for the formula food for special medical purposes and a quality management system which is appropriate for the manufacture of formula food for special medical purposes under good production practices and carry out batch-by-batch inspection of ex-factory products in accordance with relevant laws and regulations, national standards for food safety and technical requirements. Generally, a clinical trials report shall also be submitted when applying for the registration of FSMP with disease-specific nutritionally complete formula. An applicant shall commission a qualified clinical agency to carry out clinical trials. Clinical trials shall be conducted in accordance with the good quality management practices for clinical trials of formula food for special medical purposes.

According to the National Food Safety Standard for FSMP for Infants (GB 25596-2025) (《食品安全國家標準特殊醫學用途嬰兒配方食品通則(GB 25596-2025)》, the "**New National Standard**") which was promulgated by the National Health Commission and the SAMR on March 16, 2025 and the Q&A of Infant Formula Food for Special Medical Purposes Registered under the New National Standard (《特殊醫學用途嬰兒配方食品按新國標註冊問答》) disclosed by the SAMR on its official website on April 23, 2025, the New National Standard will take effect on April 23, 2027. Since the date of implementation of the New National Standard, producers should organize production in accordance with the registered technical requirements of the New National Standard, the products previously produced in accordance with the National Standard for Food Safety — General Principles of Infant Formula Food for Special Medical Purposes (GB 25596-2010) (《食品安全國家標準特殊醫學用途嬰兒配方食品通則(GB 25596-2010)》) can be sold until the end of the shelf life. For the registered infant formula food for special medical purposes, if the applicant only adjusts the formula according to the new national standard, the applicant would follow the procedure for change of registration in principle.

Advertisement of Formula Food for Special Medical Purposes

According to the Food Safety Law, the Advertising Law of the PRC (《中華人民共和國廣告法》) promulgated on October 27, 1994 by the SCNPC, which was last revised on April 29, 2021 and became effective on the same day, and the Interim Administrative Measures for the Examination of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes (《藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法》) promulgated on December 24, 2019 and became effective on March 1, 2020 by the SAMR, advertisements for drugs, medical devices, health food and formula food for special medical purposes shall be true and legitimate, and shall not contain any false or misleading contents. Advertisers shall be responsible for the veracity and legitimacy of the contents of advertisements for drugs, medical devices, health food and formula food for special medical purposes. An application for the review of an advertisement for a drug or formula food for special medical purposes shall be filed with the advertisement review authority of the place where the production enterprise or import agent or any other advertiser is located.

Cross-border E-commerce Business

According to the Circular on Improving the Regulation for Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口監管有關工作的通知》) promulgated by the MOFCOM, the NDRC, the MOF, the General Administration of Customs ("**GACC**"), the State Taxation Administration, and the SAMR on November 28, 2018 with effect from January 1, 2019, the cross-border E-commerce retail imports shall be regulated as goods imported for personal use, which shall not be subject to the license approval, registration or filing requirements for the first-time importation of the goods, and the cross-border E-commerce retail imports shall satisfy the following criteria: (i) fall in the Cross-Border E-commerce List, be solely for personal use and satisfy the conditions stipulated in the tax policies for cross-border e-commerce retail importation; (ii) transacted through an e-commerce platform linked with the Customs network, and able to achieve "three documentation" comparison of transaction, payment and logistics electronic information; (iii) not transacted through an e-commerce platform linked with the Customs network, but the inbound and outbound courier operator or postal enterprise can accept entrustment by the relevant e-commerce enterprise and payment enterprise, undertake to bear the corresponding legal liability, and transmit transaction, payment electronic information to the Customs.

Pursuant to the Notice on Improving the Taxation Policy for Cross-border E-commerce Retail Imports (《關於完善跨境電子商務零售進口稅收政策的通知》) issued by the MOF, GACC and SAT on November 29, 2018 and implemented on January 1, 2019, the limit of a single transaction of cross-border e-commerce retail import goods was increased from RMB2,000 to RMB5,000, and the annual transaction limit was increased from RMB20,000 to RMB26,000.

According to the Announcement on Regulatory Matters concerning Cross-Border E-commerce Retail Imports and Exports (《關於跨境電子商務零售進出口商品有關監管事宜的公告》, the "**Circular No. 194**") promulgated by the GACC on December 10, 2018 and implemented on January 1, 2019, goods imported through "Imports via Direct Purchase" (直購進口) in cross-border e-commerce and those applicable to the import policy of "Bonded Imports via Online Shopping" (網購保稅進口) are subject to the regulation as inbound items for personal use but not subject to the requirements for initial import approval, registration and recordation of relevant goods.

Import and Export

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), which was promulgated by the SCNPC on May 12, 1994 and last revised on December 30, 2022 and was effective on the same day, the foreign trade department of the State Council shall be responsible for foreign trade in China. Since December 30, 2022, no registration of foreign trade operators is required. China shall permit free import and export of goods and technologies, unless otherwise in relevant laws or administrative regulations.

According to the Administrative Provisions of the Customs of the PRC on Record-filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》), which was promulgated the GACC on November 19, 2021 and was effective on January 1, 2022, Customs declaration entities refer to consignees or consignors of imported or exported goods or customs declaration enterprises that have filed for record with Customs. Consignors or consignees of imported or exported goods or customs declaration enterprises that apply for record-filing shall obtain market entity qualifications; in the case of consignors or consignees of imported or exported goods applying for record-filing, they shall also complete the record-filing formalities for foreign trade dealers. Record-filing of customs declaration entities shall be valid permanently.

According to the Notice of the Department of Enterprise Management and Inspection on Matters Related to the Record-filing of Consignors and Consignees of Import and Export 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》) published by the GAAC with immediate effect on January 3, 2023, if consignors and consignees of import and export goods apply for record-filing, they shall obtain the market entity qualification and are not required to obtain the record-filing of foreign trade business operators.

Pursuant to the Measures of the PRC for the Safety of Imported and Exported Food (《中華人民共和國進出口食品安全管理辦法》), which was released by the GACC on April 12, 2021 and became effective on January 1, 2022, the manufacturers and traders of food for import or export shall be responsible for the safety of the food for import or export produced or traded by them. The manufacturer of food for export shall file for record with the local Customs authorities, and the record-filing procedures and requirements shall be formulated by the GACC.

Food Labeling

According to the Administrative Provisions on Food Labeling (《食品標識管理規定》), which was promulgated by the State Administration of Quality Supervision, Inspection and Quarantine on August 27, 2007 and was last revised and effective on October 22, 2009, food products or their packages shall be attached with labels, unless it is otherwise provided by any law or administrative regulation. The contents of a food label shall be authentic, accurate, exoteric, easy to understand, scientific and legal. The food label shall state the name of the food, the place of production of the food, the name, address and contact of the manufacturer, and distinctly state the date of production and the date of expiration of the food, and also state the storage requirements under the requirements of the relevant provisions.

On March 14, 2025, the SAMR promulgated the Administrative Measures for Supervision of Food Labeling (《食品標識監督管理辦法》), which will come into effect on March 16, 2027 and replace the Administrative Provisions on Food Labeling.

Pursuant to the Guidelines for Labeling of Foods for Special Medical Purposes (《特殊醫學用途配方食品標識指南》) promulgated by the SAMR on December 20, 2022 and effective on the same day, the FSMP labeling refers to the words, symbols, numbers, patterns and other descriptions printed, pasted, labeled or attached to the package of the minimum sales units of FSMP products, which are used to identify and describe the basic information, characteristics or attributes of the food. The FSMP labeling includes labels and instructions. The FSMP labeling should comply with the relevant laws, regulations, rules and national standards for food safety. The FSMP labeling involving the content of the certificate of registration of FSMP, should be consistent with the content of the certificate and marked with the registration number. The contents of the label and the instruction of FSMP shall be consistent, and if the label has already covered all the contents of the instruction, the instruction is not required to attached. Labels and instructions shall be true, standardized, scientific, accurate, understandable and legible, and shall not contain false or exaggerated contents or absolute language. The minimum sales units of FSMP products should be marked with the exclusive logo of FSMP.

LAWS AND REGULATIONS ON PRODUCT QUALITY AND THE PROTECTION OF CONSUMERS' RIGHTS AND INTERESTS

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) promulgated on February 22, 1993, with the latest revision and effective on December 29, 2018 by the SCNPC, producers shall be responsible for the quality of their products. If a defect in a product causes physical injury or damage to property other than the defective product, the producer shall bear liability for compensation. Where a product is defective due to a mistake made by the seller and such defect causes physical injury or damage to third party property, the seller shall bear liability for compensation.

According to Law of the PRC on the Protection of Rights and Interests of Consumers (《中華人民共和國消費者權益保護法》, the "**Consumer Protection Law**"), which was promulgated by the SCNPC on October 31, 1993, last amended on October 25, 2013 and effective on March 15, 2014, business operators shall ensure that their goods or services provided satisfy the requirements for protection of personal safety or property security. Business operators shall ensure the requisite quality, function, use and shelf life of their goods or services under normal use of goods or receipt of services rendered. Violation of the Consumer Protection Law may cause the business operator to bear civil liability or administrative liability. Where the infringement upon the legitimate rights and interests of consumers constitutes a criminal offense, the business operator may be pursued for criminal liability in accordance with the law.

LAWS AND REGULATIONS ON NETWORK DATA SECURITY AND INFORMATION SECURITY

In accordance with the provisions of the Civil Code of the PRC (《中華人民共和國民法典》), the personal information of a natural person shall be protected by the law. Any organization or individual shall legally obtain the personal information of others when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit the personal information of others, or illegally buy or sell, provide or make public the personal information of others.

On July 1, 2015, the SCNPC promulgated the State Security Law of the PRC (《中華人民共和國國家安全法》), which came into force on the same day, stipulated that State shall establish a review and regulation system and mechanism for State security, and conduct the State security review against foreign investment, specific items and key technologies and network information technology products and services that affect or may affect State security, projects relating to State security matters and other material matters and events in order to effectively prevent and resolve State security risks.

On November 7, 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**"), effective as of June 1, 2017, and it applies to the construction, operation, maintenance and use of the network as well as the supervision and administration over the cybersecurity within the territory of PRC. According to the Cybersecurity Law, the state established graded system for cybersecurity protection. Network operators are required to perform relevant obligations of security protection to ensure that the network is free from interference, disruption or unauthorized access, and prevent network data from being disclosed, stolen or tampered.

On June 10, 2021, the SCNPC promulgated the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》, the "**Data Security Law**"), which took effect on September 1, 2021. According to the Data Security Law, any organization or individual shall collect data by lawful and proper means and shall not acquire data by theft or other illegal means. And the Data Security Law contains specific provisions on establishing the categorized and hierarchical data protection system, data security risk assessment mechanism, data security emergency response mechanism, data security review system and other basic systems for data security management.

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law of the People's Republic of China (《中華人民共和國個人信息保護法》, the "**Personal Information Protection Law**") which took effect on November 1, 2021. According to the Personal Information Protection Law, the handling of personal information shall follow the principles of lawfulness, legitimacy, necessity and good faith, and it is not allowed to handle personal information by misleading, fraud, coercion or otherwise. Any organization or individual shall not illegally collect, use, process or transmit the personal information of others, illegally buy or sell, provide or make public the personal information of others, or engage in the handling of personal information that endangers the national security or public interests. The personal information handler shall, according to the purpose and method of handling personal information, types of personal information, impacts on personal rights and interests and possible security risks, take the relevant measures to ensure the compliance of personal information handling activities with the laws and the administrative regulations and prevent unauthorized access and divulgence, falsification and loss of personal information.

On December 28, 2021, the Cyberspace Administration of China ("**CAC**"), the NDRC and 11 other authorities jointly released the Measures for Cybersecurity Review (《網絡安全審查辦法》), which was effective on February 15, 2022. According to the Measures for Cybersecurity Review, (i) the use of network products and services purchased by critical information infrastructure operator that affect or may affect national security are subject to the cybersecurity review; (ii) an application for cybersecurity review should be made by the internet platform operator holding personal information of more than one million users before such internet platform operator lists its securities in a foreign country; and (iii) relevant authorities of the cybersecurity review mechanism may initiate cybersecurity review if they determine an operator's network products or services or data processing activities affect or may affect national security.

On July 7, 2022, the CAC released Security Assessment Measures for Data Provision Abroad (《數據出境安全評估辦法》), which was effective on September 1, 2022. According to the Security Assessment Measures for Data Provision Abroad, to provide data abroad under any of the following circumstances, a data handler shall declare security assessment for its provision of data abroad to the CAC through the local cyberspace administration at the provincial level. The four circumstances include: (i) the data handler provides important data abroad; (ii) the critical information infrastructure operator or a data handler processing the personal information of more than one million people provides personal information abroad; (iii) the data handler has provided personal information of 100,000 people or sensitive personal information of 10,000 people in total abroad since January 1 of the previous year; and (iv) other circumstances prescribed by the CAC for which declaration for security assessment for data provision abroad is required.

The CAC promulgated Provisions on Promoting and Regulating Cross-border Data Flows (《促進和規範數據跨境流動規定》, the "**Provisions**") on March 22, 2024, which came into effect on the same day. According to the Provisions, when providing data abroad, any data handler shall declare security assessment for providing data abroad to the national cyberspace administration through the cyberspace administration authority at the provincial level at its locality if it satisfies either of the following condition: (i) the critical information infrastructure operator provides personal information or important data abroad; (ii) the data handler other than a critical information infrastructure operator provides important data abroad or, as of January 1 of the current year, provides personal information (excluding sensitive personal information) of not less than one million people or sensitive personal information of not less than 10,000 people in aggregate to overseas parties. Our daily business operations had not involved any transfer of important data or personal information to any overseas recipients during the Track Record Period and up to the Latest Practicable Date. Therefore, we are not obligated to apply for the security assessment of cross-border data transfer.

According to the Administrative Measures for the Registration of Formula Foods for Special Medical Purposes (《特殊醫學用途配方食品註冊管理辦法》) promulgated by the SAMR on March 10, 2016, which was last revised on November 28, 2023 and effective as of January 1, 2024, and the Specification of Quality Management for Clinical Trial of Food for Special Medical Purposes (《特殊醫學用途配方食品臨床試驗質量管理規範》) promulgated by the SAMR and effective on April 25, 2024, clinical trials shall be conducted in accordance with the good quality management practices for clinical trials of formula food for special medical purposes. Relevant parties to a clinical trial shall properly record, handle and keep paper or electronic information of all clinical trials to ensure that it is authentic, accurate, complete and traceable. The relevant parties in the clinical trials shall protect the volunteer's privacy and comply with the confidentiality provisions.

According to the Administrative Regulations on Network Data Security (《網絡數據安全管理條例》) promulgated by the State Council on September 24, 2024 and entering into force on January 1, 2025, this Regulation applies to network data handling activities and the supervision and administration of security thereof carried out within the territory of the PRC. According to the Administrative Regulations on Network Data Security, any individual or organization shall not use network data to engage in any illegal activities or engage in any illegal network data handling activities such as stealing or acquiring network data by other illegal means, illegally selling or illegally providing network data to others. Network data handlers shall, in accordance with the laws, the administrative regulations and the mandatory requirements of national standards, and on the basis of Multi-Level Protection Scheme of cybersecurity, strengthen the protection of network data security, establish and improve the system of network data security management, and take technical measures such as encryption, backup, access control and security authentication as well as other necessary measures to protect network data from being falsified, destroyed, divulged or illegally acquired or used, dispose of network data security incidents, prevent illegal and criminal activities aiming at and using network data, and assume primary responsibility for the security of the network data.

LAWS AND REGULATIONS ON INTELLECTUAL PROPERTY

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated by the SCNPC on August 23, 1982 and was last revised on April 23, 2019 and became effective on November 11, 2019, and the Implementation Regulations for the Trademark Law of the PRC (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on August 3, 2002 and was last revised on April 29, 2014 and became effective on May 1, 2014, the trademarks approved and registered by the Trademark Office are registered trademarks, including commodity trademarks, service marks and collective trademarks, certification marks; trademark registrants enjoy exclusive rights to use trademark and are protected by the law. The registered trademark shall be valid for 10 years, commencing from the date of registration. The validity period of each renewal shall be 10 years. Where renewal formalities are not completed upon expiration of the validity period, the registered trademark shall be canceled.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated by the SCNPC on March 12, 1984 and was last revised on October 17, 2020 and was into effect on June 1, 2021, and the Implementation Rules for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) which was promulgated by the State Council on June 15, 2001 and was last revised on December 11, 2023 and was into effect on January 20, 2024, patents refer to inventions, utility models or designs. The duration of patent rights for an invention, a utility model and a design shall be 20 years, 10 years and 15 years respectively, which all calculated from the date of application. Implementation of a patent without the authorization of the patent holder shall constitute an infringement of patent rights, and shall be held liable for compensation to the patent holder and may be imposed a fine, or even subject to criminal liabilities.

Copyright

According to the Copyright Law of the PRC (《中華人民共和國著作權法》) which was promulgated by the SCNPC on September 7, 1990 and was last revised on November 11, 2020 and was into effect on June 1, 2021, and the Implementation Regulations for the Copyright Law of the PRC (《中華人民共和國著作權法實施條例》) which was promulgated by the State Council on August 2, 2002 and was last revised on January 30, 2013 and was into effect on March 1, 2013, Chinese citizens, legal persons or organizations without legal personality enjoy copyright over their works, whether published or not, in accordance with the law. Works aforementioned shall refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form.

Domain Names

According to the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by the Ministry of Industry and Information Technology ("**MIIT**") on August 24, 2017 and was implemented with effect from November 1, 2017, and the Implementation Rules of China ccTLD Registration (《國家頂級域名註冊實施細則》) promulgated and by the China Internet Network Information Center on June 18, 2019 and effective on the same day, MIIT shall implement supervision and administration over domain name services nationwide. Domain name registration services shall in principle implement "first apply first register". An applicant shall sign a domain name registration agreement with the registrar and provide the authentic, accurate and complete registration information to the registrar when applying for a domain name. After the completion of the registration procedures, the applicant will become the holder of the relevant domain name.

LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the "**Environmental Protection Law**"), which was promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014 and effective as of January 1, 2015, has constructed the legal framework for environmental protection and improvement, prevention and control of pollution and other hazards, protection of public health, promotion of ecological civilization construction and promotion of sustainable economic and social development. According to the Environmental Protection Law, enterprises, institutions and other manufacturing operators shall prevent and reduce environmental pollution and ecological damage, and shall be liable for damages caused by them pursuant to the law.

According to Environmental Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on October 28, 2002, with the latest revision and effectiveness on December 29, 2018, and the Administrative Regulations on Environmental Protection for Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998, last revised on July 16, 2017 and effective on October 1, 2017, the PRC shall, based on the extent of environment impact of construction projects, implement classified administration of environmental protection for construction projects pursuant to the following provisions: (i) where a construction project may have significant impact on environment, an environment impact report shall be prepared, and a comprehensive and detailed appraisal on the pollution caused by the construction project and its impact on environment shall be conducted; (ii) where a construction project may have slight impact on environment, an environment impact statement shall be prepared, and an analysis or special appraisal on the pollution caused by the construction project and its impact on environment shall be conducted; and (iii) where a construction project has minimal impact on environment and there is no need for assessment of environmental impact, an environment impact registration form shall be completed.

According to the Categorized Management Catalog of Pollutant Discharge Permits for Stationary Sources of Pollution (《固定污染源排污許可分類管理名錄》) promulgated by the Ministry of Ecology and Environment on December 20, 2019 and become effective on the same date, pollutant discharging entities with a very small quantity of pollutants generated or discharged or a very small degree of impact on the environment shall be subject to registration-based management of pollutant discharge permits. Pollutant discharging entities subject to registration-based management are not required to apply for a pollutant discharge permit, but shall fill in the pollutant discharge registration form on the national pollutant discharge permit information management platform to register their basic information, whereabouts of pollutants discharged, pollutant discharge standards implemented, pollution prevention and control measures adopted, etc.

LAWS AND REGULATIONS ON SAFETY IN PRODUCTION

According to Production Safety Law of the PRC (《中華人民共和國安全生產法》) (the "**Production Safety Law**") promulgated by the SCNPC on June 29, 2002, last revised on June 10, 2021 and effective as of September 1, 2021, producers and business operators shall abide by the Production Safety Law and other laws and regulations concerning production safety, strengthen production safety management, establish and improve the all-staff production safety responsibility system and production safety rules and regulations. Producers and business operators shall provide their employees with education and training on production safety to ensure that the employees acquire the necessary knowledge about production safety, are familiar with the relevant rules for production safety and safe operating procedures, master the safety operating skills for the posts, understand the emergency handling measures for accidents and are aware of their rights and obligations in respect of production safety. No employee who fails to pass the examination after receiving education and training on production safety may be assigned to posts.

LAWS AND REGULATIONS ON CONSTRUCTION PROJECTS

According to the Administrative Regulations on Approval and Filing of Projects Invested by Enterprises (《企業投資項目核准和備案管理條例》) promulgated by the State Council on November 30, 2016 and became effect on February 1, 2017, projects which relate to national security or involve nationwide major productivity layout, development of strategic resources and significant public interest shall be subject to administration by way of approval. Other projects shall be subject to administration by way of filing. The aforesaid projects mean fixed assets investment projects invested and constructed in the PRC by enterprises. Where a project is subject to administration by way of filing, the enterprise has not notified the filing authority of the project information or change in the filed information for the project or has provided false information to the filing authority pursuant to the Administrative Regulations on Approval and Filing of Projects Invested by Enterprises, the filing authority shall order the enterprise to make correction within a stipulated period; where correction is not made within the stipulated period, a fine ranging from RMB20,000 to RMB50,000 shall be imposed.

According to the Construction Law of the PRC (《中華人民共和國建築法》) promulgated by SCNPC on November 1, 1997, which was last revised on April 23, 2019 and became effective on the same date, and the Administrative Measures on Construction Permits for Construction Projects (《建築工程施工許可管理辦法》) promulgated by the Ministry of Housing and Urban-Rural Development ("**MOHURD**") on October 15, 1999, which was last revised on March 30, 2021 and became effective on the same date, a project owner shall, prior to the commencement of construction, apply to the administrative department of housing and urban-rural development under the local people's government at or above the county level at the place where the construction project is located for a construction permit. For unauthorized construction without a construction permit, or by dividing a project for the purpose of avoiding the application for the construction permit, the permit issuing authority with jurisdiction shall order the offender to suspend the construction and make corrections with the time limit, impose a fine of more than 1% and less than 2% of the project contract price on the project owner and impose a fine of less than RMB30,000 on the construction entity.

According to the Regulations on the Quality Management of Construction Projects (《建設工程質量管理條例》) promulgated by the State Council on January 30, 2000, last revised on April 23, 2019 and effective on the same day, and the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》, the "**Administrative Measures for the Filing of As-built Inspection**") promulgated by the MOHURD on October 19, 2009 and effective on the same date, the construction entity shall, in accordance with the Administrative Measures for the Filing of As-built Inspection, go through the filing formalities with the construction administrative department of the people's government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed. If the construction entity fails to go through the formalities for the filing of as-built inspection of the project within 15 days as of the date on which the project passes the as-built inspection, the filing organ shall order it to make a correction within a time limit, and impose a fine of not less than RMB200,000 but not more than RMB500,000.

According to the Fire Protection Law of the PRC (《中華人民共和國消防法》, the "**Fire Protection Law**") promulgated by the SCNPC on April 29, 1998, which was last revised on April 29, 2021 and effective on the same date, and the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the MOHURD on April 1, 2020, which was last revised on August 21, 2023 and effective on October 30, 2023, within five working days from the date when passing the final inspection of any other as-built construction project (other than special construction projects, requiring fire protection designs in accordance with the national technical standards of fire protection for construction projects), the construction entity shall report for recordation to the competent department. If a construction entity fails to report to the housing and urban-rural development authority for recordation as required by the Fire Protection Law after final inspection, the housing and urban-rural development authority shall order the construction entity to take corrective action and impose a fine of not more than RMB5,000 on it.

LAWS AND REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

Labor Law and Labor Contract

According to the Labor Law of the PRC (《中華人民共和國勞動法》),which was promulgated by the SCNPC on July 5, 1994, and last revised and effective on December 29, 2018, and 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 on June 29, 2007, revised on December 28, 2012 and effective as of July 1, 2013, the employer shall establish and improve its rules and regulations in accordance with the law in order to ensure that labors enjoy labor rights and perform labor obligations. A written labor contract shall be concluded when the employer and the labors establish the employment relationship. Where the employer fails to conclude a written labor contract for the employment of a employee or if the remuneration stipulated between the employer and the employee is not clear, the labor remuneration of a new employee shall be executed pursuant to the standard stipulated in the collective contract; where there is no collective contract or where there is no such provision in the collective contract, the same remuneration shall be paid for the same job position.

Social Insurance

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010, revised on and effective on December 29, 2018, and the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council on January 22, 1999, and revised on and effective on March 24, 2019, the PRC shall establish social insurance systems including basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance, maternity insurance to protect the rights of citizens for obtaining material assistance from the State and the society pursuant to the law in the circumstances of old age, illness, work-related injury, unemployment and childbirth. Employers shall complete social security registration with the social security agency for its employee within the required time, and declare and pay social insurance premiums on time and in full amount, payment shall not be deferred, reduced or exempted not due to force majeure or other statutory cause. Employers who failed to pay social insurance premiums on time or in full amount shall be ordered by the collection agency to pay or make up the deficit of premiums within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05% per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the outstanding amount.

Housing Provident Fund

According to the Regulations on the Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on April 3, 1999, last amended on March 24, 2019 and effective as of the same day, the employer shall make registration of contribution to the housing provident fund with the housing provident fund management center, and go through the formalities of opening housing provident fund accounts for of its employees. The employer shall pay and deposit housing provident fund on schedule and in full, and may not be overdue in the contribution or underpay the housing provident fund.

Where, in violation of the provisions of the Regulations on Management of Housing Provident Fund, an employer fails to undertake contribution registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management center shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Where the employer fails to deposit the housing accumulation fund within the time limit or by under-depositing the fund, it shall be ordered by the housing accumulation fund management center to deposit the fund within a time limit; if it fails to deposit the fund within the time limit, it may apply to the people's court for enforcement.

LAWS AND REGULATIONS ON FOREIGN EXCHANGE

According to the Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》) and the Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange (《結匯、售匯及付匯管理規定》), after financial institutions engaging in conversion and sale of foreign currencies carry out reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments pursuant to the provisions of the foreign exchange control department of the State Council, the RMB is freely convertible for payments of current account items, such as trade- and service-related foreign exchange transactions and dividend payments. However, it is not freely convertible for capital account items, such as direct investment, loans or investments in securities outside China, unless prior approval from the State Administration of Foreign Exchange ("**SAFE**") or its branches is obtained.

According to Decision on Matters Concerning Cancelation and Adjustment to a Batch of Items subject to Administrative Approval (《關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council on October 23, 2014 and effective on the same day, State Council has decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares.

According to Notice on Issues Relating to Foreign Exchange Control Pertaining to Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on December 26, 2014 with effectiveness on the same day, a domestic company shall, within 15 business days from completion of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation. The funds obtained by a domestic company through an overseas listing can be transferred to a domestic account or deposited overseas. The usage of funds shall be consistent with the relevant contents set out in the [**REDACTED**] document or disclosure documents such as the corporate bonds offering documentation, shareholders' circular and the resolution of the shareholders' general meeting or the board of directors.

According to 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》) promulgated by the SAFE on February 13, 2015, effective on June 1, 2015 and partially abolished on December 30, 2019, the administrative approval for foreign exchange registration under domestic direct investment and overseas direct investment have been canceled and the banks will review and carry out foreign exchange registration under domestic direct investment as well as foreign exchange registration under overseas direct investment, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Account Items (《關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE on June 9, 2016 and was amended on December 4, 2023 and effective on the same day, domestic institutions may settle their foreign exchange receipts under the capital account (including foreign exchange capital, foreign debts and repatriated funds raised through overseas listing) entitled to discretionary settlement according to relevant policies with banks as actually needed for business operation. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may adjust the above proportion in due course based on international balance of payments.

According to Notice on Further Promoting the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) promulgated by the SAFE on October 23, 2019 and effective on the same day, non-investment foreign-invested enterprises are allowed to make the domestic equity investment with their capital funds in accordance with the law on the premise that the existing special administrative measures (negative list) for foreign investment access are not violated and domestic investment projects are true and compliant.

According to the Notice on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) promulgated by the SAFE on April 10, 2020 with effect on the same day, enterprises satisfying the prescribed requirements are allowed to use receipts under the capital accounts such as capital funds, external debts and overseas listings for domestic payment without providing banks with authenticity certification materials on a transaction-by-transaction basis in advance, under the premise that funds are used in a truthful and compliant manner and comply with the existing provisions on the administration of use of receipts under capital accounts. Banks shall, under the principle of prudential business development, manage and control the relevant business risks, and conduct ex post random inspection of the facilitation of receipts and payments under capital accounts according to the relevant requirements.

LAWS AND REGULATIONS ON DIVIDEND DISTRIBUTION

According to the Foreign Investment Law and the FIL Implementation Regulation, foreign investors may, in accordance with the law, freely remit into or out of the PRC, in RMB or any other foreign currency, their capital contributions, profits, capital gains, income from asset disposal, intellectual property royalties, lawfully acquired compensation, indemnity or liquidation income and so on within the territory of the PRC. Organizations or individuals shall not illegally restrict the currency type and amount as well as the frequency of inward, outward remittance, among others.

According to the Company Law, when distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund.

LAWS AND REGULATIONS ON OVERSEAS INVESTMENT

Pursuant to the Measures for the Administration of Overseas Investment of Enterprises (《企業境外投資管理辦法》) issued by the NDRC on December 26, 2017 and effective as of March 1, 2018, an investor shall, in overseas investment, go through the formalities as the approval and filing for an overseas investment project, report the relevant information, and cooperate in supervisory inspection. The overseas investment project subjects to recordation management are non-sensitive projects directly carried out by investors, namely, the non-sensitive projects involving the direct investment of assets rights and interests or provision of financing or security.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the Ministry of Commerce on March 16, 2009, last revised on September 6, 2014 and effective as of October 6, 2014, overseas investments of enterprises which involve sensitive countries and regions and sensitive industries shall be subject to examination and approval. Overseas investment under other circumstances shall be subject to recordation management. For overseas investments subject to recordation, central enterprises shall complete filing formalities with the Ministry of Commerce; local enterprises shall complete filing formalities with the commerce department of the province where it is located.

According to the Notice on Issuing the Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《關於發佈境內機構境外直接投資外匯管理規定的通知》) promulgated by the SAFE on July 13, 2009 and implemented on August 1, 2009 and 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》) promulgated by the SAFE on February 13, 2015, implemented on June 1, 2015 and partially repealed on December 30, 2019, upon obtaining the approval for overseas investment, the enterprise shall go through the formalities for foreign exchange registration of direct investment with a bank at the place where it is registered.

LAWS AND REGULATIONS ON TAX

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**") promulgated by the SCNPC on March 16, 2007, last revised on December 29, 2018 and effective on the same date, and the Regulations on the Implementation of the EIT Law (《中華人民共和國企業所得稅法實施條例》) (the "**EIT Law Implementation Regulations**") promulgated on December 6, 2007 and was last revised on December 6, 2024 and coming into force on January 20, 2025, the enterprise income tax shall be at the rate of 25%. The enterprise income tax for high-tech enterprises supported by the State shall be at a reduced tax rate of 15%.

Value-added Tax

According to the Interim Value-Added Tax Regulations of the PRC (《中華人民共和國增值稅暫行條例》, the "**Interim Value-Added Tax Regulations**") which was promulgated by the State Council on December 13, 1993, revised on November 19, 2017 and came into effect on the same day, and the Implementation Rules for the Interim Value-Added Tax Regulations of the PRC (《中華人民共和國增值稅暫行條例實施細則》, the "**Implementation Rules for the Interim Value-Added Tax Regulations**") promulgated by the Ministry of Finance on December 25, 1993 and last revised on October 28, 2011 and effective as of November 1, 2011, entities and individuals who sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the PRC are taxpayers of value-added tax, and shall pay the value-added tax. Unless otherwise stipulated, the tax rate shall be 17%.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) issued on April 4, 2018 and effective as of May 1, 2018, the tax rates of 17% and 11% applicable to any taxpayer's Value-added Tax taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), issued on March 20, 2019 and effective as of April 1, 2019, the tax rate of 16% applicable to the Value-added Tax taxable sale or import of goods by a general Value-added Tax taxpayer shall be adjusted to 13%; and the tax rate of 10% applicable thereto shall be adjusted to 9%.

On December 25, 2024, the SCNPC promulgated the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》), which will take effect on January 1, 2026 and will replace the Interim Value-added Tax Regulations.

LAWS AND REGULATIONS ON SECURITIES AND OVERSEAS LISTING

Securities Laws and Regulations

According to the Securities Law of the PRC (《中華人民共和國證券法》), which was promulgated by the SCNPC on December 29, 1998 and was last revised on December 28, 2019 and became effective on March 1, 2020, domestic enterprises issuing securities overseas directly or indirectly or listing their securities overseas shall comply with the relevant provisions of the State Council. The specific measures for the subscription for and trading in stocks of domestic companies in foreign currencies shall be stipulated by the State Council.

Overseas Listing

On February 17, 2023, the China Securities Regulatory Commission ("**CSRC**") promulgated Trial Administrative Measures of the 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》) and five ancillary interpretive guidelines (collectively, the "**Overseas Listing Trial Measures**"), which came into effect on March 31, 2023. Pursuant to the Overseas Listing Trial Measures, overseas offering and listing by domestic companies shall be made in strict compliance with relevant laws, administrative regulations and rules concerning national security in spheres of foreign investment, cybersecurity, data security and etc., and duly fulfill their obligations to protect national security. If the intended overseas offering and listing necessitates a national security review, relevant security review procedures shall be completed according to law before the application for such offering and listing is submitted to any overseas parties such as securities regulatory agencies and trading venues. Initial public offerings or listings in overseas markets shall be filed with the CSRC within 3 working days after the relevant application is submitted overseas.

Pursuant to the Overseas Listing Trial Measures, no overseas offering and listing shall be made under any of the following circumstance: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; (v) where there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller.

On February 24, 2023, the CSRC, Ministry of Finance, National Administration of State Secrets Protection and State Archives Administration of China issued the Provisions on Strengthening Confidentiality and Archives Administration in Respect of Overseas Issuance and Listing of Securities by Domestic Enterprises (《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 "**Archives Rules**"), which came into effect on March 31, 2023. According to the Archives Rules, to provide or publicly disclose to the relevant securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals, or to provide or publicly disclose, through its overseas listing entities, any document or material involving State secrets or work secrets of State agencies, a domestic enterprise shall apply to the competent department with examination and approval authority for approval in accordance with the law, and file the same with the secrecy administration at the same level for the record. To provide or publicly disclose to the relevant securities companies, securities service agencies, overseas regulatory authorities and other entities and individuals, or to provide or publicly disclose, through its overseas listing subjects, other documents and materials, the disclosure of which will cause adverse impact on the national security or public interests, a domestic enterprise shall strictly go through the corresponding procedures pursuant to the relevant provisions.

LAWS AND REGULATIONS ON THE "FULL CIRCULATION" OF H SHARE

"Full circulation" means listing and circulating on the HKEX of the domestic unlisted shares of an H-share listed company, including unlisted domestic shares held by domestic shareholders prior to overseas listing, unlisted domestic shares additionally issued after overseas listing, and unlisted shares held by foreign shareholders.

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》, the "**Guidelines for the Full Circulation**"), which was promulgated by the CSRC on November 14, 2019 and was last revised on August 10, 2023 and became effective on the same day, shareholders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file with the CSRC. And domestic companies limited by shares that have not been listed may file with the CSRC for the "Full circulation" at the time of their initial public offering and listing overseas.

On December 31, 2019, China Securities Depository and Clearing Corporation Limited and the Shenzhen Stock Exchange ("**SZSE**") jointly announced the Measures for Implementation of H-share Full Circulation Business (《H股"全流通"業務實施細則》), which took effect on the same day. The businesses in relation to the H-share full circulation business, such as cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of settlement participants, services of nominal holders, etc. are subject to the Measures for Implementation of H-share Full Circulation Business.

OVERVIEW

We are one of the leading providers of FSMP in China. Our history can be traced back to 2005, when we were established as a dedicated FSMP division of Shengyuan Nutritional, a member of Shengyuan Group which is ultimately controlled by Mr. Zhang and Ms. Meng, and commenced the development of FSMP products for infants with special medical conditions. Following the establishment of the FSMP product registration regime and with the insights into the expected high demand and bright prospects of the emerging FSMP market, our Company was established in Qingdao by Shengyuan Nutritional in 2019 to focus on the development, production and sales of FSMP products. As of the Latest Practicable Date, we had 14 main FSMP products, addressing five categories of clinical indications, with 16 main new product candidates in the pipeline. As of the Latest Practicable Date, we held the most infant FSMP registration certificates in China among Chinese FSMP brands.

KEY MILESTONES

The following table sets forth the key milestones of our corporate and business development.

Year	Milestone events
As a dedicated FSMP division of Shengyuan Nutritional	
2007	We commercialized preterm and lactose-free formulas, which were the first FSMP products commercialized by Chinese FSMP brands.
2012	We launched the "PKU Relief Initiative (苯丙酮尿症PKU患兒特殊奶粉補助項目)," providing three years of free FSMP products to each of the newborns diagnosed with PKU in five provinces in China. Continued for five years, we donated products valued at over RMB42 million, assisting over 1,280 infants.
2013	The partially hydrolyzed whey protein formula products were launched under Synutra's brand.
2015	The amino acid-based formula products were launched under Synutra's brand.
2018	The certificates of registration of FSMP for (i) the partially hydrolyzed whey protein formula FSMP products; and (ii) the FSMP products for preterm or low birth weight infants were obtained by Shengyuan Nutritional.

Year	Milestone events
2019	The certificates of registration of FSMP for (i) the infant nutritional supplements; (ii) the nutritionally complete FSMP products; and (iii) the lactose-free FSMP products were obtained by Shengyuan Nutritional.

After the establishment of our Company in December 2019

2020	We launched "321 Deep Care (321深爱你)" FSMP Festivals which redefined consumer education, promoted science-based parenting practices and raised FSMP awareness.
	We held the China FSMP Industry Summit.
2021	We officially announced our name as "Sainte" and "聖桐特醫."
2022	We obtained the certificates of registration of FSMP for (i) our nutritionally complete FSMP products *Teai Qirui (特愛啟瑞)* for individuals aged 10 years or above; and (ii) our infant nutritional supplements *Teai Qineng (特愛啟能)*.
2023	We obtained the certificates of registration of FSMP for (i) our lactose-free FSMP products for infants *Teai Ruian (特愛瑞安)*; (ii) our FSMP products for preterm or low birth weight infants *Teai Anneng (特愛安能)*; and (iii) our partially hydrolyzed whey protein formula FSMP products for infants *Teai Minjia (特愛敏佳)*.
	The production workshop I of our production plant in Qingdao, Shandong commenced production of our products.
	We have organized five FSMP training programs in collaboration with Peking University's School of Economics since 2023, which enrolled 700 maternal-child specialty store staffs in total.
2024	We commenced construction of a new production facility in Fengzhen, Inner Mongolia.
	In terms of retail value in 2024, we ranked third among all infant FSMP brands in China, and topped the list of homegrown infant FSMP brands, according to CIC.

Year	Milestone events
2025	We obtained the certificates of registration of FSMP for (i) our FSMP products for infants with phenylketonuria *Teai Benjia (特愛本佳);* and (ii) our FSMP products for infants with propionic acidemia or methylmalonic acidemia *Teai Bingjia (特愛丙佳)*, and commenced production of the two FSMP products in the production workshop II of our production plant in Qingdao, Shandong.
	We obtained the certificate of registration of FSMP for our nutritionally complete FSMP products *Zhiai Qirui (稚愛啟瑞)* for children (one to 10 years old).
	Our Company was converted from a limited liability company into a joint stock company with limited liability.

OUR CORPORATE DEVELOPMENTS

Establishment and major shareholding changes of our Company

Our Company was established in Qingdao, the PRC as a limited liability company on December 6, 2019 with an initial registered capital of RMB20,000,000 and was wholly owned by Shengyuan Nutritional, an indirect wholly-owned subsidiary of Beams Power.

Since its establishment, our Company has undertaken a series of equity transfers and capital increases to bring new shareholders to our Company. The major shareholding changes of our Company are set out below:

1. Capital increase in February 2020

Pursuant to the sole shareholder's resolution dated February 21, 2020, the registered capital of our Company was increased from RMB20,000,000 to RMB60,000,000, which was fully paid up as of April 21, 2020.

2. Equity transfer in April 2020

Pursuant to the equity transfer agreement dated April 27, 2020 entered into between Shengyuan Nutritional and Shengyuan HK, Shengyuan Nutritional agreed to transfer the registered capital of RMB24,000,000, representing 40% of the then equity interest in our Company, to Shengyuan HK at a consideration of RMB24,000,000, which was determined with reference to the then paid-up registered capital of our Company and was fully settled on August 17, 2023. Such equity transfer was conducted between entities under common control of Beams Power for the purpose of their internal restructuring. Upon completion of such equity transfer, our Company was owned as to 60% by Shengyuan Nutritional and 40% by Shengyuan HK.

3. Equity transfer in July 2020

Pursuant to the equity transfer agreement dated May 28, 2020 entered into among our Company, Shengtong Shangmao, Mr. Zhang, Shengyuan Nutritional, Shengyuan HK and Phoenix Bird HK Limited ("**HLC**"), Shengyuan HK agreed to transfer the registered capital of RMB10,000,000, representing approximately 16.67% of the then equity interest in our Company, to HLC at a consideration of RMB250,000,000, which was determined based on arm's length negotiations between the parties after taking into account the value of our management team with extensive industry experience, our development strategies and business prospects. For further details of such equity transfer, see "— [**REDACTED**] Investments" below. Upon completion of such equity transfer, our Company was owned as to 60% by Shengyuan Nutritional, approximately 23.33% by Shengyuan HK and approximately 16.67% by HLC.

4. Equity transfers in July 2022

Pursuant to (i) the equity transfer agreement dated June 15, 2022 entered into between Shengyuan Nutritional and Shengyuan HK; and (ii) the equity transfer agreement dated June 15, 2022 entered into between Shengyuan Nutritional and HLC, Shengyuan Nutritional agreed to (i) transfer the registered capital of RMB35,400,000, representing 59% of the then equity interest in our Company, to Shengyuan HK at a consideration of RMB106,200,000; and (ii) transfer the registered capital of RMB600,000, representing 1% of the then equity interest in our Company, to HLC at a consideration of RMB1,800,000. The equity transfer between Shengyuan Nutritional and Shengyuan HK was conducted between entities under common control of Beams Power for the purpose of their internal restructuring. The equity transfer between Shengyuan Nutritional and HLC was conducted as part of the compensation mechanism between the parties triggered by the non-achievement of the performance targets of the Group in 2020 and 2021 as agreed in the shareholders' agreement dated May 28, 2020. For further details of the equity transfer between Shengyuan Nutritional and HLC, see "— [**REDACTED**] Investments" below. Upon completion of such equity transfers, our Company was owned as to approximately 82.33% by Shengyuan HK and approximately 17.67% by HLC.

5. *Equity transfers in December 2023 and March 2024*

Pursuant to (i) the equity transfer agreement dated December 22, 2023 entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng, Shengyuan HK and GL Stone Investment IV L.P. ("**GL Stone**"); (ii) the equity transfer agreement dated December 22, 2023 entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng, Shengyuan HK, Shanghai Hongsheng Houde Private Equity Investment Fund Partnership (Limited Partnership) (上海弘盛厚德私募投資基金合夥企業(有限合夥)) ("**Hongsheng Houde**") and Shenzhen Ruihe Xinda Investment Partnership (Limited Partnership) (深圳市瑞和信達投資合夥企業(有限合夥)) ("**Ruihe Xinda**"), Shengyuan HK agreed to (a) transfer the registered capital of RMB4,390,243.90, representing approximately 7.32% of the then equity interest in our Company to GL Stone at a consideration of RMB150,000,000; (b) transfer the registered capital of RMB878,048.78, representing approximately 1.46% of the then equity interest in our Company to Hongsheng Houde at a consideration of RMB30,000,000; and (c) transfer the registered capital of RMB731,707.32, representing approximately 1.22% of the then equity interest in out Company to Ruihe Xinda at a consideration of RMB25,000,000.

The consideration was determined based on arm's length negotiations between the parties after taking into account the milestones we have achieved in product development and sales and our future business prospect. For further details of such equity transfers, see "— [**REDACTED**] Investments" below.

Given that Ruihe Xinda did not settle the consideration in accordance with the equity transfer agreement dated December 22, 2023, the parties agreed to terminate such equity transfer agreement with Ruihe Xinda. Accordingly, Ruihe Xinda transferred the registered capital of RMB731,707.32, representing approximately 1.22% of the then equity interest in our Company, back to Shengyuan HK on March 21, 2024. Ruihe Xinda has never enjoyed the shareholder rights under such equity transfer agreement.

Upon completion of such equity transfers, the shareholding structure of our Company was as follows:

Name of Shareholders	Registered capital held	Approximate percentage of equity interest held
	(RMB)	
Shengyuan HK	44,131,707.32	73.55%
HLC	10,600,000.00	17.67%
GL Stone	4,390,243.90	7.32%
Hongsheng Houde	878,048.78	1.46%
Total	**60,000,000.00**	**100.00%**

6. Equity transfers in January 2025

Pursuant to (i) the equity transfer agreement dated November 25, 2024 entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng, Shengyuan HK and SDF ST INVESTMENT LIMITED ("**SDF**"); and (ii) the equity transfer agreement dated November 25, 2024 entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng, Shengyuan HK, Ningbo Meishan Bonded Port Area Deyuan Enterprise Management Consulting Partnership (Limited Partnership) (寧波梅山保税港區德遠企業管理諮詢合夥企業(有限合夥)) ("**Ningbo Deyuan**") and Suzhou Gaoling Qirui Healthcare Investment, L.P. (蘇州高瓴祈睿醫療健康產業投資合夥企業(有限合夥)) ("**Suzhou Gaoling**", together with Ningbo Deyuan are collectively referred to as the "**Gaoling Entities**"), Shengyuan HK agreed to transfer a total of registered capital of RMB3,952,476.92, representing approximately 6.59% of the then equity interest in our Company to SDF, Ningbo Deyuan and Suzhou Gaoling, details of which are set out below:

Transferor	Transferee	Registered capital transferred	Consideration
		(RMB)	*(RMB)*
Shengyuan HK	SDF	1,644,784.62	71,274,000
	Ningbo Deyuan	1,153,846.15	50,000,000
	Suzhou Gaoling	1,153,846.15	50,000,000
Total		**3,952,476.92**	**171,274,000**

Pursuant to the equity transfer agreement dated January 13, 2025 entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng, Shengyuan HK, Suzhou Shenqi Lina Green Equity Investment Partnership (Limited Partnership) (蘇州申祺利納綠色股權投資合夥企業(有限合夥)) ("**Suzhou Shenqi**"), Huzhou Huijia Zhinuo Enterprise Management Consulting Partnership (Limited Partnership) (湖州匯佳智諾企業管理諮詢合夥企業(有限合夥)) ("**Huijia Zhinuo**"), Qingdao Caitong Huizhi Venture Capital Fund Partnership (Limited Partnership) (青島財通匯智創業投資基金合夥企業(有限合夥)) ("**Caitong Huizhi**") and Ms. Chen Yajuan (陳雅娟), Shengyuan HK agreed to transfer a total of registered capital of RMB5,584,615.38, representing approximately 9.31% of the then equity interest in our Company to Suzhou Shenqi, Huijia Zhinuo, Caitong Huizhi and Ms. Chen Yajuan, details of which are set out below:

Transferor	Transferee	Registered capital transferred	Consideration
		(RMB)	*(RMB)*
Shengyuan HK	Suzhou Shenqi	3,461,538.46	150,000,000
	Huijia Zhinuo	761,538.46	33,000,000
	Ms. Chen Yajuan	692,307.69	30,000,000
	Caitong Huizhi	669,230.77	29,000,000
Total		**5,584,615.38**	**242,000,000**

The consideration was determined based on arm's length negotiations between the parties after taking into account the milestones we have achieved in product development and sales and our future business prospect. For further details of such equity transfers, see "— [**REDACTED**] Investments" below.

Upon completion of such equity transfers, the shareholding structure of our Company was as follows:

Name of Shareholders	**Registered capital held**	**Approximate percentage of equity interest held**
	(RMB)	
Shengyuan HK	34,594,615.02	57.66%
HLC	10,600,000.00	17.67%
GL Stone	4,390,243.90	7.32%
Suzhou Shenqi	3,461,538.46	5.77%
SDF	1,644,784.62	2.74%
Ningbo Deyuan	1,153,846.15	1.92%
Suzhou Gaoling	1,153,846.15	1.92%
Hongsheng Houde	878,048.78	1.46%
Huijia Zhinuo	761,538.46	1.27%
Ms. Chen Yajuan	692,307.69	1.15%
Caitong Huizhi	669,230.77	1.12%
Total	**60,000,000.00**	**100.00%**

7. Conversion into a joint stock limited liability company

On April 12, 2025, our then Shareholders passed resolutions approving, among other matters, (i) the conversion of our Company from a limited liability company into a joint stock limited liability company; and (ii) the change of name of our Company from Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Sainte Nutritional Inc. (聖桐特醫(青島)營養健康科技股份公司). On April 12, 2025, our Company convened our inaugural meeting and our first general meeting, and passed the relevant resolutions approving the conversion of our Company and the conduct of the relevant procedures. Upon completion of the conversion, our Company had a registered capital of RMB60,000,000 divided into 60,000,000 Shares with a nominal value of RMB1.00 each, which were all subscribed by our then Shareholders in proportion to their respective equity interests in our Company before the conversion. The conversion was completed on May 12, 2025 when our Company obtained a new business license.

8. Share transfer in May 2025

Pursuant to (i) the share transfer agreement dated March 31, 2025 entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng, Shengyuan HK and FNOF OCEAN EAGLE LIMITED ("**FNOF**"); and (ii) the payoff letter dated December 23, 2024 entered into among FNOF Sharing Economy Limited, Beams Power, Mr. Zhang, Ms. Meng and Shengyuan BVI, Shengyuan HK agreed to transfer the registered capital of RMB3,300,000, representing 5.5% of the then shareholding of our Company to FNOF at a consideration of RMB143,000,000, which was settled by way of the exchange for US$20,000,000 in principal amount of the convertible exchange note dated March 18, 2016 (as amended by certain deeds of amendments) issued by Beams Power to FNOF Sharing Economy Limited. FNOF and FNOF Sharing Economy Limited are companies under common control of Forebright New Opportunities Fund, L.P.. For further details of such share transfer, see "—[**REDACTED**] Investments" below.

9. Share transfers and capital increase in May 2025

Pursuant to (i) the share transfer agreement dated April 25, 2025 entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng, Shengyuan HK, HLC and SDF; (ii) the share transfer agreement dated April 25, 2025 entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng, Shengyuan HK, HLC, CICC R&G Shenghe (Beijing) Equity Investment Partnership (Limited Partnership) (中金諾思格盛和(北京)股權投資合夥企業(有限合夥)) ("**CICC R&G**") and CICC Ruisheng (Haining) Equity Investment Partnership (Limited Partnership) (中金睿盛(海寧)股權投資合夥企業(有限合夥)) ("**CICC Ruisheng**"); (iii) the share transfer agreement dated April 25, 2025 entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng, Shengyuan HK, HLC, CICC Generation (Suzhou) Equity Investment Fund II (Limited Partner) (中金啟辰貳期(蘇州)新興產業股權投資基金合夥企業(有限合夥)) ("**CICC Suzhou**") and CICC Generation (Wuxi) Equity Investment Fund II (Limited Partner) (中金啟辰貳期(無錫)新興產業股權投資基金合夥企業(有限合夥)) ("**CICC Wuxi**", together with CICC R&G, CICC Ruisheng and CICC Suzhou are collectively referred to as the "**CICC Entities**"); and (iv) the share transfer agreement dated April 25, 2025 entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng, Shengyuan HK, HLC and Mr. Chen Xiong (陳雄), HLC agreed to transfer a total of 4,776,923 Shares, representing approximately 7.96% of the then shareholding of our Company to SDF, CICC Entities and Mr. Chen Xiong, details of which are set out below:

Transferor	**Transferee**	**Shares transferred**	**Consideration**
			(RMB)
HLC	SDF	853,846	37,000,000
	CICC R&G	692,308	30,000,000
	CICC Ruisheng	692,308	30,000,000
	CICC Suzhou	921,922	39,949,980
	CICC Wuxi	693,462	30,050,020
	Mr. Chen Xiong	923,077	40,000,000
Total		**4,776,923**	**207,000,000**

Pursuant to (i) the share transfer agreement dated May 12, 2025 entered into among our Company, Shengyuan HK and Mr. Zhang Mengran; and (ii) the share transfer agreement dated May 13, 2025 entered into among our Company, Shengyuan HK and Muguang Tongxing, Shengyuan HK agreed to (a) transfer 2,170,000 Shares, representing approximately 3.62% of the then shareholding in our Company, to Mr. Zhang Mengran at a consideration of RMB94,033,333; and (b) transfer 227,054 Shares, representing approximately 0.38% of the then shareholding in our Company, to Muguang Tongxing at a consideration of RMB9,830,000.

The consideration was determined based on arm's length negotiations between the parties with reference to the basis of consideration paid under the equity transfers in January 2025. For details of such equity transfers, see "— [**REDACTED**] Investments" below.

Pursuant to the share capital increase agreement dated May 12, 2025 entered into between Shengyuan HK and our Company, Shengyuan HK agreed to subscribe for 600,000 Shares at a consideration of RMB600,000. Such share subscription by Shengyuan HK was conducted as a valuation adjustment mechanism between Mr. Zhang and our [**REDACTED**] Investors triggered by the achievement of the performance target of the Group in 2024 as agreed in the shareholders' agreements.

Upon completion of such equity transfers and share capital increase, the shareholding structure of our Company was as follows:

Name of Shareholders	Number of Shares	Approximate shareholding percentage held
Shengyuan HK	29,497,561	48.68%
HLC	5,823,077	9.61%
GL Stone	4,390,244	7.24%
Suzhou Shenqi	3,461,538	5.71%
FNOF	3,300,000	5.45%
SDF	2,498,631	4.12%
Mr. Zhang Mengran	2,170,000	3.58%
Ningbo Deyuan	1,153,846	1.90%
Suzhou Gaoling	1,153,846	1.90%
Mr. Chen Xiong	923,077	1.52%
CICC Suzhou	921,922	1.52%
Hongsheng Houde	878,049	1.45%
Huijia Zhinuo	761,538	1.26%
CICC Wuxi	693,462	1.14%
CICC R&G	692,308	1.14%
CICC Ruisheng	692,308	1.14%
Ms. Chen Yajuan	692,308	1.14%
Caitong Huizhi	669,231	1.10%
Muguang Tongxing	227,054	0.37%
Total	**60,600,000**	**100.00%**

Note: Shareholding percentages may not add up to 100% due to rounding.

Our PRC Legal Advisors have confirmed that the above mentioned equity transfers and capital increases of our Company have been properly and legally completed, and our Company has obtained all necessary approvals or filings in accordance with the applicable PRC laws and regulations in relation to the changes in shareholdings as set out above.

Our subsidiaries

Shengtong Shangmao

Shengtong Shangmao was established in the PRC as a limited liability company on February 21, 2019 with an initial registered capital of RMB20,000,000 to be fully paid up pursuant to its articles of association. As of the date of its establishment, Shengtong Shangmao was owned as to 51% by Shengyuan Nutritional, an indirect wholly-owned subsidiary of Beams Power, and 49% by Mr. Qi Guojing (齊國靜), our deputy general manager and marketing director.

On December 30, 2019, Shengyuan Nutritional and Mr. Qi Guojing transferred their 51% and 19% equity interest in Shengtong Shangmao to Shengyuan HK at nil consideration which was determined with reference to the net asset value of Shengtong Shangmao as of the date of such transfer. On May 7, 2020, Shengtong HK transferred its 70% equity interest in Shengtong Shangmao to our Company at nil consideration which was determined with reference to the net asset value of Shengtong Shangmao as of the date of such transfer. On July 14, 2020, Mr. Qi Guojing transferred his 30% equity interest in Shengtong Shangmao to our Company at nil consideration which was determined with reference to the net asset value of Shengtong Shangmao as of the date of such transfer. Upon completion of such equity transfers and as of the Latest Practicable Date, Shengtong Shangmao was wholly owned by our Company. Shengtong Shangmao is currently is not involved in actual business operations.

Shengtong HK

Shengtong HK was incorporated in Hong Kong with limited liability on April 24, 2020. Since its incorporation and as of the Latest Practicable Date, Shengtong HK had been wholly owned by our Company. Shengtong HK is principally engaged in the sales of products through cross-border e-commerce platform.

[REDACTED] INVESTMENTS

Our Company attracted several rounds of [**REDACTED**] Investments, details of which are set out below:

Name of [REDACTED] Investors	Mode of investment	Date of agreement	Date of full settlement of consideration	Amount of registered capital/ number of Shares purchased or subscribed	Amount of consideration paid	Approximate cost per RMB1.00 of registered capital/ Share paid	Approximate discount to the mid-point of the [REDACTED][1]	Approximate percentage of shareholding in our total issued share capital upon [REDACTED][2]
HLC	Equity transfer by Shengyuan HK	May 28, 2020	July 2, 2020	RMB10,000,000	RMB250,000,000	RMB25.00	**[REDACTED]**%	**[REDACTED]**%
	Equity transfer by Shengyuan Nutritional	June 15, 2022	September 13, 2022	RMB600,000	RMB1,800,000	RMB3.00[3]	**[REDACTED]**%	
GL Stone	Equity transfer by Shengyuan HK	December 22, 2023	January 12, 2024	RMB4,390,243.90	RMB150,000,000	RMB34.17	**[REDACTED]**%	**[REDACTED]**%
Hongsheng Houde	Equity transfer by Shengyuan HK	December 22, 2023	December 28, 2023	RMB878,048.78	RMB30,000,000	RMB34.17	**[REDACTED]**%	**[REDACTED]**%
SDF	Equity transfer by Shengyuan HK	November 25, 2024	January 21, 2025	RMB1,644,784.62	RMB71,274,000	RMB43.33	**[REDACTED]**%	**[REDACTED]**%
	Equity transfer by HLC	April 25, 2025	May 27, 2025	853,846 Shares	RMB37,000,000	RMB43.33	**[REDACTED]**%	
Gaoling Entities	Equity transfer by Shengyuan HK	November 25, 2024	January 20, 2025	RMB2,307,692.3	RMB100,000,000	RMB43.33	**[REDACTED]**%	**[REDACTED]**%
Suzhou Shenqi	Equity transfer by Shengyuan HK	January 13, 2025	January 23, 2025	RMB3,461,538.46	RMB150,000,000	RMB43.33	**[REDACTED]**%	**[REDACTED]**%
Huijia Zhinuo	Equity transfer by Shengyuan HK	January 13, 2025	January 23, 2025	RMB761,538.46	RMB33,000,000	RMB43.33	**[REDACTED]**%	**[REDACTED]**%
Ms. Chen Yajuan	Equity transfer by Shengyuan HK	January 13, 2025	January 26, 2025	RMB692,307.69	RMB30,000,000	RMB43.33	**[REDACTED]**%	**[REDACTED]**%
Caitong Huizhi	Equity transfer by Shengyuan HK	January 13, 2025	January 26, 2025	RMB669,230.77	RMB29,000,000	RMB43.33	**[REDACTED]**%	**[REDACTED]**%

Name of [REDACTED] Investors	Mode of investment	Date of agreement	Date of full settlement of consideration	Amount of registered capital/ number of Shares purchased or subscribed	Amount of consideration paid	Approximate cost per RMB1.00 of registered capital/ Share paid	Approximate discount to the mid-point of the [REDACTED][(1)]	Approximate percentage of shareholding in our total issued share capital upon [REDACTED][(2)]
FNOF	Equity transfer by Shengyuan HK	March 31, 2025	May 13, 2025	3,300,000 Shares	RMB143,000,000[(4)]	RMB43.33	**[REDACTED]**%	**[REDACTED]**%
CICC Entities	Equity transfer by HLC	April 25, 2025	May 29, 2025	3,000,000 Shares	RMB130,000,000	RMB43.33	**[REDACTED]**%	**[REDACTED]**%
Mr. Chen Xiong	Equity transfer by HLC	April 25, 2025	May 30, 2025	923,077 Shares	RMB40,000,000	RMB43.33	**[REDACTED]**%	**[REDACTED]**%
Muguang Tongxing	Equity transfer by Shengyuan HK	May 12, 2025	May 27, 2025	227,054 Shares	RMB9,830,000	RMB43.39	**[REDACTED]**%	**[REDACTED]**%
Mr. Zhang Mengran	Equity transfer by Shengyuan HK	May 12, 2025	May 27, 2025	2,170,000 Shares	RMB94,033,333	RMB43.33	**[REDACTED]**%	**[REDACTED]**%
Shengyuan HK	Subscription of new Shares	May 12, 2025	May 28, 2025	600,000 Shares	RMB600,000	RMB1.00[(5)]	**[REDACTED]**%	**[REDACTED]**%[(6)]

Notes:

(1) The discount to the [**REDACTED**] was calculated based on the foreign exchange rate as of the Latest Practicable Date and the assumption that the [**REDACTED**] is HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**]).

(2) Assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Option Grant Agreement.

(3) The equity transfer between Shengyuan Nutritional and HLC was conducted as part of the compensation mechanism between the parties triggered by the non-achievement of the performance targets of the Group in 2020 and 2021 as agreed in the shareholders' agreement dated May 28, 2020.

(4) Such consideration was settled by way of the exchange for US$20,000,000 in principal amount of the convertible exchange note dated March 18, 2016 (as amended by certain deeds of amendments) issued by Beams Power to FNOF Sharing Economy Limited.

(5) The share subscription by Shengyuan HK was conducted as a valuation adjustment mechanism between Mr. Zhang and our [**REDACTED**] Investors triggered by the achievement of the performance target of the Group in 2024 as agreed in the shareholders' agreements.

(6) Including a total of 29,497,561 Shares held by Shengyuan HK.

Further Information about the [REDACTED] Investments

Use of [REDACTED] . . Save for the consideration paid by Shengyuan HK, all the other [**REDACTED**] Investors acquired the equity interest/Shares from the then shareholders of our Company, no [**REDACTED**] were raised by our Company from the other [**REDACTED**] Investments.

Lock-up period . . . . . . All current Shareholders (including the [**REDACTED**] Investors) are subject to a lock-up period of 12 months following the [**REDACTED**] according to the PRC Company Law.

Strategic benefits . . . . . Our Directors were of the view that (i) the [**REDACTED**] Investments have broadened our shareholder base and demonstrated the [**REDACTED**] Investors' endorsement of and confidence in the performance, strength and prospects of our Group; (ii) the [**REDACTED**] Investors include experienced investors in the area of healthcare and consumer industries, who can share their insight on business strategies and provide professional advice on our Group's corporate governance, financial reporting, internal control and future development.

Information Relating to Our [REDACTED] Investors

The background information of our [**REDACTED**] Investors who remained as a Shareholder of our Company as of the Latest Practicable Date is set out below.

[REDACTED] Investors	Background
HLC	HLC is a limited liability company incorporated in Hong Kong, which is wholly owned by HLC Partners III L.P. ("**HLC Fund**"). HLC Fund is an exempted limited partnership incorporated in Cayman Islands whose primary purpose is to make equity investments with a focus on healthcare and consumer technology industries. HLC Fund is ultimately managed by HLC GP III Company Limited ("**HLC GP**") as its general partner and none of the partners of HLC Fund holds 30% or more interest in the partnership. HLC GP is a limited liability company wholly owned by Mr. Wang Stephen Hui (王暉). Mr. Wang Stephen Hui has more than 20 years of investment experience and is the founder and controller of HighLight Capital, a private investment firm dedicated to creating long-term values through promoting technology innovations. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of HLC, HLC Fund, HLC GP and Mr. Wang Stephen Hui is an Independent Third Party.

[REDACTED] Investors	Background
GL Stone	GL Stone is a limited partnership established in Canada focusing on equity investment in healthcare industry. The general partner of GL Stone is GL Capital Management GP IV B.C. 4 Ltd., which is wholly owned by GL Capital Management Limited. GL Stone is owned as to approximately 59.07% by GL China Opportunities Fund IV (Canada) L.P. and approximately 40.93% by GL China Opportunities Fund IV L.P., both being its limited partners. The general partner of GL China Opportunities Fund IV (Canada) L.P. is GL Capital Management GP IV B.C. Ltd., which is wholly owned by GL Capital Management Limited. The general partner of GL China Opportunities Fund IV L.P. is GL Capital Management GP IV L.P., whose general partner is GL Capital Management GP IV Ltd. Each of GL Capital Management Limited and GL Capital Management GP IV Ltd is owned as to 51% by GL Partners Capital Management Limited and 49% by Lion River I NV. GL Partners Capital Management Limited is owned as to 70% by Mr. Li Zhenfu (李振福), who is the founding partner and chief executive officer of GL Capital Group. Lion River I NV is wholly owned by Assicurazioni Generali SpA, an Italian insurance company listed on the Milan Stock Exchange (stock code: ARZGY). To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of GL Stone, GL Capital Management GP IV B.C. 4 Ltd., GL Capital Management Limited, GL China Opportunities Fund IV (Canada) L.P., GL China Opportunities Fund IV L.P., GL Capital Management GP IV B.C. Ltd., GL Capital Management GP IV L.P., GL Capital Management GP IV Ltd, GL Partners Capital Management Limited, Mr. Li Zhenfu, Lion River I NV and Assicurazioni Generali SpA is an Independent Third Party.

[REDACTED] Investors	Background
Hongsheng Houde	Hongsheng Houde is a limited partnership established in the PRC focusing on equity investment in healthcare industry. It is managed by Shanghai Hongsheng Junhao Equity Investment Fund Management Co., Ltd. (上海弘盛君浩股權投資基金管理有限公司) ("**Hongsheng Junhao**") as its general partner. Hongsheng Junhao is controlled by Hongsheng (Zhejiang Free Trade Zone) Equity Investment Fund Management Partnership (Limited Partnership) (弘盛(浙江自貿區)股權投資基金管理合夥企業(有限合夥)) ("**Hongsheng Zhejiang**"), which is controlled by Mr. Sheng Haifeng (盛海峰). Mr. Sheng Haifeng has extensive experience in biopharmaceutical industry and served as a director in various subsidiaries of Sinopharm Group Co., Ltd., a pharmaceutical company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1099). None of the partners of Hongsheng Houde holds 30% or more interest in the partnership. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of Hongsheng Houde, Hongsheng Junhao, Hongsheng Zhejiang and Mr. Sheng Haifeng is an Independent Third Party.
SDF.	SDF is an investment vehicle of and controlled by Sinovation Disrupt Fund, L.P. ("**Sinovation Disrupt Fund**"). Sinovation Disrupt Fund is an investment fund under the brand of Sinovation Ventures, which is a technology venture capital established in 2009 by a team led by Dr. Kai-Fu Lee. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of SDF, Sinovation Disrupt Fund and Dr. Kai-Fu Lee is an Independent Third Party.

[REDACTED] Investors	Background
Gaoling Entities.	Ningbo Deyuan is a limited partnership established in the PRC. The general partner of Ningbo Deyuan is Chengdu Gaoling Rongqi Enterprise Management Consulting Center (Limited Partnership) (成都高瓴蓉祺企業管理諮詢中心(有限合夥)) ("**Chengdu Rongqi**"). As of the Latest Practicable Date, the limited partner of Ningbo Deyuan is a private equity fund managed by Zhuhai Gao Ling Private Fund Management Co., Ltd. (珠海高瓴私募基金管理有限公司) ("**Zhuhai Gaoling**"). Suzhou Gaoling is a limited partnership established in the PRC and a private equity fund managed by Zhuhai Gaoling. The general partner of Suzhou Gaoling is Suzhou Gaoling Qirui Medical Investment Management Co., Ltd. (蘇州高瓴祈睿醫療投資管理有限公司) ("**Suzhou Qirui**"). To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of Ningbo Deyuan, Chengdu Rongqi, Zhuhai Gaoling, Chengdu Quanqi, Suzhou Gaoling and Suzhou Qirui is an Independent Third Party.

[REDACTED] Investors	Background
Suzhou Shenqi.	Suzhou Shenqi is a limited partnership established in the PRC focusing on equity investment in strategic emerging industries such as green transportation, travel ecology and health ecology and high-quality assets in the fields of photovoltaic and energy storage. It is managed by its general partner Shanghai Hengxu Chuangling Investment Management Co., Ltd. (上海恆旭創領投資管理有限公司) ("**Hengxu Capital**"), which is owned as to 45% by Shanghai Qijia Enterprise Management Consulting Partnership (Limited Partnership) (上海頎嘉企業管理諮詢合夥企業(有限合夥)) ("**Shanghai Qijia**"), 40% by SAIC Group Financial Management Co., Ltd. (上海汽車集團金控管理有限公司) ("**SAIC Financial**") and 15% by Shanghai Shengqi Enterprise Management Consulting Co., Ltd. (上海晟頎企業管理諮詢有限公司) ("**Shanghai Shengqi**"). Both Shanghai Qijia and Shanghai Shengqi are ultimately controlled by Mr. Lu Yongtao (陸永濤), who has many years of industry and investment experience and is serving as the chairman of directors of Hengxu Capital. SAIC Financial is a wholly-owned subsidiary of SAIC Motor Corporation Limited (上海汽車集團股份有限公司) ("**SAIC Motor**"), an automobile manufacturer whose shares are listed on the Shanghai Stock Exchange (stock code: 600104). Save for Nanjing Junhong Tianyin Equity Investment Partnership (Limited Partnership) (南京雋弘天印股權投資合夥企業(有限合夥)) ("**Nanjing Junhong**") holding approximately 36.54% interest in Suzhou Shenqi, none of the other partners of Suzhou Shenqi holds 30% or more interest in the partnership. The general partner of Nanjing Junhong is Nanjing Hengyishang Venture Capital Partnership (Limited Partnership) (南京恒屹尚創業投資合夥企業(有限合夥)) ("**Nanjing Hengyishang**"), which is controlled by Mr. Lu Yongtao. The single largest limited partner of Nanjing Junhong is SAIC Financial holding approximately 90.26% interest in the partnership. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of Suzhou Shenqi, Hengxu Capital, Shanghai Qijia, SAIC Financial, Shanghai Shengqi, Mr. Lu Yongtao, SAIC Motor, Nanjing Junhong and Nanjing Hengyishang is an Independent Third Party.

[REDACTED] Investors	Background
Huijia Zhinuo	Huijia Zhinuo is a limited partnership established in the PRC. The general partner of Huijia Zhinuo is Huzhou Huilan Investment Consulting Co., Ltd. (湖州匯嵐投資諮詢有限公司) ("**Huzhou Huilan**"), which is owned as to 50.00% by Mr. Hu Yinbin (胡寅斌), who is serving as the general manager of Huiyu Private Equity Management (Huzhou) Co., Ltd. (匯譽私募基金管理(湖州)有限公司) ("**Huiyu Investment**"), and 50.00% by Ms. Zhu Qin (朱勤), who is an employee of Huiyu Investment. Save for Huizhi Chantou Kanglan Venture Capital (Huzhou) Partnership (Limited Partnership) (匯智產投康嵐創業投資(湖州)合夥企業(有限合夥)) ("**Huizhi Kanglan**") holding approximately 90.85% interest in Huijia Zhinuo, none of the other partners of Huijia Zhinuo holds 30% or more interest in the partnership. Huizhi Kanglan is a venture capital fund registered with the Asset Management Association of China, with Huiyu Investment as the fund manager. The general partners of Huizhi Kanglan are Huzhou Huilan and Huzhou Innovation and Entrepreneurship Investment Co., Ltd. (湖州市創新創業投資有限公司) ("**Huzhou Venture Capital**"). Huizhi Kanglan is owned as to 69.90% by Huzhou Industrial Fund Investment Co., Ltd. (湖州市產業基金投資有限公司) ("**Huzhou Industrial Fund**") as its largest single limited partner. Huzhou Industrial Fund is a wholly-owned subsidiary of Huzhou Industrial Investment Group Co., Ltd. (湖州市產業投資發展集團有限公司) ("**Huzhou Industrial Group**"), which is wholly owned by Huzhou Municipal People's Government State-owned Assets Supervision and Administration Commission (湖州市人民政府國有資產監督管理委員會) ("**Huzhou SASAC**"). To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of Huijia Zhinuo, Huzhou Huilan, Mr. Hu Yinbin, Ms. Zhu Qin, Huizhi Kanglan, Huiyu Investment, Huzhou Venture Capital, Huzhou Industrial Fund, Huzhou Industrial Group and Huzhou SASAC is an Independent Third Party.
Ms. Chen Yajuan	Ms. Chen Yajuan has investment experience in consumer industry. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Ms. Chen Yajuan is an Independent Third Party.

[REDACTED] Investors	Background
Caitong Huizhi	Caitong Huizhi is a limited partnership established in the PRC focusing on equity investment in biotech and high-tech industries. The general partner of Caitong Huizhi is Qingdao Caitong Venture Capital Management Co., Ltd. (青島財通創業投資管理有限公司) ("**Caitong Capital**"), a wholly-owned subsidiary of Qingdao Innovation Investment Co., Ltd. (青島市創新投資有限公司) ("**Qingdao Innovation Capital**"), which is ultimately wholly owned by Qingdao Municipal Finance Bureau (青島市財政局). Qingdao Innovation is also the single largest limited partner of Caitong Huizhi holding 96% interest in the partnership. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of Caitong Huizhi, Qingdao Caitong, Qingdao Innovation and Qingdao Municipal Finance Bureau is an Independent Third Party.
FNOF	FNOF is a limited liability company incorporated in Hong Kong, which is indirectly wholly owned by Forebright New Opportunities Fund, L.P. ("**Forebright Fund**"). The general partner of Forebright Fund is FNOF GP Limited ("**FNOF GP**"), which is wholly owned by Forebright Global Limited ("**Forebright Global**"). Forebright Global is owned as to approximately 82.8% by Greenfiled International Limited ("**Greenfiled International**"), which is wholly owned by Mr. Ip Kun Wan. None of the limited partners of Forebright Fund holds 30% or more interest in the partnership. Forebright Global focuses on investment opportunities in China in the fields of business services, high-end manufacturing and healthcare. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of FNOF, Forebright Fund, FNOF GP, Forebright Global, Greenfiled International and Mr. Ip Kun Wan is an Independent Third Party.

[REDACTED] Investors	Background
CICC Entities	CICC R&G is a limited partnership established in the PRC. The general partner of CICC R&G is CICC Capital Operation Co., Ltd. (中金資本運營有限公司) ("**CICC Capital**"), which is a wholly-owned subsidiary of China International Capital Corporation Limited (中國國際金融股份有限公司) ("**CICC**"), an investment bank whose shares are listed on the Shanghai Stock Exchange (stock code: 601995) and the Stock Exchange (stock code: 3908). Each of CICC Ruisheng, CICC Suzhou and CICC Wuxi is a limited partnership established in the PRC. The general partner of CICC Ruisheng, CICC Suzhou and CICC Wuxi is CICC Private Equity Investment Management Co., Ltd. (中金私募股權投資管理有限公司) ("**CICC Private**"), which is a wholly-owned subsidiary of CICC. Save for Haining Gaoxing Innovation Investment Co., Ltd. (海甯高星創新投資有限公司) ("**Haining Gaoxing**"), a state-owned company, holding 98% equity interest in CICC Ruisheng, none of the other partners of CICC R&G, CICC Ruisheng, CICC Suzhou and CICC Wuxi holds 30% or more equity interest in the partnership. To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, each of CICC R&G, CICC Capital, CICC, CICC Ruisheng, CICC Suzhou, CICC Wuxi, CICC Private and Haining Gaoxing is an Independent Third Party.
Mr. Chen Xiong	Mr. Chen Xiong has nearly ten years of experience in biopharmaceutical and great health industries. He has extensive investment experience in biopharmaceutical and biotech industries and is currently serving as a senior investment manager at Shanghai Rightway Capital LLP (上海正為私募基金管理中心(有限合夥)). To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Chen Xiong is an Independent Third Party.
Muguang Tongxing	Muguang Tongxing is a limited partnership established in the PRC, which is owned as to approximately 3.57% by Mr. Gao Zhongheng (高中恒), our financial director, as its general partner, approximately 1.37% by Mr. Ma Shibo (馬世波), our Supervisor, as one of its limited partners, and approximately 95.06% by 12 other employees of our Group as its limited partners, and is our employee shareholding platform.

[REDACTED] Investors	Background
Mr. Zhang Mengran	Mr. Zhang Mengran has several years of experience in dairy industry and is currently participating in the liquid milk business of Shengyuan Group. Mr. Zhang Mengran is the son of Mr. Zhang and Ms. Meng, and is one of our Controlling Shareholders.

Special Rights of the [REDACTED] Investors

Pursuant to the shareholders agreement (the "**Shareholders Agreement**") entered into among our Company, Shengtong Shangmao, Shengtong HK, Mr. Zhang, Ms. Meng and our Shareholders, the [**REDACTED**] Investors were granted certain special rights, including, amongst others, (i) Director nomination right; (ii) veto right on certain major corporate actions; (iii) pre-emptive right; (iv) restriction on share transfer by Mr. Zhang, Ms. Meng and Shengyuan HK; (v) right of first refusal; (vi) tag-along right; (vii) liquidation preference right; (viii) anti-dilution right; (ix) redemption right; (x) drag-along right; (xi) information right; (xii) right of entitlement of same favorable terms; and/or (xiii) financial compensation linked to the market capitalization of the Shares. Pursuant to the supplemental agreement to the Shareholders Agreement, (i) the liquidation preference right, redemption right and drag-along right granted by the Group under the Shareholders Agreement were terminated before the first submission of the [**REDACTED**]; (ii) the redemption rights granted by Mr. Zhang, Ms. Meng, Mr. Zhang Mengran and Shengyuan HK were terminated at the time of the first submission of the [**REDACTED**] but can be reinstated upon the earliest of (a) the withdrawal of the [**REDACTED**]; (b) the failure to refile the [**REDACTED**] within six months from the expiry date of the [**REDACTED**]; (c) the rejection or return of the [**REDACTED**] by the Stock Exchange, the failure to pass the hearing of the Stock Exchange, or the rejection or failure to complete the CSRC filing; or (d) the failure to complete the [**REDACTED**] and [**REDACTED**] before December 31, 2026; and (iii) all the other special rights under the Shareholders Agreement shall be automatically terminated upon the [**REDACTED**] in accordance with the guidance on [**REDACTED**] investments (Chapter 4.2 of the Guide).

Public Float

Shengyuan HK and Mr. Zhang Mengran are our Controlling Shareholders and therefore core connected persons of our Company. The acquisition of Shares held by Muguang Tongxing was partly financed by Mr. Ma Shibo, our Supervisor, as a limited partner of Muguang Tongxing. Accordingly, an aggregate of 31,894,615 Shares held by Shengyuan HK, Mr. Zhang Mengran and Muguang Tongxing, representing approximately [**REDACTED**]% of our Shares in issue immediately following the completion of the [**REDACTED**] will not be counted as part of the public float after the [**REDACTED**].

An aggregate of 60,600,000 Shares held by our Shareholders, representing approximately [**REDACTED**]% of our Shares in issue immediately following the completion of the [**REDACTED**], will be converted into H Shares and [**REDACTED**] immediately following the completion of the [**REDACTED**]. Except for Shengyuan HK, Mr. Zhang Mengran and Muguang Tongxing, the other Shareholders are not core connected persons of our Company and their investments are not financed directly or indirectly by any core connected person of our Company, an aggregate of 28,705,385 Shares held by them, representing approximately [**REDACTED**]% of our total issued Shares, will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the [**REDACTED**].

Sole Sponsor's Confirmation

On the basis that (i) the considerations for the [**REDACTED**] Investments have been settled more than 28 clear days before the date of first submission of the [**REDACTED**] to the Stock Exchange and/or no less than 120 clear days before the [**REDACTED**] Date; and (ii) the special rights granted to the [**REDACTED**] Investors had been suspended prior to the submission of the application for the [**REDACTED**] and/or will be terminated upon completion of the [**REDACTED**], the Sole Sponsor is of the view that the [**REDACTED**] Investments are in compliance with the guidance on [**REDACTED**] investments (Chapter 4.2 of the Guide).

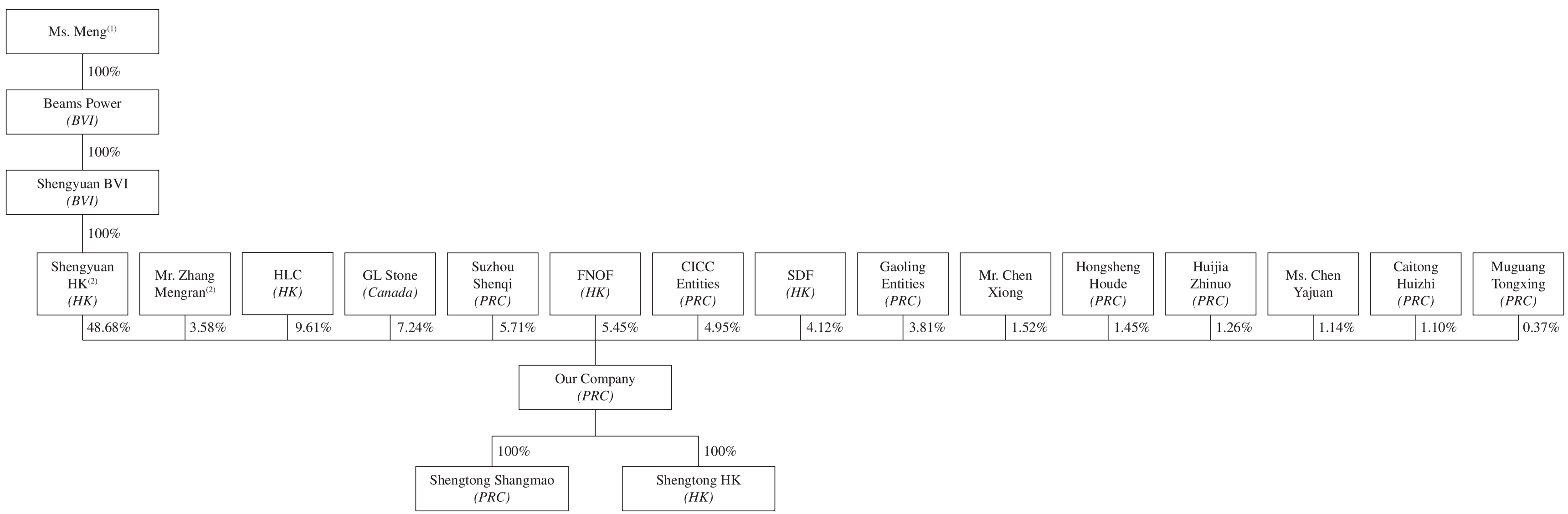
[REDACTED] SHARE OPTIONS

Pursuant to the written resolutions of our Shareholders passed on May 30, 2025 and the Option Grant Agreement, options to subscribe an aggregate of 2,400,000 Shares were granted to Mr. Zhang, representing approximately [**REDACTED**]% of the issued share capital of our Company immediately following the completion of the [**REDACTED**] (without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**] or H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement). Mr. Zhang may exercise the options within ten years after the vesting of such options, upon which the H shares will be issued to Mr. Zhang or his designated entity (Shengyuan HK or other designated entity wholly owned by Mr. Zhang), at his direction. For details, see "Appendix VII — Statutory and General Information — D. [**REDACTED**] Share Options."

SHAREHOLDING AND CORPORATE STRUCTURE

Corporate Structure Immediately After the Completion of the [REDACTED] Investments But Before the [REDACTED]

The following chart sets forth our corporate and shareholding structure immediately after the completion of the [**REDACTED**] Investments, but before the completion of the [**REDACTED**]:



Notes:

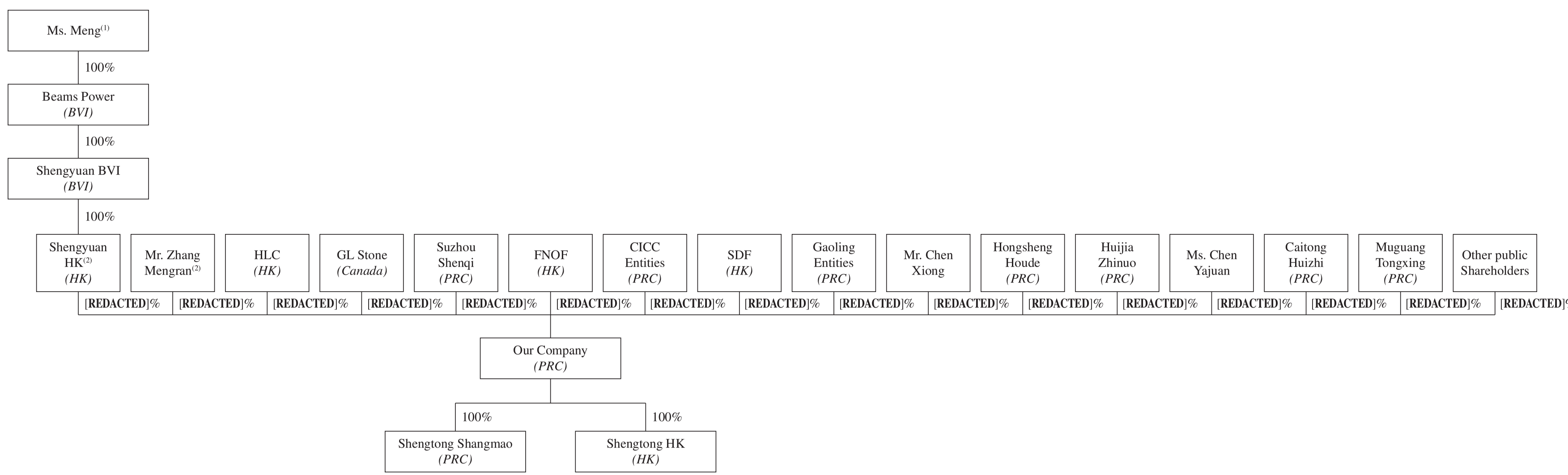
1. Pursuant to the agreement entered into between Ms. Meng and Mr. Zhang on May 28, 2025, Ms. Meng agreed and confirmed that since the date of incorporation of Beams Power, by virtue of their spousal relationship, they have been and would continue consulting with each other and reach a consensus between themselves before making decisions and exercising the voting rights and other shareholder's rights in Beams Power or through Beams Power at the Board and Shareholders' meetings.

2. Mr. Zhang Mengran is the son of Ms. Meng and Mr. Zhang. Pursuant to the acting in concert agreement entered into between Shengyuan HK and Mr. Zhang Mengran on May 28, 2025, Shengyuan HK and Mr. Zhang Mengran agreed and confirmed that from the date Mr. Zhang Mengran became the shareholder of our Company to the date when any of them ceases to be the shareholder of our Company, they have been and would continue to be parties acting in concert and Mr. Zhang Mengran shall exercise his voting rights and other shareholder's rights at our Board and Shareholders' meetings in accordance with the direction of Shengyuan HK.

3. For detailed background information of the other [**REDACTED**] Investors, see "— [**REDACTED**] Investments" above.

Corporate Structure Immediately After the Completion of the [REDACTED]

The following chart sets forth our corporate and shareholding structure immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised and without taking into account any Shares which may be issued upon the exercise of options granted under the Option Grant Agreement):



Note: Please refer to the notes in "— Shareholding and Corporate Structure — Corporate Structure Immediately After the Completion of the [**REDACTED**] Investments But Before the [**REDACTED**] above.

OVERVIEW

Who We Are

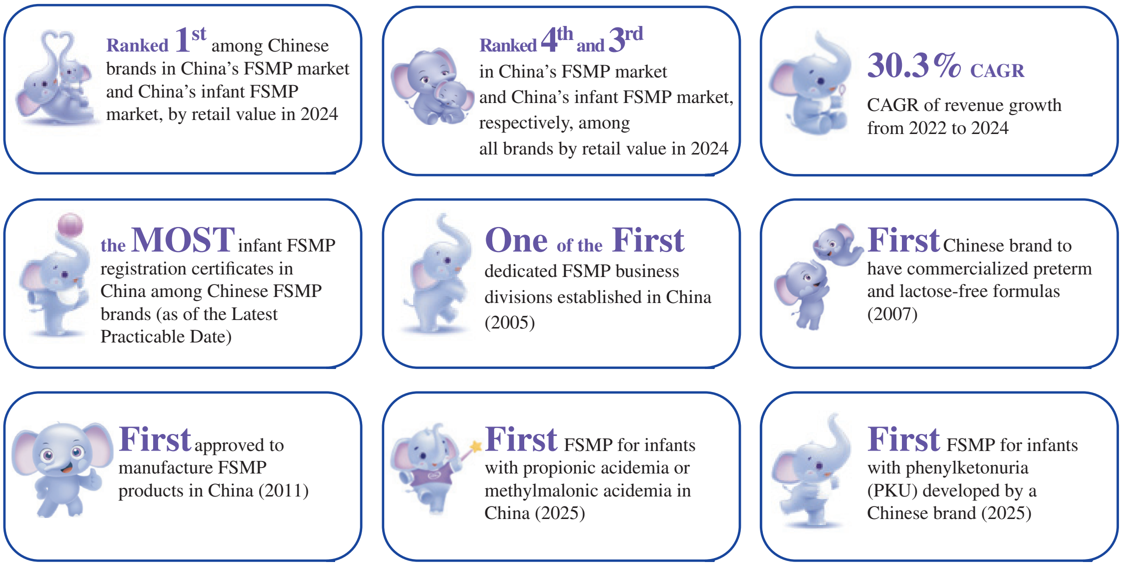
We are one of the leading providers of FSMP in China, focusing on the development, production and sales of FSMP products. According to CIC, in terms of retail value in 2024, we ranked (i) first among homegrown FSMP brands, and fourth among all FSMP brands, in China's FSMP market, with a market share of 6.3%, and (ii) first among homegrown FSMP brands, and third among all FSMP brands, in China's infant FSMP market, with a market share of 9.5%.

We have consistently stood at the forefront of China's FSMP industry. Our odyssey began in 2005 as one of China's first dedicated FSMP business division when there was no homegrown brand in China's FSMP market. In 2007, we commercialized preterm and lactose-free formulas, which were the first FSMP products commercialized by Chinese FSMP brands. In 2011, we were the first that was approved to manufacture FSMP products in China. In January 2025, we obtained registration certificates for our metabolic disorder products – *Teai Bingjia (特愛丙佳),* China's first and only FSMP for infants with propionic acidemia or methylmalonic acidemia, and *Teai Benjia (特愛本佳),* the first FSMP for infants with phenylketonuria (PKU) developed by a Chinese brand.

Guided by our ethos of "Precise Nutrition, Professional Care (精確營養、專業呵護)," we strive to illuminate every corner of clinical necessity and care about the needs of special groups, from infants grappling with allergies, lactose intolerance and preterm vulnerabilities to the silver tsunami of an aging populace. As of the Latest Practicable Date, we had 14 main FSMP products, each with its distinctive medical purpose and addressable demographic, and 16 main new product candidates in the pipeline. As of the same date, we held the most infant FSMP registration certificates in China among Chinese FSMP brands.

During the Track Record Period, we recorded sustained growth in our revenue, which increased by 33.2% from RMB491.2 million in 2022 to RMB654.2 million in 2023, and further increased by 27.5% to RMB834.1 million in 2024.

Our Achievements



Our Market Opportunities

China has a large and growing underserved population that have rigid demand for FSMP products. As the market is still in its nascent stage, the current penetration rate (calculated as the population served divided by the population in need) of China's FSMP products is fledgling compared to that of mature markets, such as Europe and the United States. According to CIC, the penetration rate of FSMP products in China was only approximately 3% in 2024, which is far lower than the rate of over 40% in mature markets such as the United States. Therefore, China's FSMP industry remains a cerulean frontier, primed for future ascent as diagnostic rates improve and regulatory frameworks mature.

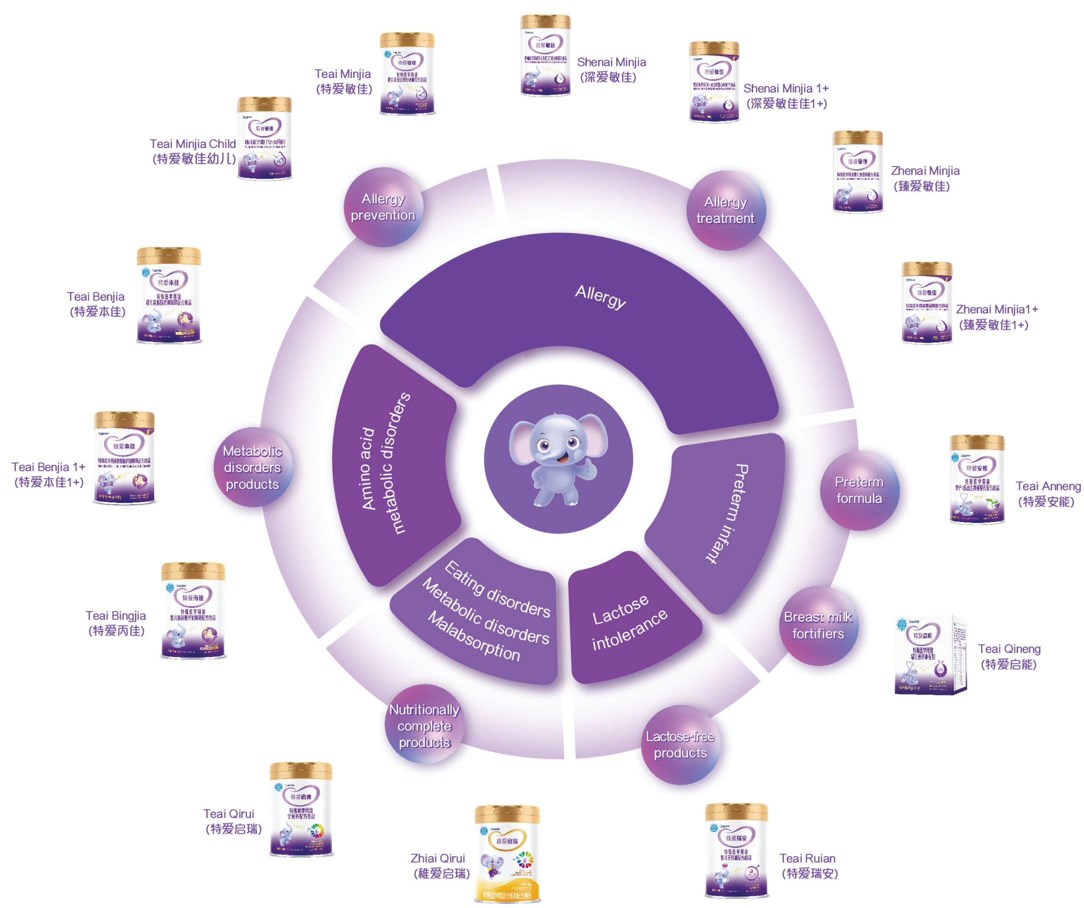
Market projections paint a hopeful growth trajectory. According to CIC, it is expected that the size of China's FSMP market will reach RMB53.1 billion by 2029, with a CAGR of 18.0% from 2024 to 2029. Infant FSMP products represent the largest share of China's FSMP market, which is expected to reach RMB27.4 billion by 2029, with a CAGR of 15.1% from 2024 to 2029. Non-infant FSMP products are emerging as a new growth engine, which is expected to reach RMB25.8 billion by 2029, with a CAGR of 21.5% from 2024 to 2029.

As penetration deepens and regulatory frameworks mature, we believe our agile regulatory certification capabilities and battle-tested channel mastery position us well to capture market opportunities.

Our Products

We currently have five product lines of FSMP products on offer, namely (i) allergy prevention and treatment products, (ii) products for preterm infants, (iii) lactose-free products, (iv) nutritionally complete products and (v) metabolic disorder products.

The chart below shows our main products and the clinical indications they address as of the Latest Practicable Date:



Our R&D engine continuously incubates new FSMP products to address consumers' nutritional needs across all life stages. The chart below shows our main new product candidates and their status as of the Latest Practicable Date:

Category	Product	Pre-clinical	Clinical trial	Registration	Actual/ Expected commencement of clinical trial	Expected application for registration	Expected completion of registration
1. Products subject to mandatory clinical trial before registration							
Non-infant FSMP	Nutritionally complete formula for tumor				2H2024	1H2026	1H2027
Non-infant FSMP	Nutritionally complete formula for kidney disease (after dialysis)				1H2027	2H2028	After 2028
Non-infant FSMP	Nutritionally complete formula for kidney disease (before dialysis)				1H2027	2H2028	After 2028
Non-infant FSMP	Nutritionally complete formula for liver disease				1H2028	After 2028	After 2028
Non-infant FSMP	Nutritionally complete formula for diabetes				1H2028	After 2028	After 2028
2. Products that may go through voluntary clinical trial before registration							
Infant FSMP	Infant amino acid formula				2H2025	2H2025	2H2026
Infant FSMP	Infant lactose-free extensively hydrolyzed formula				2H2025	2H2025	2H2026
Infant FSMP	Infant low-lactose extensively hydrolyzed formula				2H2025	2H2025	1H2027
3. Products that are not subject to any clinical trial before registration							
Infant FSMP	Preterm infants (post-hospitalized) formula				N/A	1H2027	1H2028
Infant FSMP	Ketogenic formula				N/A	2H2027	2H2028
Non-infant FSMP	Phenylketonuria formula 1+				N/A	2H2025	2H2026
Non-infant FSMP	Propionic acidemia formula 1+				N/A	2H2025	2H2026
Non-infant FSMP	Nutritionally complete hydrolyzed protein formula for children aged one to 10				N/A	2H2025	1H2027
Non-infant FSMP	Nutritionally complete hydrolyzed protein formula for individuals aged 10 or above				N/A	2H2026	2H2027
Non-infant FSMP	Ketogenic formula				N/A	2H2028	After 2028
Non-infant FSMP	High energy density formula				N/A	2H2028	After 2028

Note:

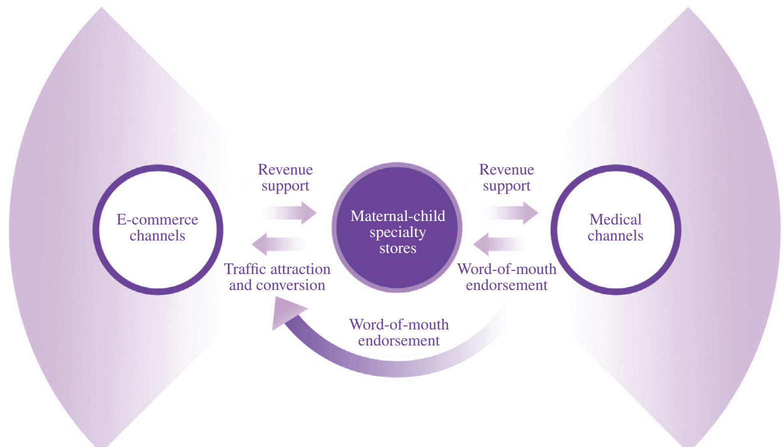
1. Pursuant to the Administrative Measures for the Registration of Foods for Special Medical Purposes (《特殊醫學用途配方食品註冊管理辦法》) promulgated by the SAMR on March 7, 2016, last revised on November 28, 2023 and effective as of January 1, 2024, generally, a clinical trials report shall be submitted when applying for the registration of FSMP with disease-specific nutritionally complete formula. Other types of FSMP are not subject to any mandatory clinical trials before registration under the relevant laws and regulations in the PRC. See "Regulatory Overview — Laws and Regulations on Production and Trade — Registration of Formula Food for Special Medical Purposes" for details.

Our Sales Channels

We have orchestrated a widely-reaching and deeply-penetrating sales network. In line with market practice, during the Track Record Period, we cooperated with distributors, who resold our products to consumers to expand our sales network, increase our market share and improve brand awareness. Our distributors typically sell our products through retail points of sale such as hospitals, postnatal care centers and other medical institutions, maternal-child specialty stores, and online stores. We also directly sell FSMP products to consumers through e-commerce platforms.

As of December 31, 2022, 2023 and 2024, we engaged 326, 346 and 338 distributors, respectively. As of December 31, 2024, our products were sold to or recommended by over 700 hospitals, postnatal care centers and other medical institutions and sold in over 17,000 retail points of sales.

Our sales network seamlessly integrates offline points of sales with e-commerce platforms, creating cross-channel synergies to maximize our consumer reach. The chart below shows the synergy among our sales channels:



COMPETITIVE STRENGTHS

We have always been at the forefront of China's FSMP industry, with a leading market share in the infant FSMP sector and strong growth momentum.

As a trailblazer shaping China's FSMP landscape, we stand at the vanguard of an industry revolution, particularly leading the infant FSMP sector with strong growth momentum. Our narrative unfolds across four strategic dimensions:

China has a colossal yet under-penetrated FSMP market.

As China's FSMP market is still in its nascent stage, the penetration rate of FSMP products in China — measured by the proportion of the population served relative to the population in need — remains at an early stage. According to CIC, the penetration rate in China was approximately 3% in 2024, significantly lower than the over 40% observed in mature markets such as the United States. This substantial gap underscores the significant growth potential of China's FSMP market, driven by rising health awareness, improving clinical practices, and increasing policy support.

Market projections paint a hopeful growth trajectory. According to CIC, it is expected that the size of China's FSMP market will reach RMB53.1 billion by 2029, with a CAGR of 18.0% from 2024 to 2029. Infant FSMP products represent the largest share of China's FSMP market, which is expected to reach RMB27.4 billion by 2029, with a CAGR of 15.1% from 2024 to 2029. Non-infant FSMP products are emerging as a new growth engine, which is expected to reach RMB25.8 billion in 2029, with a CAGR of 21.5% from 2024 to 2029.

We are a leader in China's FSMP market with early-mover advantages.

Our origin story began in 2005 when there was no domestic brand in China's FSMP market. We envisioned the bright prospects of the FSMP market and established one of China's first dedicated FSMP division under Shengyuan Group's banner. Since then, we have proactively sought to harness global expertise by cooperating with renowned international FSMP brands. In 2007, we commercialized preterm and lactose-free formulas, which were the first FSMP products commercialized by Chinese FSMP brands. In 2011, we were the first company that was approved to manufacture FSMP products in China.

With nearly two decades of technology accumulation and sales channel cultivation, we have claimed a leading position in multiple dimensions: in terms of retail value in 2024, we ranked (i) first among homegrown FSMP brands, and fourth among all FSMP brands, in China's FSMP market, and (ii) first among homegrown FSMP brands, and third among all FSMP brands, in China's infant FSMP market.

We have a rich product matrix.

Our product portfolio stands as one of the industry's most comprehensive solution matrixes. As of the Latest Practicable Date, we had 14 main FSMP products, addressing five categories of clinical indications. As of the Latest Practicable Date, we held a total of eight FSMP registration certificates in China, including six infant FSMP registration certificates, and we offer a variety of infant FSMP products, including hypoallergenic formula, preterm formula, lactose-free formula, nutritionally complete formula and metabolic disorder formula. As of April 30, 2025, we ranked first among all domestic infant FSMP brands in China in terms of the number of infant FSMP registration certificates, according to CIC. Moreover, we sell FSMP products with functional ingredients such as extensively hydrolyzed protein and amino acid, which are produced by an OEM and for which we plan to apply for registration in the PRC in the second half of 2025, to vanquish clinical indications pervasive in Chinese infants such as allergies.

We strive to illuminate every corner of clinical necessity and care about the needs of special groups. According to CIC, we are the first Chinese company to have developed milk powder designed to treat rare diseases. In January 2025, two of our amino acid metabolic disorder formulas were officially registered, marking the start of import substitution of the same category.

In light of the relatively large market size and fast growth of non-infant FSMP products, we have invested in the development of non-infant FSMP products over the past years. Our years of devotion to non-infant FSMP products has fruited. As of the Latest Practicable Date, we had six FSMP products for non-infants, including two nutritionally complete products that can meet all-round nutritional needs of individuals. In order to better align with the disease-specific management protocols of hospitals, we are developing disease-specific nutritionally complete products specially for, for example, cancer patients. Our two decades of institutional wisdom now converges, positioning us to seize the rise of the non-infant FSMP sector.

We are in the midst of robust financial growth.

Our robust financial track record proves our ability to convert innovation to value. We have extensive product launch experience, and as we continue to develop rapidly, we are committed to meeting the needs of a wider consumer base. From 2022 to 2024, our revenue and adjusted net profit (non-IFRS measure) grew at a CAGR of 30.3% and 28.5%, respectively, showing strong growth velocity.

Our revenue growth has outpaced the market. The market size of China's FSMP market, in terms of retail value, grew at a CAGR of 26.4% from 2022 to 2024, and the revenue of top five market participants increased at a CAGR of approximately 20% on average during the same period.

As penetration deepens and regulatory frameworks mature, we believe our agile regulatory certification capabilities and battle-tested channel mastery position us well to capture market opportunities. We believe our solutions are crafting China's FSMP realm where we reign as both architects and beneficiaries.

We have an omnichannel sales network that drives our growth and accumulates consumer acclaim.

Our omnichannel strategy optimizes consumer engagement.

We have orchestrated a widely-reaching and deeply-penetrating sales network. With a focus on medical institutions and maternal-child specialty stores, our sales network seamlessly integrates such offline points of sales with e-commerce platforms, creating cross-channel synergies to maximize our consumer outreach. Our omnichannel strategy converges cross-platform traffic to accumulate consumer acclaim, cultivate brand loyalty, optimize consumer engagement and reinforce our channel partnerships.

With deep medical nexus, our clinical credibility fortifies a formidable barrier.

We promote our FSMP products through evidence-based advocacy. FSMP, scientifically formulated nutritional solutions designed for individuals with eating disorders, maldigestion, malabsorption, metabolic disorders or disease-specific dietary requirements, demands profound clinical collaboration and promotion of cutting-edge industry and product knowledge. Recognizing the critical role of medical professionals, we have established an in-house Medical Affairs Department to enhance medical professionals' nutritional literacy and FSMP expertise and improve patients' quality of life and clinical prognosis through clinical collaboration programs. By conducting real-world clinical observations and studies, we validate the efficacy and safety of our products, foster trust among medical professionals and patients, and propel the further development and commercialization of FSMP products, forming a virtuous cycle.

We establish and solidify our thought leadership through academic initiatives. At forums like the Pediatric Academic Conference of the Chinese Medical Association (中華醫學會兒科學術大會), we unveil localized research findings and advocate for the ethos of "Tailored Nutrition Solutions for China's Children (中國寶寶特殊口糧)," thereby cementing our scientific authority. These initiatives create a self-reinforcing cycle: clinical insights accumulate brand assets, while practitioner endorsements drive market adoption.

We have a nationwide maternal-child specialty store network and lead the lower-tier markets.

Maternal-child specialty stores are an important sales channel for infant FSMP products. According to CIC, retailing channels contributed 37.0% of total infant FSMP sales in China in 2024, among which the maternal-child specialty stores accounted for the vast majority of the share. Maternal-child specialty stores are highly specialized, providing a full range of related products as well as guidance in the entire parenting process from the preparation of pregnancy to the growth of the baby. Through the years, we have built a nationwide maternal-child specialty store network.

We take a tiered-market strategy, which has extended our influence beyond tier-1 cities into the heart of China's lower-tier markets.

We have expanded our sales network to, and gained a competitive edge in, third- and fourth-tier cities, an approach differentiated from international brands. We proactively cooperate with local hospitals, distributors and retailers, and quickly increase our market coverage by introducing our products to maternal-child specialty stores. As of December 31, 2024, we cooperated with 338 distributors in 280 cities across the country, with a city coverage rate of 95%. By integrating e-commerce infrastructure with our deeply-penetrating ground network, we launched our cross-border e-commerce business, providing consumers with access to a wealth of FSMP products and meeting the nutritional needs of niche audiences.

We have also organized five FSMP training programs in collaboration with Peking University's School of Economics since 2023, which enrolled 700 maternal-child specialty store staffs in total. Our offline consumer engagement events organized in over 10 provinces, such as our "Minjia Club Workshops (敏佳俱樂部尊享會)" and our annual FSMP Festivals (特醫節) that blend academic symposia, free clinics and parenting workshops, have effectively improved consumers' FSMP awareness and literacy, bridging science and lived experience.

Anchored in R&D excellence and uncompromising quality craftsmanship, we have meticulously sculpted a premium brand identity that commands differentiated value recognition. This strategic positioning empowers us to design scientifically calibrated incentive structures for channel partners, fostering elevation of their services. Meanwhile, we rigorously enforce territorial exclusivity protocols and price governance, systematically eliminating cross-regional arbitrage and predatory pricing practices. Through these efforts, we have cultivated a virtuous ecosystem where partners reap predictable, sustainable profitability and long-term value capture. We believe this shared prosperity transforms transactional partnerships into enduring alliances, where every stakeholder's success becomes a testament to our collective commitment to excellence.

We expand our sales channel and achieve consumer education through our multi-platform media matrix.

Our multi-platform digital strategy combines commerce with education. We have set our footprint on major e-commerce platforms such as Tmall and JD.com, where our sales experienced a steady growth from 2022 to 2024. Our online customers have shown relatively high brand loyalty.

We distribute our content through *WeChat Official Accounts*, *Video Channels*, *Douyin*, *Weibo* and *Xiaohongshu*, curated to deliver premium scientific parenting knowledge and FSMP guidelines. By combining authentic user testimonials with expert analyses, we cultivate trust within the maternal-child community. Our "edutainment" blending physician- and KOL-led livestreams and interactive Q&A sessions demystify allergies and lactose intolerance, transforming product advocacy into cultural currency.

By consolidating clinical authority, vertical maternal-child expertise and digital omnipresence, we reinforce our brand identity as "Dedicated Innovator of Tailored Nutrition Solutions for China's Children (專心研製中國寶寶特殊口糧)." This tripartite approach amplifies our commitment to tailored nutritional solutions that address the unique needs of China's next generation, while forging an indelible imprint of scientific rigor and compassionate care.

Our industry-academia-research collaboration transforms technology to products quickly to meet diverse consumer needs.

We have high-class production infrastructure and quality governance.

Production Facilities. Our GMP-certified production base in Qingdao spans a GFA of over 31,700 sq.m., equipped with two specialized workshops delivering an annual production capacity of approximately 3,324 tons in aggregate. It fulfills production demands across all our approved FSMP products. Strategically located near East China's core consumer markets and port hubs, the facility ensures efficient raw material procurement and finished product distribution, enabling agile responses to clinical and market demands. We are also constructing a new production facility in Fengzhen, Inner Mongolia, where we believe we can benefit from the reliable and abundant power supply at favorable prices. Our production facility in Fengzhen is expected to have an annual production capacity of 4,500 tons of fat powder and 80 tons of hydrolyzed protein powder, main raw materials for our FSMP products.

Raw Materials. The quality of our raw materials is pivotal to the quality of our products, and our commercial success. We select our raw material suppliers with proven track records of producing high-quality products to ensure the safety and quality of our raw materials. We conduct tests on samples of their products before confirming whether to use their products as our raw materials. We require our raw material suppliers to provide us with inspection reports for each batch of supplies and international inspection reports and customs forms for imported supplies upon delivery. Once our production facility in Fengzhen commences operation, we believe its hydrolyzed protein and fat powder output will be a stable source of raw materials for us and help control our raw material costs.

Quality Control Protocols. We enforce a rigorous end-to-end quality management protocol spanning raw materials, production processes and finished goods. Advanced analytical instrumentation — including ultra-high-performance liquid chromatography (UHPLC) and gas chromatography-mass spectrometry (GC-MS) — enables 100% real-time online surveillance of critical production stages. We assign a unique QR code to every canister, ensuring full lifecycle traceability of our products. To reinforce consumer confidence, we host "Traceability Tours" — curated factory visits where selected consumers nationwide witness our quality protocols firsthand, bridging digital engagement with physical verification.

Our R&D architecture, where insight meets ingenuity, is key to our constant product upgrades and sustainable competitiveness.

Our market-tested R&D capability — from demand identification, product ideation and clinical validation to trial production and product registration — is powered by cutting-edge facilities, high-caliber talent and clinical collaboration frameworks. This systematic approach accelerates the translation of scientific breakthroughs into market-ready solutions, cementing our leadership in the FSMP industry.

Our in-house R&D team are advised by our Chief Scientific Advisor, Mr. Li Wenjun, a luminary in nutritional science. Mr. Li Wenjun has approximately 40 years of experience in the field of maternal and child nutrition and special diets, and is the former Chief Medical Officer of Nestlé (China) Ltd. Mr. Li Wenjun currently serves as vice chairman of the Nutrition and Healthy Dairy Committee of the China Dairy Products Industry Association, the Special Diet Branch of the Chinese Society of Food Science and Technology, and the Regulatory Committee of the China Nutrition and Health Food Association. In addition, through partnerships with hospitals, universities and healthcare institutions, we conducted clinical studies during the Track Record Period to validate FSMP formulations and post-commercialization real-world studies.

We have been relentlessly improving our craftsmanship. For instance, we developed a bitterness measuring and mitigation technology in collaboration with China Agricultural University to enhance the palatability of hypoallergenic hydrolyzed protein products. We also formed strategic alliance with China National Research Institute of Food & Fermentation Industries (中國食品發酵工業研究院) to jointly develop proprietary whey protein hydrolysis technology, breaking foreign monopolies in allergy nutrition.

We have a proven track record in FSMP for infants, with multiple products progressing from R&D to commercialization. We are now transitioning our success in FSMP for infants to non-infant formulas. With four non-infant FSMP products under development as of the Latest Practicable Date, we aim to commercialize around 12 non-infant FSMP products within five years. Through formula optimization and technological innovation, our R&D engine continuously incubates new FSMP products to address consumers' nutritional needs across all life stages.

Guided by our ethos of "Precise Nutrition, Professional Care (精確營養、專業呵護)," we practice good corporate citizenship through transformative social initiatives, strengthen our brand image and drive the advancement of China's FSMP industry.

Catalyzing Industry Development

Participation in Standard-Setting: As architects of China's FSMP framework, we spearheaded critical contributions to national guidelines. We participated in the review of the FSMP section of "Common Ingredients and Applications of China's Special Foods (《中國特殊食品常用原料與應用》)" and led the drafting of the carbohydrate part. We also participated in interpreting the "GB 25596-2010 National Food Safety Standard for FSMP for Infants (《食品安全國家標準特殊醫學用途嬰兒配方食品通則 GB 25596-2010》)" (scheduled for release in 2025). We are currently participating in the study on molecular weight distribution of hydrolyzed protein in FSMP products, providing basis for the formulation of the relevant national standards.

Spearheading Consumer Education: Our "321 Deep Care (321深愛你)" FSMP Festivals redefine consumer education, promote science-based parenting practices and raise FSMP awareness. Through collaborative workshops and training programs, we elevate professional competencies across the sector, solidifying our role as a growth catalyst for the FSMP sector.

Empowering Vulnerable Populations

Rehabilitation Patients and Geriatrics: We partner with China Rehabilitation Research Center (中國康復研究中心) on multicenter, prospective, real-world studies to validate the efficacy of our *Teai Qirui (特愛啟瑞)* products in improving the recovery outcomes and quality of life for rehabilitation patients. We collaborate with the Geriatric Healthcare Integration Association (老年醫養結合產業分會) to launch personalized nutrition intervention programs for the elderly, provide tailored dietary solutions to support their retirement life, and contribute to China's national health initiatives.

Infants with Phenylketonuria (PKU): Infants with PKU, sometimes referred to as "special angels," are unable to metabolize phenylalanine. They may face severe, or life-threatening, neurological risks by a slightest overdose of phenylalanine. Despite serving a niche market (approximately 1 in 10,000 births each year, according to CIC), we developed China's first PKU-specific infant formula, illuminating the future for over 1,000 families each year. We also launched a "PKU Relief Initiative (苯丙酮尿症PKU患兒特殊奶粉補助項目)" in 2012, providing three years of free FSMP products to each of the newborns diagnosed with PKU in five provinces in China. Continued for five years, we donated products valued at over RMB42 million, assisting over 1,280 infants. According to CIC, it is so far the largest PKU support initiative in China. We firmly believe that every child deserves to flourish, and we are committed to nourishing children in need with our FSMP products.

Delivering Hope in Critical Times

During public health emergencies, we mobilized rapidly and donated nutritionally complete FSMP products to frontline healthcare professionals. In 2022, we partnered with the Illness Challenge Foundation (病痛挑戰基金會) and Alibaba for timely delivery of life-sustaining metabolic disorder formulas to patients who were about to run out of such products, which were their staple. Our efforts in the time of need were widely spread, winning us acclaim from all walks of life.

We are led by visionary and seasoned management and backed by robust shareholder support.

Our Management

We have a seasoned and brilliant core management team. At the helm stands Mr. Zha Feng (查峰), our Chairman and General Manager, an alumnus of Shanghai Medical University with over three decades of executive experience spanning healthcare and consumer industries. He is primarily responsible for the strategic planning, business direction and overall operational management of our Group. Mr. Zha served as a public servant at the Ministry of Health of the People's Republic of China (中華人民共和國衛生部), where he was primarily responsible for the supervision and administration of food safety.

Our senior management team comprises veterans whose collective expertise forms the bedrock of our success. Our Deputy General Managers Mr. Qi Guojing (leading our sales and marketing) and Mr. Yu Chengpeng (in charge of our production), alongside our R&D Director Mr. Xu Qingli, each contributes over 20 years of specialized experience in the infant formula sector. This leadership cohort — united by strategic foresight and operational audacity — has grown with our Company, anticipating market shifts while nurturing a culture of excellence.

Our mid-level management and core talent are our operational backbone. They have sharp market acumen honed through years in the FSMP industry, frontline sales experience across diverse geographies and rigorous production and quality control expertise.

Talent Development

Through a strategic alliance with Peking University's School of Economics, we have constructed an industry-leading talent development program. This program synergizes elite academic resources with a practical curricular, cultivating strategic vision for senior executives, cross-functional operational mastery and innovation-driven management practices.

Our Shareholders

We are robustly backed by our shareholders. Shengyuan Group, which is controlled by Ms. Meng and Mr. Zhang, our Controlling Shareholders, has been deeply rooted in the dairy industry for nearly four decades.

Along the journey, we have also attracted influential and resourceful investors whose contributions transcend capital, such as HLC, GL Capital, Hengxu Capital, Hillhouse and Sinovation Ventures. They bring broad industry networks, proprietary consumer insights and rich operational experience, fueling our sustainable scalability and refining our product-market fit.

In an industry where human capital determines destiny, our leadership moat — buttressed by investor brilliance — positions us not merely to compete, but to redefine China's FSMP landscape.

BUSINESS STRATEGIES

We aim to further develop our business through the following strategies:

Accelerate Omnichannel Expansion and Increase Sales

We plan to execute an omnichannel expansion strategy to consolidate our market leadership. Leveraging our established distribution network of 338 distributors and over 17,000 retail points of sales as of December 31, 2024, we plan to deepen our penetration in tier one cities through targeted brand campaigns and expanded coverage of our distribution network. At the same time, we plan to reinforce our advantage in lower-tier markets by continuing to conduct marketing among and through industry professionals, such as physicians, dietitians and maternal-child speciality store staffs.

We plan to improve the sales and service capabilities of distributors and maternal-child specialty stores and increase per-store productivity by enhancing trainings. We plan to provide channel partners with comprehensive training courses, covering FSMP professional shopping guide, inventory management and customer relationship maintenance, among others. At the same time, we plan to use big data analysis to identify high-potential product combinations and per-customer spending.

Develop FSMP Products Serving a Wider Demographic, in Particular Non-infant FSMP Products

Building on our leadership in infant FSMP, we plan to increase our investment in development of new FSMP products to serve a wider demographic. We plan to develop non-infant formulations addressing age-related metabolic disorders and post-surgical recovery needs. By developing and commercializing non-infant FSMP products, we strive to build an early-mover advantage in the non-infant FSMP segment, which is growing fast due to an aging population.

As of the Latest Practicable Date, we had 16 main new product candidates in the pipeline. See "— Overview — Our Products" for details.

Expand Production Capacity, Improve Production Efficiency and Develop Core Technologies

We will expand our production facilities to increase our production capacity. Through such initiative, we expect to increase our annual production capacity. Subsequent to the Track Record Period, we commenced the operations of our production workshop II of Qingdao production base for metabolic disorder products in February 2025. We are constructing a new production facility in Fengzhen, Inner Mongolia, with a designed annual production capacity of 4,500 tons of fat powder and 80 tons of hydrolyzed protein powder, which is expected to commence operations in or around the first quarter of 2026. Our Fengzhen production facility is expected to produce a large portion of hydrolyzed protein and fat powder, main raw materials for our FSMP products, for our production after it commences operation. We plan to utilize the designed production capacity of our Fengzhen production facility in phases to meet demands for hydrolyzed protein fat powder in the near and long terms.

Further, we plan to upgrade our existing production facility to enhance production efficiency. Through automation upgrades, we aim to increase production efficiency and reduce wastage, thereby improving our profitability. In addition, we will continue to refine our production technology and craftsmanship. We aim to develop proprietary hydrolysis technology to dismantle longstanding foreign technical monopolies, ensuring the quality and stability of our supply chain.

Reinforce Brand Recognition

We plan to continue to invest in brand building and enhance our brand image through the following initiatives:

- *Social Media Operations*: to elevate brand influence through platforms, such as Weibo, WeChat and Xiaohongshu, with regular publication of branded content and short videos;

- *Search Engine Ecosystem Development*: to establish brand authority through Baidu Q&A knowledge base;

- *Precision Advertising Campaigns*: to implement keyword-targeted marketing on Xiaohongshu for precise audience engagement;

- *Event Marketing*: to host market events such as "321 Deep Care" FSMP Festivals and Industry Summits;

- *Social Responsibility*: to continue our charitable donation program for genetic metabolic disorder products;

- *Consumer Education*: to organize "Visionary Mothers' Roundtable" events for consumer education and brand building;

- *Visual Brand Assets*: to apply consistent design elements and brand colors across online and offline channels, and adopt a unified visual identity system for Minjia Club retail outlets; and

- *KOL Development Program*: to cultivate KOLs leveraging AI-generated resources to promote our products.

Attract and Cultivate Talent

We believe talent is the cornerstone of our sustainable growth. We will continue to attract and cultivate top talent. We plan to strengthen our R&D team by attracting outstanding graduates through campus recruitment and experienced laterals through social recruitment. At the same time, we will upskill our talent through internal training and joint programs with other organizations or experts.

We plan to enhance the sales and service capabilities of our sales force by improving their FSMP expertise and advocacy.

OUR PRODUCTS

We are one of the largest FSMP brands in China, ranking first among homegrown FSMP brands and fourth among all FSMP brands in China's FSMP market in terms of retail value in 2024, according to CIC. We primarily develop FSMP products for people with special medical conditions and sell such products through a distribution network covering 30 provinces, cities and autonomous regions in China. During the Track Record Period, we focused primarily on FSMP products for infants (zero to 12 months old). Dedicated to meeting the special nutritional needs of all age groups, we launched our FSMP products for children (one to 10 years old) and individuals aged 10 or above.

We currently have five FSMP product lines, namely (i) allergy prevention and treatment products, (ii) products for preterm infants, (iii) lactose-free products, (iv) nutritionally complete products, and (v) metabolic disorder products.

The following table sets forth a breakdown of our revenue by product line for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Allergy prevention and treatment products	416,580	84.8	579,281	88.5	754,342	90.4
Products for preterm infants	38,083	7.8	33,512	5.1	37,100	4.4
Lactose-free products	17,324	3.5	25,276	3.9	22,783	2.7
Nutritionally complete products	2,687	0.5	4,834	0.7	10,052	1.2
Metabolic disorder products	1,561	0.3	1,899	0.3	2,689	0.3
Other products	15,078	3.1	9,442	1.4	7,130	0.9
Total	**491,223**	**100.0**	**654,244**	**100.0**	**834,096**	**100.0**

Our Allergy Prevention and Treatment Products

Our allergy prevention and treatment products are divided into two main product categories, namely our allergy prevention products and allergy treatment products. Our allergy prevention products are sold under our *Teai Minjia (特愛敏佳)* and *Teai Minjia Child (特愛敏佳幼兒)* brands. Our allergy treatment products are sold under our *Shenai Minjia (深愛敏佳)*, *Shenai Minjia 1+ (深愛敏佳 1+)*, *Zhen'ai Minjia (臻愛敏佳)* and *Zhen'ai Minjia 1+ (臻愛敏佳 1+)* brands.

Allergy Prevention Products

Our allergy prevention products are designed to help prevent allergies in infants or children (one to three years old) who are at high risk of milk protein allergy. Milk protein allergy is an abnormal immune system response to cow's milk.

Specifically, we replace cow's milk protein with partially hydrolyzed whey protein in our allergy prevention products. Partially hydrolyzed whey protein powder is produced by hydrolyzing a portion of the high molecular weight protein in whey protein powder to low molecular weight peptides and free amino acids using biological enzymatic hydrolysis technology. Replacing milk protein with partially hydrolyzed whey protein powder can avoid the stress on the gastrointestinal tract of infants and children caused by intact protein intake, while improving the digestion and absorption rate of proteins.

We have developed two allergy prevention products that are sold under our *Teai Minjia (特愛敏佳)* and *Teai Minjia Child (特愛敏佳幼兒)* brands for infants (zero to 12 months old) and children (one to three years old), respectively, at high risk of milk protein allergy.

Products	Product Features	Target age groups	Main Distinguishing Ingredients	Suggested Retail Price	Form of Product and Volume	Shelf Life
Teai Minjia (特愛敏佳) . . . . .  (1)	This product uses partially hydrolyzed whey protein as the primary protein source to help prevent allergies in infants at high risk of milk protein allergy	Zero to 12 months old	Partially hydrolyzed whey protein, oligofructose, five kinds of nucleotides, 13 kinds of vitamins, 12 kinds of minerals, and four kinds of beneficial ingredients	RMB198/ RMB398	Can form: 300g/700g	24 months

Products	Product Features	Target age groups	Main Distinguishing Ingredients	Suggested Retail Price	Form of Product and Volume	Shelf Life
Teai Minjia Child (特愛敏佳幼兒) . . . .   (2)	This product uses partially hydrolyzed whey protein as the primary protein source to help prevent allergies in children at high risk of milk protein allergy	One to three years old	Partially hydrolyzed whey protein, oligofructose, five kinds of nucleotides, DHA, AA, lutein, 13 kinds of vitamins, 12 kinds of minerals, four kinds of beneficial ingredients	RMB298	Can form: 700g	24 months

Notes:

(1) This product is registered in the PRC.

(2) This product is not registered in the PRC. It is sourced from South Korea and sold to consumers in the PRC through crossborder e-commerce platform.

Allergy Treatment Products

Our allergy treatment products are designed to provide energy and nutrients to infants or children (one to three years old) who are allergic to milk protein. Specifically, we replace cow's milk protein with extensively hydrolyzed whey protein or amino acids in our allergy treatment products.

Extensively hydrolyzed whey protein is produced by extensively hydrolyzing milk proteins into smaller proteins, i.e. oligopeptides and amino acids, which are easier to digest and absorb for infants and children who are allergic to milk protein. Replacing milk protein with amino acids can prevent the body from digesting and absorbing the protein and is suitable for infants or children who are allergic to milk protein.

We have developed four allergy treatment products that are sold under our *Shenai Minjia (深爱敏佳)*, *Shenai Minjia 1+ (深爱敏佳 1+)*, *Zhen'ai Minjia (臻爱敏佳)* and *Zhen'ai Minjia 1+ (臻爱敏佳 1+)* brands for infants (zero to 12 months old) and children (one to three years old) who are allergic to milk protein.

Products	Product Features	Target age groups	Main Distinguishing Ingredients	Suggested Retail Price	Form of Product and Volume	Shelf Life
Shenai Minjia (深爱敏佳) . . . .  (1)	This product uses extensively hydrolyzed whey protein as the main protein source to provide energy and nutrition for infants who are allergic to milk protein	Zero to 12 months old	Extensively hydrolyzed whey protein, glutamine, medium-chain triglycerides, DHA, AA, and 28 kinds of vitamins, minerals and other beneficial ingredients	RMB348	Can form: 360g	24 months
Shenai Minjia 1+ (深爱敏佳 1+). . . . . . .  (1)	This product uses extensively hydrolyzed whey protein as the main protein source to provide energy and nutrition for children who are allergic to milk protein	One to three years old	Extensively hydrolyzed whey protein, glutamine, medium-chain triglycerides, DHA, AA, and 28 kinds of vitamins, minerals and beneficial ingredients, five kinds of nucleotides, and dietary fiber	RMB348	Can form: 360g	24 months
Zhen'ai Minjia (臻爱敏佳) . . . .  (1)	This product uses amino acids as the main protein source to provide energy and nutrition for infants who are allergic to milk protein	Zero to 12 months old	Amino acids, glutamine, medium-chain triglycerides, linoleic acid, alpha-linolenic acid, and 28 kinds of vitamins, minerals and other beneficial ingredients	RMB358	Can form: 400g	24 months
Zhen'ai Minjia 1+ (臻爱敏佳 1+). . . . . . .  (1)	This product uses amino acids as the main protein source to provide energy and nutrition for children who are allergic to milk protein	One to three years old	Amino acids, glutamine, medium-chain triglycerides, linoleic acid, alpha-linolenic acid, and 28 kinds of vitamins, minerals and other beneficial ingredients	RMB358	Can form: 400g	24 months

Note:

(1) This product is not registered in the PRC. It is sourced from South Korea and sold to consumers in the PRC through crossborder e-commerce platforms.

In addition to the aforementioned allergy prevention and treatment products, we also take customized purchase orders from distributors and brand owners for allergy prevention and treatment products containing hydrolyzed protein. We outsource the production of such orders to an OEM supplier, Jintao, and sell them to customers through cross-border e-commerce platforms.

Our Products for Preterm Infants

Our products for preterm infants are divided into two main product categories, namely our preterm infant formula products and breast milk fortifiers. Our preterm infant formula products are sold under our *Teai Anneng (特愛安能)* brand. Our breast milk fortifiers are sold under our *Teai Qineng (特愛啟能)* brand.

Preterm Infant Formula Products

Our preterm infant formula products are designed to provide complete and balanced nutrition for preterm or low birth weight infants. Specifically, we reduce the amount of lactose in our preterm formula while adding DHA, AA, taurine and 30 other nutrients to provide adequate nutrition for their growth.

We have developed one preterm infant formula product that is sold under our *Teai Anneng (特愛安能)* brand for preterm or low birth weight infants (zero to 12 months old).

Products	Product Features	Target age groups	Main Distinguishing Ingredients	Suggested Retail Price	Form of Product and Volume	Shelf Life
Teai Anneng (特愛安能) . . . . . .   (1)	This product provides complete and balanced nutrition for preterm or low birth weight infants	Zero to 12 months old	Protein, medium-chain triglycerides, DHA, AA, taurine, nucleotides, vitamins, minerals and other beneficial ingredients	RMB158/ RMB328	Can form: 300g/700g	24 months

Note:

(1) This product is registered in the PRC.

Breast Milk Fortifiers

Our breast milk fortifiers are designed to be used with breast milk to provide energy and nutrients to preterm or low birth weight infants. Specifically, we use whey protein isolate powder as a protein source and medium-chain triglycerides as a fat source, while adding vitamins, minerals, choline, inositol, taurine and L-carnitine to supplement adequate nutrition for their growth.

We have developed one breast milk fortifier that is sold under our *Teai Qineng (特愛啟能)* brand for preterm or low birth weight infants (zero to 12 months old).

Products	Product Features	Target age groups	Main Distinguishing Ingredients	Suggested retail price	Form of Product and Volume	Shelf Life
Teai Qineng (特愛啟能) .  (1)	This product is a breast milk supplement that is used in conjunction with breast milk to provide energy and nutrients for preterm or low birth weight infants	Zero to 12 months old	Whey protein isolate powder, medium-chain triglycerides, and 29 kinds of vitamins, minerals and beneficial nutrients	RMB598	80 bags box (1g per bag): 80g	18 months

Note:

(1) This product is registered in the PRC.

Our Lactose-free Products

Our lactose-free products are designed to provide energy and nutrients to infants who are lactose intolerant. Lactose intolerance is an inability to digest lactose, a sugar found in milk and milk products. Specifically, we replace lactose with starch sugar, while adding nucleotides for intestinal and immune protection, as well as DHA and AA to promote visual brain development and help regulate immune balance.

We have developed one lactose-free product that is sold under our *Teai Ruian (特愛瑞安)* brand for infants (zero to 12 months old) who are lactose intolerant.

Products	Product Features	Target age groups	Main Distinguishing Ingredients	Suggested retail price	Form of Product and Volume	Shelf Life
Teai Ruian (特愛瑞安) . .  (1)	This product is a lactose-free formula suitable for infants who are lactose intolerant	Zero to 12 months old	Whey protein isolate powder, five nucleotides, DHA, AA, 13 kinds of vitamins, 12 kinds of minerals, and a variety of beneficial ingredients	RMB158/ RMB328	Can form: 300g/700g	24 months

Note:

(1) This product is registered in the PRC.

Nutritionally Complete Products

Our nutritionally complete products are designed to be used as a single source of nutrients to meet the nutritional needs of children (one to 10 years old) and individuals aged 10 or above who suffer from eating disorders, maldigestion, malabsorption or metabolic dysfunction.

We have developed two nutritionally complete products that are sold under our *Teai Qirui (特愛啟瑞)* and *Zhiai Qirui (稚愛啟瑞)* brands for children (one to 10 years old) and individuals aged 10 or above with eating disorders, maldigestion, malabsorption or metabolic dysfunction.

Products	Product Features	Target age groups	Main Distinguishing Ingredients	Suggested retail price	Form of Product and Volume	Shelf Life
Teai Qirui (特愛啟瑞) . .  (1)	This product can be used as a single source of nutrients to meet the nutritional needs of individuals with eating disorder, maldigestion, malabsorption or metabolic dysfunction	10 years old or above	Whey protein, linoleic acid, α-linolenic acid, 13 kinds of vitamins, and 12 kinds of minerals	RMB398	Can form: 700g	24 months

Products	Product Features	Target age groups	Main Distinguishing Ingredients	Suggested retail price	Form of Product and Volume	Shelf Life
Zhiai Qirui (稚愛啟瑞)  (1)	. This product can be used as a single source of nutrients to meet the nutritional needs of children with eating disorder, maldigestion, malabsorption or metabolic dysfunction	One to 10 years old	Whey protein, medium chain triglycerides, α-linolenic acid, and 37 kinds of nutrients	RMB198/ RMB298	Can form: 350g/700g	24 months

Note:

(1) This product is registered in the PRC.

Metabolic Disorder Products

Our metabolic disorder products are designed to provide safe protein nutrition to infants or children (one to three years old) who have amino acid metabolic disorders.

Amino acid metabolic disorders are a group of inherited metabolic disorders that occur when amino acids are not properly metabolized in the body, including phenylketonuria, propionic acidemia, and methylmalonic acidemia. Specifically, we avoid adding phenylalanine, isoleucine, methionine, threonine and/or valine to our metabolic disorder products, which these infants and children cannot process.

We have developed three metabolic disorder products that are sold under our *Teai Benjia (特愛本佳)*, *Teai Benjia 1+ (特愛本佳1+)* and *Teai Bingjia (特愛丙佳)* brands for infants (zero to 12 months old) and children (one to 10 years old) with amino acid metabolic disorders.

Products	Product Features	Target age groups	Main Distinguishing Ingredients	Suggested retail price	Form of Product and Volume	Shelf Life
Teai Benjia (特愛本佳)  (1)	. This product is developed for infants with phenylketonuria which does not contain phenylalanine	Zero to 12 months old/six to 12 months old	Essential amino acids, non-essential amino acids, monomeric amino acids, medium-chain triglycerides, 25 kinds of vitamins and minerals, and beneficial ingredients	RMB538	Can form: 900g	24 months

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Products	Product Features	Target age groups	Main Distinguishing Ingredients	Suggested retail price	Form of Product and Volume	Shelf Life
Teai Benjia 1+ (特愛本佳1+)  (2)	This product is developed for children with phenylketonuria which does not contain phenylalanine	One to 10 years old	Seven kinds of essential amino acids, ten kinds of non-essential amino acids, medium-chain triglycerides, 13 kinds of vitamins, 12 kinds of minerals, and three kinds of beneficial ingredients	RMB538	Can form: 900g	24 months
Teai Bingjia (特愛丙佳)  (1)	This product is developed for infants with propionic acidemia or methylmalonic acidemia which does not contain isoleucine, methionine, threonine and valine	Zero to 12 months old/six to 12 months old	Essential amino acids, non-essential amino acids, monomeric amino acids, medium-chain triglycerides, 25 kinds of vitamins and minerals, and beneficial ingredients	RMB538	Can form: 900g	24 months

Notes:

(1) The six to 12 months old version is registered in the PRC. The zero to 12 months old version is not registered in the PRC, and is sourced from South Korea and sold to consumers in the PRC through cross-border e-commerce platforms.

(2) This product is not registered in the PRC. It is sourced from South Korea and sold to consumers in the PRC through cross-border e-commerce platforms.

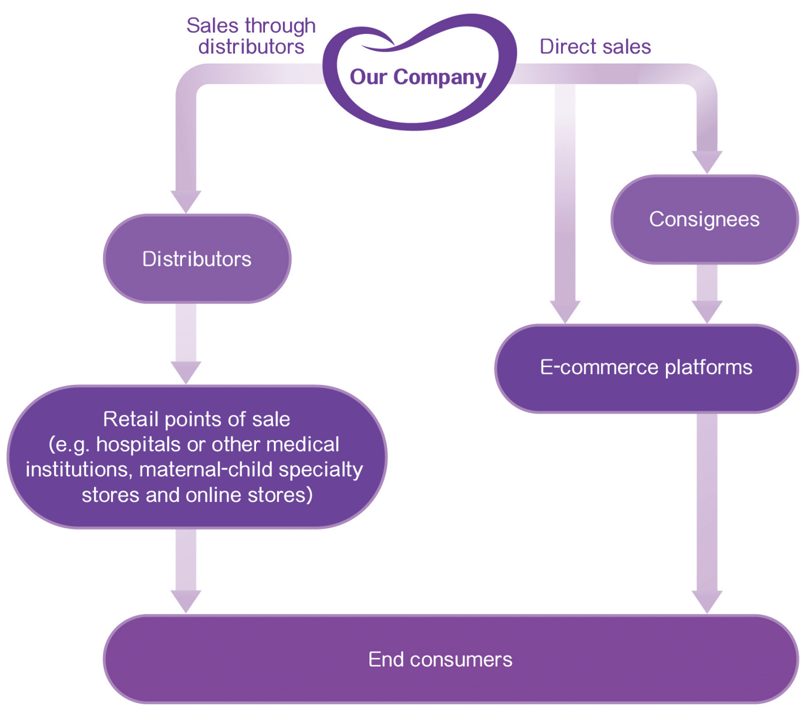
Other Products

Our other products primarily include non-FSMP products with medical based nutritional benefits, such as infants' calcium magnesium zinc formula and children's calcium magnesium zinc milk powder. As we focus on FSMP products, we ceased to produce these products since November 2023 and October 2024, respectively. As of December 31, 2024, we had inventories of such products. We will write off the unsold inventories if we are not able to sell them within their shelf life.

SALES AND DISTRIBUTION CHANNELS

Our products are sold nationwide through our extensive sales and distribution network that covers 30 provinces, cities and autonomous regions in China. During the Track Record Period, we sold our products through (i) distributors and (ii) direct sales via e-commerce platforms.

The following chart illustrates the structure of our sales and distribution network:



The following table sets forth a breakdown of our revenue by sales channel for the years indicated:

	Year ended December 31,					
	2022		2023		2024	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except percentages)					
Direct sales to end users	279,882	57.0	358,989	54.9	419,834	50.3
Sales to distributors . . .	211,341	43.0	295,255	45.1	414,262	49.7
Total	**491,223**	**100.0**	**654,244**	**100.0**	**834,096**	**100.0**

Sales to Distributors

In line with market practice, during the Track Record Period, we cooperated with distributors, who resold our products to consumers to expand our sales network, increase our market share and improve brand awareness.

As of December 31, 2022, 2023 and 2024, we engaged 326, 346 and 338 offline distributors, respectively. During the Track Record Period, our revenue generated through sales to our distributors amounted to RMB211.3 million, RMB295.3 million and RMB414.3 million in 2022, 2023 and 2024, respectively, accounting for 43.0%, 45.1% and 49.7% of our revenue in each of the same periods, respectively. Our distributors generally are local distributors involved in the distribution of FSMP products. Our distributors are not required to exclusively distribute our products, and many of them also engage in distribution of other food products and retail products. Generally, our distributors have sizeable local operations with industry experience and competitive market shares in the local FSMP product market.

The following table sets out the number of our distributors and their movements for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Number at the beginning of the period	310	326	346
Number of distributors newly engaged	138	110	86
Number of distributors terminated	122	90	94
Number at the end of the period	**326**	**346**	**338**

We have worked to optimize our distributor network and enhance operational efficiency. In 2022, 2023 and 2024, we terminated cooperation with 122, 90 and 94 distributors, primarily because (i) they failed to meet sales targets, (ii) they did not fully comply with material terms of the distribution agreement and/or did not fully abide by our distributor management policies, or (iii) some distributors changed their business plan. In line with market practice, we primarily enter into standard distribution agreements with our distributors, which are sales and purchase agreements in nature. Under sales and purchase agreements, we have a buyer-seller relationship with distributors and recognize revenue when they accept our products upon delivery.

Considering that we worked with over 300 distributors for each year during the Track Record Period, and such distributors are generally local distributors with recommended selling areas, we did not rely on any single distributor or a limited number of distributors. Our revenue generated from any single distributor accounted for no more than 3.0% of our total revenue for each year during the Track Record Period.

The following table sets forth a summary of the salient terms of our typical distribution agreements with distributors:

Duration	Typically one year.
Recommended distribution area	We typically specify in the distribution agreement the recommended distribution area for our distributors.
Pricing policy	We generally specify in the agreement the prices at which distributors order products from us, and the suggested retail prices. We reserve the right to adjust the purchase price at any time.
Rebate	Distributors are generally entitled to an appropriate percentage of rebates based on the actual achievement rate of their sales targets.
Payment and credit terms	We typically require full payment before product delivery.
Sales target	We assign sales targets to distributors and grant rebate to them based on their achievement rate. There is no penalty if distributors cannot meet their sales targets.
Transfer of risk	The risk is transferred to distributors once they receive the goods and sign the confirmation of receipt.
Product return	In general, we do not allow distributors to return products unless our products have defective packaging prior to their confirmation of acceptance. Defective packaging includes broken packages that may impact sales and leakage, among other cases. The distributor may petition with us if they believe the packaging is defective, in a way unenumerated in the agreement, that may negatively impact sales.

Renewal and termination	We have the right to terminate the agreement or further restrict the recommended distribution area if the distributor (i) engages in fraud or deceit, (ii) violates our anti-cannibalization policy, (iii) acts in a manner that prejudices the reputation of us and our products, (iv) leads to supply shortage of end-sellers for more than twice due to the fault of the distributor, (v) discloses our operational information to third parties, (vi) fails to meet the agreed-upon sales targets in more than two consecutive quarters, or fail to meet 80% of the annual sales target, (vii) fails to remedy deficiencies in its ability to timely and accurately distribute our products, and (viii) acts in violation of this agreement, our policies, or other plans of ours. Such unilateral termination becomes effective upon the distributor's receipt of our written notice. Typically, upon expiration of the distribution agreement, either party may elect to renew or not renew the agreement.

We generally renew our distribution agreements upon their expiration, unless any of the foregoing termination events is triggered. We may also decide not to renew a distribution agreement if a distributor is no longer a good fit with our business strategies or if we consider a distributor's performance to be unsatisfactory for any other reason.

Our distributors typically sell our products through retail points of sale such as hospitals and other medical institutions, maternal-child specialty stores, and online stores run by such distributors.

As of December 31, 2024, our products were sold to or recommended by over 700 hospitals, postnatal care centers and other medical institutions. Sales to hospitals and other medical institutions are through our local distributors. Our distributors bear the work for and risk of collection on such sales. Our distributors participate in the periodical bidding for the opportunity to be carried by our cooperative hospitals whenever such opportunity arises. In addition, for hospitals which do not procure our FSMP products by themselves, their physicians may endorse our FSMP products to their patients, driving our sales through other channels such as maternal-child specialty stores.

Outside of the hospital radiuses, most of our offline sales occur in maternal-child specialty stores. Maternal-child specialty stores are highly specialized, providing a full range of related products as well as guidance in the entire parenting process from the preparation of pregnancy to the growth of the baby. We believe the trust garnered by maternal-child specialty stores among moms is particularly helpful when promoting niche products like FSMP. As of December 31, 2024, our products were sold in over 17,000 retail points of sales.

Distributor Selection and Management

We carefully select our distributors based on a set of strict criteria, including their industry background, financial condition, qualifications, geographic coverage, sales channels and retail points of sale, existing customer base, market reputation and business strategies. Moreover, we require our distributors to have dedicated sales personnel for our products, maintain the condition and safety standards of its warehouse in accordance with our internal requirements and maintain sufficient delivery capacity to fulfill orders for our products. Our regional sales personnel are responsible for identifying potential distributors with established sales networks, distribution channels and industry experience. Upon evaluation of a potential distributor by our regional sales personnel, our regional managers will prepare a distributor evaluation report for approval by the sales department at our headquarters. We enter into distribution agreements with new distributors only upon the approval of the sales department. Pursuant to the distribution agreements between our distributors and us, our distributors are required to represent that they hold all relevant licenses or approvals required for distributing our products.

We regularly review the performance of distributors through a selection process and annual assessment. We consider various factors in renewing agreements with distributors, including their qualifications, sales and marketing capabilities, sales network, financial resources, customer resources and synergies with our brands. We proactively manage our distributors to comply with the requirements of relevant laws and regulations. We require our distributors to have adequate storage conditions and facilities and adequate sales channels resources. We adopt and implement a suite of distributor management policies to ensure distributors are in compliance with the legal requirements. Our distributor management policies typically set out a variety of operational guidelines, including promotion activities, inventory management and payment requirements. In particular, we organize trainings for our distributors in marketing and promotion activities, and provide a list of contents that they should avoid using in promotion activities to ensure compliance with relevant legal requirements. We do not allow our distributors to engage sub-distributors.

Channel Stuffing Risk Management

We strive to minimize the channel stuffing risks with our distributors through the following measures:

(i) *Payment terms.* We generally require a full payment before delivering products to distributors or grant a short credit period to selected distributors. By insisting on this approach, we aim to reduce the risk of distributors over-ordering stock that they may not be able to sell, ensuring that distributors are more cautious in their ordering, aligning their purchases with actual sales patterns and market demand.

(ii) *Return policies.* We maintain a relatively stringent return policy for our distributors. Product returns by distributors are only allowed for defective products, which is in line with market practice. We believe such a stringent return policy discourages distributors from over-purchasing. During the Track Record Period, we maintained a relatively low return rate from our distributors. Returns from our distributors during the Track Record Period were mainly due to product damage during transportation, for which logistics service providers were responsible for bearing the product replacement costs.

(iii) *Inventory control and management.* Our inventory control and management policy for distributors is designed to ensure efficient and timely replenishment of stock. We require our distributors to maintain a 60 days safety stock to meet market demand. Distributors must follow a first-in, first-out method to avoid obsolescence. We also require our distributors to report their inventory balance at the end of each month. Our regional management teams are also required to conduct an inventory count at the distributors' warehouse on a monthly basis to ensure accuracy. We believe such an inventory control and management policy over distributors incentivizes them to maintain an optimal level of inventory for sales and reduce the risks of channel stuffing.

Cannibalization Risk Management

We have also adopted a set of measures to avoid cannibalization among our distributors, including (i) implementing a consistent pricing policy for all our products, and providing our distributors with suggested retail prices for our products as their guidance. We also closely track the prices of our products sold via different channels to ensure our distributors comply with our pricing policy; (ii) recommending specific distribution areas to each distributor through distribution agreements; and (iii) instituting a product tracing system that generates a unique QR code for our products to enhance product traceability from distributors to retail points of sales to identify any cannibalization risk across our channels in order to promptly resolve such issues. Specifically we can trace our products by adding QR code inside the product packaging, so that we will know when end users scan the QR code to earn points from our loyalty program. We will terminate our business relationship with distributors who act in violation against the distributor agreement. To our best knowledge, during the Track Record Period and up to the Latest Practicable Date, all of our distributors were Independent Third Parties, and there was no employment, financing or family relationship between our distributors and us.

Direct Sales

We also directly sell our products through major e-commerce platforms in China, such as Tmall and JD.com, as well as certain cross-border e-commerce platforms.

We typically enter into service agreements with cross-border e-commerce platforms to sell our products on their platforms. We have a buyer-seller relationship with our direct sales customers, who are consumers, and we recognize revenue when they accept our products upon delivery.

The following table sets forth a summary of the salient terms of our standard agreements with cross-border e-commerce platforms:

Duration	Typically ranges from eight months to two years.
Service scope	Cross-border e-commerce platforms typically provide us with assistance for importing our products into the PRC, access to their cross-border e-commerce platforms to sell our products, and warehousing or other storage facilities to us, among other services related to the sale of our products in the PRC.
Service fees	For each unit of product sold or successful transaction, we shall pay the cross-border e-commerce platforms (i) a fixed service fee for different products, and (ii) other fees as a percentage of sales completed through such platform, depending on the services and support provided by the e-commerce platforms, such as promotion, logistics, warehousing and customs clearance services.
Code of conduct	We are generally responsible for ensuring that our products are genuine, of satisfactory quality, meet applicable quality standards, and are free from defects or imperfections, among others.
Termination and renewal	Our agreement with cross-border e-commerce platforms will generally be terminated upon expiry of its term. The agreement may also be automatically renewed if neither party objects, or by mutual agreement.

We also enter into consignment arrangements with two consignees who are generally affiliates of e-commerce platforms. Under consignment arrangements, we deliver products to consignees for sale to consumers. Consumers are our customers and we recognize revenue when consumers complete purchasing products from the consignees. For each year during the Track Record Period, our revenue generated from sales through consignees contributed less than 2% of our total revenue for the relevant year.

The following table sets forth a summary of the salient terms of our typical consignment agreements:

Duration	Typically one year.
Pricing policy	The fees payable to the consignees are typically charged based on an agreed rate of the selling price of the products.
Payment and credit terms	Our consignees are typically required to conduct clearance of payment to us within an agreed period of time after our products are sold to end consumers.
Product return	We typically accept return of products from the consignees.
Termination and renewal	The agreement may be terminated, among others, by either party due to breach of agreement. The agreement may be renewed by the parties upon expiry.

We also sell our products through direct sales in our self-run online stores on T-Mall and JD.com, among others. We view our online presence as a way of consumer education, which will drive market demand for our products in the long run. This channel compliments our offline sales in terms of geography where the current distribution network is limited in reach.

In 2022, 2023 and 2024, our revenue generated from direct sales to end users amounted to RMB279.9 million, RMB359.0 million and RMB419.8 million in 2022, 2023 and 2024, respectively, accounting for 57.0%, 54.9% and 50.3% of our revenue in each of the same periods, respectively.

PRICING

We price our products based on various factors including market conditions, cost of materials and competing brands. We conduct thorough market research on a regular basis in order to compete more effectively with our competitors. We price our products the same to all distributors and we provide all of our sales channels with same suggested retail prices to facilitate the standardization and stability of our distribution system. Our sales staff regularly monitors our product prices sold at the retail points of sale to review and evaluate our suggested retail prices and update our pricing and sales policies as necessary.

MARKETING

We view our marketing expenditures as a long-term investment in our brand equity. We engage in a variety of marketing and promotional activities, either directly or through our distributors, to promote brand recognition of our products. Our marketing and distribution expenses amounted to amounted to RMB191.7 million, RMB267.4 million and RMB328.6 million in 2022, 2023 and 2024, respectively, accounting for 39.0%, 40.9% and 39.4% of our revenue in each of the same periods, respectively.

Marketing among industry professionals

Hospitals and other medical institutions are important sales channels to us. In-depth communication with medical professionals is necessary and important for us to identify patients' nutritional needs and to share and promote our cutting-edge industry and product knowledge, thereby improving patients' quality of life and clinical outcomes. We also collaborate with medical institutions to conduct clinical trials of our FSMP products, through which patients can experience the efficacy and safety of our products in these medical institutions. As a result, patients in these medical institutions can have a first-hand experience of the efficacy and safety of our products, which in turn builds trust among physicians and patients. In addition, physicians can provide patients with professional guidance on the use of our FSMP products and gather patient feedback to help us continue to develop our products.

Maternal-child specialty stores are another important sales channel. We empower maternal-child specialty stores by holding nutrition education seminars for expectant or nursing mothers, focusing on pregnancy-related infant and toddler nutrition and childbearing issues.

Marketing through consumer education

We host annual or seasonal marketing events and regular educational events through our offline sales channels, such as the 321 Deep Care Allergy FSMP Festivals (321 深愛你敏佳產品節) to highlight the awareness and caretaking of food allergies among infants and children, "Minjia Club Workshops (敏佳俱樂部尊享會)" and our annual FSMP Festivals (特醫節) that blend academic symposia, free clinics and parenting workshops. At the local level, we regularly host mom's classes (媽媽班) or allergy baby's clubs (敏寶俱樂部) for moms to learn allergy management from our offline sales channels or touring physicians.

We recognize the power of videos clips and livestreams in consumer persuasion. We produce and share high-quality content, such as scientific parenting knowledge and user guides for FSMP products, on Tmall and other mainstream platforms. We have partnered with medical professionals to conduct live broadcasts and Q&A interactions to address consumers' concerns about allergies, lactose intolerance and other issues, deeply integrating product promotion with health education. We believe that with established consumer loyalty, our brand recognition can be further strengthened through word-of-mouth about the quality and associated health benefits of our products.

SEASONALITY

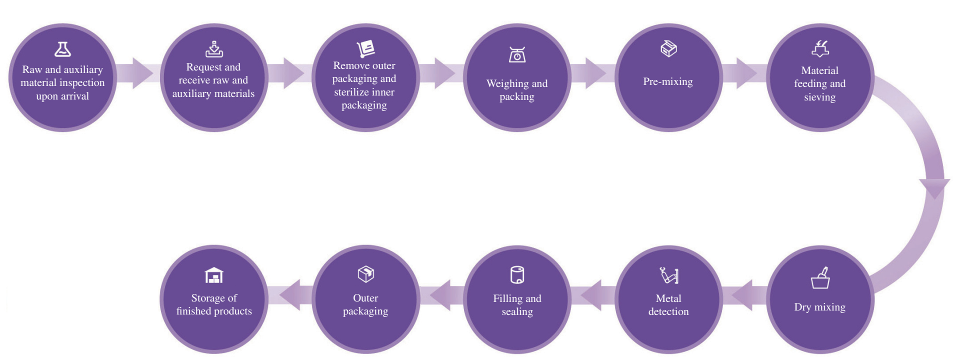
Due to the nature of our products, we are not subject to material fluctuations in seasonality.

PRODUCTION

During the Track Record Period, we produced our products via our own production facilities in the PRC, and outsourced the production of certain products to an overseas OEM supplier.

Production Process

According to the production orders from the planning department, we request and receive raw and auxiliary materials from the warehouse on a daily basis. We first remove the outer packaging of raw and auxiliary materials, and then sterilize the inner packaging before entering the clean area. After that, we perform weighing, packing, pre-mixing, feeding, sieving, dry mixing, metal detection, filling and sealing, and other steps of our production process. The production completion time depends on the amount of products we plan to produce. Each production line can produce approximately 9.5 tons of product per shift. Our production area is divided into general operation area, quasi-clean operation area, and clean operation area. Material receiving and outer packaging processes are carried out in the general operation area; sterilization of raw and auxiliary materials and their packaging is carried out in the quasi-clean operation area; while processes involving weighing, mixing and inner packaging are performed in the clean operating area. We have designed our production lines and procured advanced equipment and machinery that enables our production process to be highly automated, which we believe decreases risks of contamination and human error and increases production efficiency. As of the Latest Practicable Date, we had obtained the GMP, HACCP and ISO 9001:2015 certifications. GMP is a system for ensuring that products are consistently produced and controlled according to quality standards. HACCP is a globally recognized, systematic and science-based approach to food safety that addresses biological, chemical and physical hazards throughout the food chain from primary production to final consumption. ISO 9001 is a set of international standards on quality management and quality assurance developed to help companies effectively document the quality system elements needed to maintain an efficient quality system. The following chart illustrates and describes the major steps in our production process:



Our Production Facilities

As of the Latest Practicable Date, we owned and operated one production plant, which consists of two production workshops, in Qingdao, Shandong province to manufacture our products. We are also constructing a new production facility in Fengzhen, Inner Mongolia, which is expected to provide a large portion of hydrolyzed protein and fat powder, main raw materials for our FSMP products, for our production after it commences operation.

Our production plant in Qingdao, Shandong province.

The following table summarizes key information regarding our production facilities as of the Latest Practicable Date:

Production facility	Year of commencing productions	GFA	Main products	Designed annual production capacity[1]
		approx. sq.m.		*tons*
Production workshop I.	August 2023[2]	7,482	All products except our metabolic disorder products	1,800
Production workshop II	February 2025	2,699	Our metabolic disorder products	1,524
Hydrolyzed protein production facility	Around 1st quarter of 2026 (expected)	26,000	Hydrolyzed protein	4,500 tons of fat powder 80 tons of hydrolyzed protein powder

Note:

(1) Designed annual production capacity is the quantity of products which can be produced at our facilities based on 20 effective production days per month and 10.5 hours per day assuming full year operation. In peak seasons, our production facility can run for longer hours to meet delivery schedules of purchase orders, in which case the actual output may exceed such designed annual production capacity.

(2) As our Company was established by Shengyuan Group to focus on the development, production and sale of FSMP products, Shengyuan Group has gradually consolidated all its FSMP business operations under our Group. We obtained the relevant FSMP production permit in July 2023, and completed the transition of our production model. Prior to this, we collaborated with Shengyuan Group in production, with Shengyuan Group responsible for procurement of raw materials and our Group providing production facilities and equipment. After the transition, we have produced our products on our own at the Qingdao production base since August 2023.

The following table sets forth the designed annual production capacity, actual production volume and utilization rate of our production facilities for the periods indicated:

		Year ended December 31,								
		2022			2023			2024		
Facility	**Product type**	**Designed annual production capacity[(1)]**	**Actual production volume[(2)]**	**Utilization rate[(3)]**	**Designed annual production capacity[(1)]**	**Actual production volume[(2)]**	**Utilization rate[(3)]**	**Designed annual production capacity[(1)]**	**Actual production volume[(2)]**	**Utilization rate[(3)]**
		tons	*tons*	%	*tons*	*tons*	%	*tons*	*tons*	%
Production workshop I	All products except our metabolic disorder products	1,800	1,244	68.2	1,800	1,398	77.6	1,800	1,796	99.8

Notes:

(1) Designed annual production capacity is the quantity of products which can be produced at our facilities based on 20 effective production days per month and 10.5 hours per day assuming full year operation. In peak seasons, our production facility can run for longer hours to meet delivery schedules of purchase orders, in which case the actual output may exceed such designed annual production capacity.

(2) Production volume means the actual volume of finished products we manufactured for the periods indicated.

(3) Utilization rate is calculated by dividing our actual production volume for each period by the designed production capacity of the same period.

During the Track Record Period, production workshop I was our only production workshop. The overall increase in the actual production volume of our production workshop I, which is the primary production facility for our FSMP products other than our metabolic disorder products, was in line with the increasing demand and sales of our FSMP products during the Track Record Period. Specifically, the utilization rate of our FSMP products at our production workshop I increased from 68.2% in 2022 to 77.6% in 2023 and further to 99.8% in 2024, primarily in line with the increased market demand for our FSMP products. Subsequent to the Track Record Period, we commenced the operations of our production workshop II for our metabolic disorder products in February 2025. Further, we are constructing a new production facility in Fengzhen that is expected to commence operations in or around the first quarter of 2026. We plan to utilize the designed production capacity of such facility in phases to meet potential demands for hydrolyzed protein and fat powder in the near and long terms.

Our Equipment and Machinery

We invest significantly in our production equipment and machinery because we believe the quality of our equipment and machinery affects the quality of our products. We procure machinery used in the production process, such as pneumatic dry mixer and its ancillary equipment, double shaft paddle mixer, air compressor, can seamer and packaging lines, from suppliers.

We purchase and own all of our production equipment and machinery. Our major production equipment and machinery have estimated average useful lives of eight to 10 years and are depreciated at an annual rate of 9% with a residual value of 10%. Depreciation is calculated on a straight-line basis to write off costs of each item of equipment and machinery to its residual value over its estimated useful life.

We clean our production equipment and machinery regularly on a monthly basis. When we switch the types of product to be produced, we will pause our production temporarily and clean our production equipment and machinery. We also regularly service, maintain and repair our production equipment and machinery, replace consumable parts and components subject to wear and tear, as well as inspect our equipment and machinery according to maintenance plans. Our production department is responsible for monitoring and maintaining our production equipment and machinery.

Production Outsourcing Arrangement

In addition to producing our products at our own production facilities, we also outsource the production of certain products to overseas manufacturers (the "**Outsourcing Arrangement**"). Under applicable PRC laws and regulations, we may sell FSMP products manufactured in other countries to consumers in the PRC through cross-border e-commerce platforms without registering such products in the PRC, since such products are imported in accordance with Circular No. 194. See "Regulatory Overview — Laws and Regulations on Production and Trade — Cross-border E-commerce Business." We choose to launch a product through Outsourcing Arrangement after its development and before its registration in the PRC when we see an immediate addressable market, which allows us to capture market opportunities timely. Moreover, through the Outsourcing Arrangement, we effectively diversify our supply chain and expand our production capacity, allowing us to meet increasing market demands.

During the Track Record Period, we engaged Jintao as an OEM supplier (the "**OEM Supplier**") to manufacture certain of our FSMP products containing amino acids and hydrolyzed whey protein. The OEM Supplier owns a factory in South Korea that is qualified to manufacture FSMP products containing added amino acids or hydrolyzed whey protein in South Korea. The OEM Supplier is an indirect wholly-owned subsidiary of Beams Power, which is one of our Controlling Shareholders. We entered into manufacturing agreement with the OEM Supplier on a quarterly basis during the Track Record Period, and [have entered] into a three-year OEM services framework agreement for future transactions. See "Connected Transactions" for details. The OEM Supplier is required to manufacture our products according to our proprietary formulas, as well as our instructions and standards.

We evaluate and select the OEM Supplier based on a number of criteria, including qualifications, reputation, price, quality, ability to ensure stable supply, and timeliness of delivery. We regularly review the OEM Supplier's performance and are entitled to terminate the Outsourcing Arrangement if the OEM Supplier fails to meet our requirements. We consider that there are many alternative OEM suppliers of comparable quality and prices in the market and that we do not have any material reliance on the OEM Supplier during the Track Record Period.

During the Track Record Period, our FSMP products manufactured pursuant to the Outsourcing Arrangement were imported into the PRC through cross-border e-commerce and sold to consumers in the PRC. In 2022, 2023 and 2024, our cost of OEM products sold pursuant to the Outsourcing Arrangement amounted to RMB62.5 million, RMB60.7 million and RMB34.2 million, respectively.

The following table sets forth a summary of the salient terms of the Outsourcing Arrangement:

Scope of service	The OEM Supplier shall provide manufacturing services for certain FSMP products with our formulations in compliance with our technology and product quality standards.
Minimum purchase amount requirement	No minimum purchase amount requirement.
Pricing	Manufacturing service fees per unit for different products shall be fixed as set forth in the agreement.

Payment	We are required to make payments to the OEM Supplier according to the payment schedule agreed by the parties.
Credit term	Generally, the OEM Supplier grants to us credit terms of 30 days.
Raw material procurement	We provide the OEM Supplier with raw and auxiliary materials for the manufacture of our products, while the OEM Supplier provides packaging materials, the cost of which is included in the manufacturing service fees.
Quality standards	We are entitled to inspect each batch of products in accordance with the product quality standards set out in the agreement and to refuse acceptance of the products if they do not meet our product quality standards. The OEM Supplier shall be liable to compensate us for the cost of raw and auxiliary materials used in products that do not meet our product quality standards.
Termination and renewal	Our agreement with the OEM Supplier will generally be terminated upon expiry of its term. The agreement may also be renewed by mutual agreement.

We expect to continue the Outsourcing Arrangement and thus the OEM services to be provided by Jintao will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon [**REDACTED**]. For more details, see "Connected Transactions — Summary of our Continuing Connected Transactions — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements — OEM Services Framework Agreement."

IMPACT OF COVID-19

The outbreak of the COVID-19 pandemic and the related restrictive policies caused a decline in social networking and business activities, which in turn had adverse impacts on our business operations. For instance, during the COVID-19 pandemic, we experienced delays in registering and obtaining certificates for certain of our FSMP products. With respect to product sales, we were unable to deliver our products to certain restricted or lockdown areas, which required us to incur additional costs to deliver our products to these areas. In general, despite the challenges posed by the COVID-19 pandemic, it did not materially and adversely impact our operations or financial conditions during the Track Record Period and up to the Latest Practicable Date and our revenue and net profit maintained upward trends during the Track Record Period.

However, there is no assurance that our operation, production activities or financial condition will not be affected in the future due to the COVID-19 pandemic or other natural disasters, health epidemics or outbreaks. See "Risk Factors — Risks Relating to Our Business — We face risks related to health epidemics, contagious diseases and other outbreaks."

OUR CUSTOMERS

Our customers primarily consist of distributors and direct sales customers. In 2022, 2023 and 2024, (i) sales to our largest customer amounted to RMB7.6 million, RMB7.6 million and RMB21.8 million, representing 1.6%, 1.2% and 2.6% of our revenue, respectively; and (ii) sales to our five largest customers amounted to RMB24.3 million, RMB25.5 million and RMB44.0 million, representing 4.9%, 3.9% and 5.3% of our revenue, respectively.

To the best knowledge of our Directors, each of our five largest customers for each year during the Track Record Period is an Independent Third Party. To the best knowledge of our Directors, none of our Directors, their close associates or any Shareholders who owned more than 5% of the share capital of our Company as of the Latest Practicable Date had any interest (direct or indirect) in any of our five largest customers for each year during the Track Record Period.

The following table sets forth the details of our five largest customers during the Track Record Period:

Year ended December 31, 2022

Ranking	Customer	Principal business	Products sold	Year of commencement of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer A	Distribution of infant food products in China	FSMP products	2021	Nil	Bank settlement	7,635	1.6
2	Customer B	Trading of milk formula and nutrition products in Hong Kong	FSMP products	2021	Nil	Bank settlement	5,186	1.1
3	Customer C	Distribution of infant food products in China	FSMP products	2021	30 days	Bank settlement	4,273	0.9

Ranking	Customer	Principal business	Products sold	Year of commencement of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
4	Customer D	Distribution of food products in China	FSMP products	2021	Nil	Bank settlement	3,946	0.8
5	Customer E	Distribution of food products in China	FSMP products	2022	Nil	Bank settlement	3,210	0.7
	Total						24,250	4.9

Year ended December 31, 2023

Ranking	Customer	Principal business	Products sold/Services provided	Year of commencement of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer A	Distribution of infant food products in China	FSMP products	2021	Nil	Bank settlement	7,572	1.2
2	Customer B	Trading of milk formula and nutrition products in Hong Kong	FSMP products	2021	Nil	Bank settlement	5,601	0.9
3	Customer F	Manufacturing of food products in China	FSMP products	2022	Nil	Bank settlement	4,202	0.6
4	Customer E	Distribution of food products in China	FSMP products	2022	Nil	Bank settlement	4,090	0.6
5	Customer G	Distribution of food products in China	FSMP products	2019	Nil	Bank settlement	4,017	0.6
	Total						25,482	3.9

Year ended December 31, 2024

Ranking	Customer	Principal business	Products sold/Services provided	Year of commencement of business relationship with us	Credit terms	Payment method	Revenue	Percentage of total revenue
							(RMB'000)	*(%)*
1	Customer H	Research and development, production and sales of natural health products in Hong Kong	FSMP products	2024	Nil	Bank settlement	21,777	2.6
2	Customer A	Distribution of infant food products in China	FSMP products	2021	Nil	Bank settlement	7,365	0.9
3	Customer B	Trading of milk formula and nutrition products in Hong Kong	FSMP products	2021	Nil	Bank settlement	5,455	0.7
4	Customer C	Distribution of infant food products in China	FSMP products	2020	30 days	Bank settlement	4,694	0.6
5	Customer I	Distribution of food products in China	FSMP products	2020	Nil	Bank settlement	4,676	0.6
	Total						43,967	5.3

CUSTOMER SERVICE

We have set up procedures to handle consumer complaints, including a hotline to receive enquiries and complaints. We may receive consumer complaints through our customer service team or through the State Administration for Market Regulation. Our quality control team is responsible for handling consumer complaints received through any of these channels. For complaints related to a common product attribute that does not violate national regulations, our quality control team will conduct internal product examination and fully explain the nature of such occurrences to consumers. For serious complaints related to product quality, our quality control team will conduct full investigation and, where necessary, recall the implicated products and compensate the consumers for their loss. We have established a set of recall control procedures which are to be followed by different departments and our distributors. Pursuant to our recall control procedures, any products recalled by us shall be destroyed or disposed of by our quality control department. We will bear all costs related to any product recall that may be issued. During the Track Record Period, we had no material product recalls. For more information, see "— Quality Control."

PROCUREMENT OF MATERIALS

Raw Materials

The principal raw material for our FSMP products is hydrolyzed protein, vegetable fat powder and nutrient fortifiers. Our raw materials are mainly sourced through local trading companies in China. We only source our raw materials from the suppliers who obtain all necessary material licenses for their business operations. In selecting our raw materials suppliers, we typically consider their qualifications, craftsmanship, reputation, track record, price, quality and timeliness of delivery. We will also conduct tests on samples of their products before confirming whether to use their products as our raw materials. We may not be able to secure favorable prices to protect us against the risk of price fluctuations, or pass on increased costs to our customers. For more information, see "Risk Factors — Risks Relating to Our Business — Our operating results may be materially and adversely affected by changes in prices and quality of raw materials" and "— Inventory Management."

We generally procure our raw materials by entering into framework purchase agreements with our suppliers annually or by placing advance purchase orders with domestic suppliers in China every two to three months. The price, purchase volume and delivery time are set forth in each framework purchase agreement or in individual purchase orders. Since raw materials and packaging materials are the most important part of our production, we conduct on-site audits of our raw material and packaging material suppliers from time to time. During the Track Record Period, we did not experience any shortages, delays in delivery or quality issues with respect to supplies of our raw materials that had a material impact on our operations.

Packaging Materials

Packaging materials used by us mainly include cans, plastic lids, powder scoops and printed cardboard boxes that can be purchased from several domestic suppliers in China. We generally procure our packaging materials by entering into framework purchase agreements with our suppliers annually.

Our implementation of various inventory and resource management systems enables us to plan the allocation of resources effectively and ensure a steady and timely supply of packaging materials. Our procurement department is responsible for the procurement of packaging materials based on the requirements provided by our production department, as well as the evaluation of our suppliers and the negotiation of the price.

As of the Latest Practicable Date, we had not experienced any significant delay or constraint in production due to any disruption in the supply of materials and components. We believe that there are sufficient alternative suppliers for all of our important packaging materials which would allow us to use such other supply channels if necessary.

OUR SUPPLIERS

Our suppliers primarily consist of suppliers of raw and auxiliary materials, OEM services, e-commerce platform services and logistics services. In 2022, 2023 and 2024, (i) our purchases from our largest supplier amounted to RMB145.9 million, RMB185.9 million and RMB219.0 million, representing 43.8%, 37.8% and 35.3% of our total purchases, respectively; and (ii) our purchases from our five largest suppliers amounted to RMB284.9 million, RMB381.8 million and RMB382.7 million, representing 85.6%, 77.6% and 61.7% of our total purchases, respectively.

To the best knowledge of our Directors, except for the related entities which comprise Shengyuan Nutritional, Jintao, Shengyuan HK, Mattel Technology (Qingdao) Co., Ltd. (美泰科技(青島)股份有限公司), Global Food Trading (Shanghai) Co., Ltd. (全球食品貿易(上海)有限公司), Inner Mongolia Mengyuan Food Co., Ltd. (內蒙古蒙原食品有限責任公司) and Youbo Co., Limited (優博有限公司) and Qingdao West Coast Jintao Cross-Border E-Commerce Co., Ltd. (青島西海金淘跨境電子商務有限公司) (the "**Related Entities**"), all of which were controlled by Mr. Zhang and Ms. Meng, our Controlling Shareholders, (i) each of our five largest suppliers for each year during the Track Record Period is an Independent Third Party; and (ii) none of our Directors, their close associates or any Shareholders who owned more than 5% of the share capital of our Company as of the Latest Practicable Date had any interest (direct or indirect) in any of our five largest suppliers for each year during the Track Record Period.

The following table sets forth a summary of the salient terms of a typical agreement with raw material suppliers:

Duration	Typically until both parties fulfill their obligations under the agreement.
Products	The supplier provides us with products as specified in the master agreement or purchase order.
Pricing	The price of the products shall be fixed as set forth in the agreement.
Payment	We are required to make payments to the supplier according to the payment schedule agreed by the parties.

Credit term	Generally, our suppliers grant to us credit terms of 30 days.
Quality standards	The supplier shall provide inspection reports for each batch of supplies and international inspection reports and customs forms for imported supplies upon delivery. We shall inspect and confirm acceptance of each batch of supplies within 10 days. If we detect and report any defects in the supplies during this period, the supplier shall be liable for such product defects. We require suppliers to adhere to relevant laws and regulations and our internal policies with respect to raw material quality, packaging and labeling.
Termination	In the event of any delivery delay, the suppliers shall typically pay us liquidated damages equal to 0.05% of the cost of the delayed supplies for each day of the delay in delivery, and we are entitled to cancel the order after 10 days of delivery delay.

The following table sets forth the details of our five largest suppliers during the Track Record Period:

Year ended December 31, 2022

Ranking	Supplier	Principal business	Products/ Services purchased	Year of commencement of business relationship with us	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	*(%)*
1	Supplier A	Cross-border e-commerce operator in Hong Kong	Logistics services and e-commerce platform services	2021	30 days	Bank settlement	145,897	43.8

Ranking	Supplier	Principal business	Products/ Services purchased	Year of commencement of business relationship with us	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	*(%)*
2	Related Entities	R&D, production, sales, consulting and after-sales services for maternal-child nutritional foods, such as formula milk powder and infant supplement	Milk powder, plant fat powder and OEM services	2022	15 to 45 days	Bank settlement	90,705	27.2
3	Supplier B	Trading of food ingredients and nutritional enhancers in China	Hydrolyzed whey protein	2022	30 days	Bank settlement	31,554	9.5
4	Supplier C	Trading of food ingredients and additives in China	Raw and auxiliary materials	2022	30 days	Bank settlement	11,557	3.5
5	Supplier D	Manufacturing and sales of nutrient premixes for infant formula, nutrient supplements, beverages and functional products for special medical purposes in China	Mineral nutrient fortifier	2022	30 days	Bank settlement	5,178	1.6
	Total						284,891	85.6

Year ended December 31, 2023

Ranking	Supplier	Principal business	Products/ Services purchased	Year of commencement of business relationship with us	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	*(%)*
1	Supplier A	Cross-border e-commerce operator in Hong Kong	Logistics services and e-commerce platform services	2021	30 days	Bank settlement	185,887	37.8
2	Related Entities	R&D, production, sales, consulting and after-sales services for maternal-child nutritional foods, such as formula milk powder and infant supplement	Milk powder, plant fat powder and OEM services	2020	15 to 45 days	Bank settlement	129,716	26.4
3	Supplier E	Sales of food ingredients in China	Hydrolyzed whey protein	2022	30 days	Bank settlement	24,388	5.0
4	Supplier B	Trading of food ingredients and nutritional enhancers in China	Hydrolyzed whey protein	2022	30 days	Bank settlement	24,359	5.0
5	Supplier C	Trading of food ingredients and additives in China	Hydrolyzed whey protein	2022	30 days	Bank settlement	17,499	3.6
	Total						381,849	77.6

Year ended December 31, 2024

Ranking	Supplier	Principal business	Products/Services purchased	Year of commencement of business relationship with us	Credit terms	Payment method	Purchase amount	Percentage of total purchase
							(RMB'000)	*(%)*
1	Supplier A	Cross-border e-commerce operator in Hong Kong	Logistics services and e-commerce platform services	2021	30 days	Bank settlement	218,951	35.3
2	Related Entities	R&D, production, sales, consulting and after-sales services for maternal-child nutritional foods, such as formula milk powder and infant supplement	Milk powder, plant fat powder and OEM services, purchase of leasehold lands, rental of properties	2020	15 to 45 days	Bank settlement	47,477	7.7
3.	Supplier E	Sales of food ingredients in China	Hydrolyzed whey protein	2022	30 days	Bank settlement	44,296	7.1
4	Supplier F	Manufacturing of food ingredients in China	Plant fat powder	2023	30 days	Bank settlement	36,875	5.9
5	Supplier G	Sales of food ingredients in China	Plant fat powder	2022	30 days	Bank settlement	35,065	5.7
	Total						382,664	61.7

RESEARCH AND DEVELOPMENT

Our key technologies

We possess the following key technologies for manufacturing our FSMP products.

Protein hydrolysis technology

The main reason that some infants and children are allergic to milk protein is because the macromolecular structure of milk protein in milk causes abnormal immune response. To address this clinical issue, we use proteolysis technology to break down intact proteins into low-allergenic small-molecule peptides, significantly reducing the risk of allergies while retaining essential amino acids and functional nutrients. By precisely destroying allergenic protein epitopes, this technology effectively protects high-risk infants from allergic reactions and alleviates mild to moderate allergic reactions. The small molecule peptides it produces are more easily absorbed by the intestines of infants and young children, ensuring the efficiency of nutrient utilization. It also has the function of immune regulation, making up for the technical shortcomings of traditional milk powder in allergy prevention and treatment and special nutritional needs.

We use complex enzyme-coupled enzymatic hydrolysis technology combined with membrane separation technology and molecular sieve technology to accurately control the molecular weight range of the hydrolysis product and prepare low-allergenic and more absorbable protein ingredients. The specific production process includes the following key steps:

(i) *Pretreatment*: Optimize the concentration of the solution to ensure the efficiency of enzymatic reaction.

(ii) *Proteolysis*: Through the combination of multiple enzyme preparations and precise parameter control, fully utilize the synergy of the complex enzyme preparation to generate active peptides in the target molecular weight range by directional hydrolysis.

(iii) *High temperature enzyme inactivation*: Accurately inactivate residual enzymes and terminate the hydrolysis process.

(iv) *Refining and purification*: Enrich functional peptides through membrane separation technology and molecular sieve technology.

(v) *Concentration and drying:* Low temperature drying process to ensure peptide activity.

Fat embedding production technology

The unsaturated fatty acids contained in FSMP are easily oxidized and deteriorated, which directly affects the stability of the products during their shelf life. We use microencapsulation technology to build a multi-layer physical barrier system: embed liquid fat into the three-dimensional structure of the wall material, and use auxiliary materials to close the outer channel to achieve physical isolation between the fat and oxygen, significantly slowing down the oxidation rate.

We have built diversified encapsulation solutions such as casein system, whey protein system and protein-free system to meet the requirements of different products. While ensuring the stability of fat, this technology also takes into account flavor and solubility to meet consumers' demand for taste and nutrition. The production process covers the following key steps:

(i) *Ingredients preparation*: Accurately mix fat, wall materials and auxiliary materials, and adjust to the appropriate concentration.

(ii) *Emulsification*: Break large fat globules into small globules to form a preliminary emulsification.

(iii) *Homogenization*: further break up the fat globules to form a uniform and stable embedding system.

(iv) *Sterilization*: Control microbial risks.

(v) *Drying*: Production of high stability fat powder.

Dry production technology

In view of the characteristics of FSMP that they usually have many varieties and are produced at small batches and the need to preserve the nutritional active ingredients, we adopt a dry production process, which has the following significant advantages over the traditional wet process:

(i) *Maximize nutritional activity*: Only the surface of the raw material packaging is sterilized, and the raw material itself is not sterilized at high temperature, so as to avoid the degradation of heat-sensitive ingredients (such as vitamins, DHA, polyunsaturated fatty acids) and retain the nutritional value of the raw materials to the largest extent.

(ii) *Clean production environment*: The clean area is operated without water throughout the process to eliminate the risk of microbial growth and ensure that the workshop is kept clean for a long time.

(iii) *Flexible production capacity*: Dry production process supports flexible switching of multiple varieties at small batches, shortening the equipment adjustment cycle.

Our dry production process includes the following key steps: (i) material preparation; (ii) material sterilization; (iii) weighing ingredients; (iv) feeding; (v) premixing; (vi) dry mixing; and (vii) packaging.

Through precise mixing control and production parameter optimization, we achieve even distribution of nutrients and stable quality, effectively meeting the core market demands for safety, functionality and nutritional value of FSMP.

Our research and development efforts

We have successfully expanded our product portfolio through continuous research and development efforts. Our research and development is led by Mr. Zha Feng, Mr. Xu Qingli, and Mr. Li Wenjun. Mr. Zha Feng is our Chairman and General Manager and an alumnus of Shanghai Medical University (上海醫科大學) (now known as Shanghai Medical College of Fudan University (復旦大學上海醫學院)) with over three decades of executive experience spanning food industry and food safety monitoring. Mr. Xu Qingli is our R&D Director who has over 26 years of specialized experience in the infant formula sector. Mr. Li Wenjun is our Chief Scientific Advisor, who has approximately 40 years of experience in the field of maternal and child nutrition and special diets, and is the former Chief Medical Officer of Nestlé (China) Ltd. Mr. Li Wenjun currently serves as a member of the Academic Committee of the International Dairy Federation China National Committee, vice chairman of the Nutrition and Healthy Dairy Committee of the China Dairy Products Industry Association, vice chairman of the Special Diet Branch of the Chinese Society of Food Science and Technology, and vice chairman of the Regulatory Committee of the China Nutrition and Health Food Association, among others.

We place strong emphasis on research and development, which we believe is critical to maintaining our competitive advantage in the FSMP market. Our research and development efforts are designed to address the demands and requirements of our consumers. During the Track Record Period, our research and development efforts focused on the development of new FSMP products and whey protein hydrolysis techniques that can be applied to the production of hydrolyzed whey protein products. In recent years, we have also engaged in a number of research projects with various research institutions, including certain projects to develop whey protein hydrolysis techniques.

Our R&D process typically includes (i) justifying new product development, (ii) identifying new product development needs, (iii) conducting development feasibility analysis, (iv) formulating product development plan, (v) formulating nutritional composition table and preliminary formulation, (vi) conducting preliminary cost estimation, (vii) formulating raw material and ingredient acceptance standards and product quality standards, (viii) formulating product formulation for trial production, (ix) trial production for product commercialization, (x) applying for FSMP food registration, and (xi) obtaining approval for production and marketing of such products.

In 2022, 2023 and 2024, our research and development expenses amounted to RMB6.5 million, RMB10.8 million and RMB13.3 million, respectively. Our research and development costs are charged to our statements of profit and loss as incurred. We expect our investment in research and development to continue at levels in line with our plans to develop new products and enhance our existing products.

QUALITY CONTROL

Quality Control Measures

We have implemented robust quality control measures across our operations to ensure the finished products can meet our high standards, including:

- ***Suppliers.*** We only engage suppliers who pass our rigorous evaluation and selection process. This includes assessing their qualifications, reputation, price, quality, ability to ensure stable supply and timeliness of delivery. We conduct background checks, sample testing and on-site inspection of their production facilities to verify their capabilities.

- ***Raw materials.*** Our staff check the quantities and quality of the raw materials upon receipt at our production plants to ensure that the raw materials meet both national quality standards and our internal quality standards.

- ***Production process.*** We perform regular maintenance of our production equipment and machinery to ensure proper function. Each of our production plants has a quality control supervisor overseeing production. To ensure that the finished products meet our quality standards, our quality control team will conduct overall sample checks of the finished products before delivery.

- ***Lab testing.*** From time to time, we engage third-party testing organizations to test the performance of our products and whether they contain any hazardous substances.

- ***Market feedback.*** Our staff regularly collect feedback from our distributors as well as consumers to gauge their satisfaction with our products. We follow up on any quality issues identified with our suppliers to resolve problems.

- ***Internal communication.*** From time to time, we hold internal meetings among our quality control, sales and production teams to share information on sales fluctuations, market feedback and any production issues. This ensures prompt identification and reporting of any quality issues to the appropriate personnel for swift resolution.

As of the Latest Practicable Date, we had obtained GMP, HACCP, and ISO 9001:2015 quality management systems certifications for our production plant in Qingdao.

Quality Control Team

We are committed to producing quality products that meet consumer expectations. Our quality control team is responsible for managing quality, including, among others, formulating internal standards, selecting suppliers, inspecting raw materials and finished products, collecting market feedback and communicating with suppliers. As of December 31, 2024, our quality control team comprised 11 employees.

Product returns and recalls

Our standard sales agreements with distributors generally do not allow for product returns or refunds. We may provide replacement of products or refunds for defective products on a case-by-case basis. Product returns or recalls are handled by the logistics staff in our general management department. Consumers who purchase our products through direct sales on e-commerce platforms generally may return products within seven days of purchase.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material product returns or recalls, complaints, claims or legal proceedings related to product quality.

INVENTORY MANAGEMENT

Our inventory primarily comprises raw materials, packaging materials, and finished products. We manage our inventory levels based principally on expected demand, production schedules and volume of sales orders.

To further improve the monitoring, traceability and control of our inventory and sales at the distributor level and to optimize our production operations, we have implemented a QR code scanning system and required distributors to scan the QR code on our products when they arrive at and leave their warehouses. Such QR code scanning provides us with information on manufacturing and packaging dates, and quality control inspection dates and results. Through our QR code scanning system, we are able to track our products and receive automatically generated information about our distributors' inventory levels, which reduces our labor costs and human error in collecting such information and allows us to better manage our own inventory levels and plan our production operations. According to our inventory management policy, we typically hold a safety stock for three months of production for raw materials. In addition, we typically keep one to two months safety stock for our finished products. Our inventory turnover days were 54, 113 and 155 in 2022, 2023 and 2024, respectively. For more details, see "Financial Information — Discussion of Certain Key Items From Consolidated Statements of Financial Position — Inventories." We believe our inventory turnover days were generally in line with our inventory management system. We plan our procurement and production based on estimated order volumes provided by our distributors at least one month in advance.

We also strictly monitor the safety, quality and preservation period of raw materials and packaging materials we receive and conduct inspections on finished products before delivery. We dispose of damaged or defective inventory appropriately.

LOGISTICS

During the Track Record Period, we engaged warehousing service providers for the storage and delivery of our finished products.

During the Track Record Period, we outsourced substantially all of our logistics needs to Independent Third Party logistics companies. We believe outsourcing logistics allows us to reduce capital investment and the risk of liability for transportation accidents, delivery delays or losses. We use different logistics service providers for each region. We also have distribution centers in each region where we ship goods to the distribution centers and then distribute them to different cities and counties. We regularly work with approximately 10 logistics service providers, many of whom we have developed stable relationships with. We usually enter into long-term logistics framework agreements with our logistics service providers. Under the terms of our agreements, logistics service providers shall purchase insurance and be liable for any damages to our products during the transportation process. We typically settle payments with logistics service providers on monthly basis. During the Track Record Period, we did not have any material disputes with our logistics providers or major delays in delivery of our products. We do not anticipate any shortage of logistics services in the foreseeable future.

LICENSES AND PERMITS

We are required to maintain various licenses and permits to operate our business. Our material licenses and permits primarily relate to business operation, manufacturing, registration of products, registration of workplace, fire safety and environmental protection. We closely monitor the status of our licenses and permits and making timely applications for renewal. For more information, see "Regulatory Overview." The following table sets forth the details of our material licenses, permits, approvals and certifications:

Licenses, permits, approvals or certifications	Holding entity	Issuance authority	Issue date	Expiration date
Food Business License (食品經營許可證)	Our Company	Administrative Approval Service Bureau of Huangdao District, Qingdao (青島市黃島區行政審批服務局)	January 21, 2025	January 20, 2030

Licenses, permits, approvals or certifications	Holding entity	Issuance authority	Issue date	Expiration date
Food Production License for FSMP products and food additives (食品生產許可證 – 特殊醫學用途配方食品、食品添加劑)	Our Company	Shandong Administration for Market Regulation (山東省市場監督管理局)	February 18, 2025	May 7, 2026
Certificate of Registration of Food for Special Medical Purposes (特殊醫學用途配方食品註冊證書) for our lactose-free FSMP products for infants	Our Company	State Administration for Market Regulation (國家市場監督管理總局)	June 16, 2023	June 15, 2028
Certificate of Registration of Food for Special Medical Purposes (特殊醫學用途配方食品註冊證書) for our FSMP products for preterm or low birth weight infants	Our Company	State Administration for Market Regulation (國家市場監督管理總局)	June 16, 2023	June 15, 2028
Certificate of Registration of Food for Special Medical Purposes (特殊醫學用途配方食品註冊證書) for our partially hydrolyzed whey protein formula FSMP products	Our Company	State Administration for Market Regulation (國家市場監督管理總局)	June 16, 2023	June 15, 2028
Certificate of Registration of Food for Special Medical Purposes (特殊醫學用途配方食品註冊證書) for our nutritionally complete FSMP products for children	Our Company	State Administration for Market Regulation (國家市場監督管理總局)	August 17, 2022	August 16, 2027
Certificate of Registration of Food for Special Medical Purposes (特殊醫學用途配方食品註冊證書) for our infant nutritional supplements	Our Company	State Administration for Market Regulation (國家市場監督管理總局)	August 17, 2022	August 16, 2027

Licenses, permits, approvals or certifications	Holding entity	Issuance authority	Issue date	Expiration date
Certificate of Registration of Food for Special Medical Purposes (特殊醫學用途配方食品註冊證書) for our FSMP products for infants with phenylketonuria	Our Company	State Administration for Market Regulation (國家市場監督管理總局)	January 20, 2025	January 19, 2030
Certificate of Registration of Food for Special Medical Purposes (特殊醫學用途配方食品註冊證書) for our FSMP products for infants with propionic acidemia or methylmalonic acidemia .	Our Company	State Administration for Market Regulation (國家市場監督管理總局)	January 20, 2025	January 19, 2030
Certificate of Registration of Food for Special Medical Purposes (特殊醫學用途配方食品註冊證書) for our nutritionally complete FSMP products for individuals.	Our Company	State Administration for Market Regulation (國家市場監督管理總局)	April 10, 2025	April 9, 2030

Our Directors confirm that as of the Latest Practicable Date, we had obtained all material licenses and permits necessary for our business operations, and such licenses and permits had remained in full effect. The successful renewal of our licenses and permits will be subject to our fulfillment of relevant requirements. Our Directors consider that there is no material impediment to renewing such licenses and permits.

COMPETITION

In recent years, the number of registered FSMP products in China has significantly increased, growing from 43 as of the end of 2019 to 258 as of April 30, 2025. The total retail sales value of FSMP products in China grew from RMB7.3 billion in 2019 to RMB23.2 billion in 2024, with a CAGR of 26.1%, according to CIC. For more information, see "Industry Overview." We believe that we are well-positioned to compete with other FSMP brands in China.

The FSMP market in China is highly competitive. Our competitors in the FSMP market in China comprise international brands and domestic brands. We compete on the basis of brand recognition and loyalty, product quality, price, product availability, effectiveness of marketing, and wide distribution network in China, among other factors. According to CIC, we were the fourth largest FSMP brand in China's FSMP market, the third largest FSMP brand in China's infant FSMP market, and the largest domestic infant FSMP brand, in terms of retail value in 2024.

AWARDS AND ACHIEVEMENTS

As a testimony to our achievements and the quality of our products, we have received various awards and recognitions throughout our operations. The table below sets forth our major awards and recognitions received during the Track Record Period and up to the Latest Practicable Date:

Year	Awards and recognitions	Issuing authorities
2025 . . .	Influential Brand of the Year Award (年度影響力品牌獎)	Shandong Nutrition and Health Food Industry Association (山東省營養保健食品行業協會)
2025 . . .	China Milk Powder Festival — National FSMP Benchmark Brand (中國奶粉品牌節–國產特醫標桿品牌)	Yingtongzhiku (嬰童智庫) and Naifenzhiku (奶粉智庫)
2024 . . .	Enterprise Technology Innovation Key Projects of Qingdao (青島市企業技術創新重點項目)	Qingdao Bureau of Industry and Information Technology (青島市工業和信息化局)
2024 . . .	Nutritional and Healthy Food Innovation Top 100 List — Teai Qirui (營養健康食品創新力TOP 100榜單 — 特愛啟瑞)	SO health Nutrition and Health Food Innovation List Organizing Committee (SO health營養健康食品創新力榜單組委會)
2024 . . .	Health Food Industry Leadership Award (健康食品產業領袖獎)	Boao Food For Health Science Conference & Expo Organizing Committee (博鰲健康食品科學大會暨博覽會組委會)
2024 . . .	Innovative Health Technology Product Award (創新健康科技產品獎)	Boao Food For Health Science Conference & Expo Organizing Committee (博鰲健康食品科學大會暨博覽會組委會)
2024 . . .	Annual Industry Promotion Award (年度產業推動獎)	China Baby Industry (中童傳媒)

Year	Awards and recognitions	Issuing authorities
2023 . . .	High and New-tech Enterprise (高新技術企業)	Qingdao Science and Technology Bureau (青島市科學技術局); Qingdao Municipal Finance Bureau (青島市財政局); State Administration of Taxation (國家稅務總局); Qingdao Taxation Bureau (青島市稅務局)
2023 . . .	"Search for a Good Can of Milk Powder" Reputation Award — Teai Minjia ("探尋一罐好奶粉"口碑獎 — 特愛敏佳)	Naifenzhiku (奶粉智庫)
2023 . . .	Most Growing Brand of the Year — Teai Minjia (年度最具成長力品牌 — 特愛敏佳)	NetEase (網易)
2023 . . .	Channel Reputation Award in 2023 (2023年渠道口碑獎)	China Baby Industry (中童傳媒)
2022 . . .	Brand Power of the Year Award in 2022 (2022年度最佳品牌力獎)	China Baby Industry (中童傳媒)

INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. As of the Latest Practicable Date, we held 183 trademarks for "iSainte" and "聖桐," as well as our Chinese and English brand names, including "特愛敏佳," "特愛安能," "特愛啟瑞" "深愛敏佳," "特愛丙佳," "臻愛敏佳" and "特愛本佳". We also registered five trademarks for our trade names "iSainte," "SainteFood" and "聖特愛佳" in South Korea, and applied for 10 and three trademarks in South Korea and Hong Kong, respectively, as of the same date. We believe our trademarks are vital to our ability to promote our brand and gain name recognition, and we plan to strategically enhance our trademark portfolio and enforce our trademark rights as we continue to develop our brand. As of the Latest Practicable Date, we also held 17 patents in China. For more information, see "Appendix IV — Statutory and General Information — B. Further Information about our Business — 2. Intellectual Property Rights of our Group" to this document.

We also rely on know-how and trade secrets in relation to our proprietary product formulations and production processes which we believe are material to our operations. We believe these know-how and trade secrets cannot be adequately protected by patents, trademarks and copyrights. Therefore, we protect such intellectual property by relying on the protection afforded under applicable trade secret laws, implementing intellectual property management policies, installing secure information technology systems and entering into confidentiality agreements with employees with access to such information.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any threatened or pending disputes or legal proceedings regarding intellectual property that may have a material and adverse effect on our business.

EMPLOYEES

We believe that our long-term growth depends on the expertise, experience and development of our employees. Our human resources department is responsible for recruiting, managing and training our employees. We recruit employees primarily through referrals, recruitment websites and on-campus recruitment. We provide induction training to new joiners on our company culture, business and industry to enhance their understanding and job skills. We also provide on-the-job training and anti-corruption training to our employees. The remuneration package for our employees generally includes salary and bonuses. We conduct periodic performance reviews for our employees, and their remuneration is performance-based.

As of December 31, 2024, we had 282 full-time employees. Generally, we enter into employment contracts with our employees. Apart from hiring employees through entering into employment contracts with them, we also engage labor service providers which provide workers to work for us based on our requirements from time to time. For example, we may request temporary workers when we have a large order volume and our existing employees are not enough to complete the production plan on time. As of the Latest Practicable Date, most of our employees were located in China. The following table sets forth the number of our employees by function as of December 31, 2024:

Function	Number of Employees	Percentage of Total
		(%)
Sales and Marketing	162	57.5
R&D, procurement, production and quality control	99	35.1
General administrative, finance and management	21	7.4
Total	282	100.0

As required by PRC laws and regulations, we participate in social security schemes organized by municipal and provincial government, including pension, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds. We are required under PRC laws and regulations to make contributions to employee social security schemes at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. During the Track Record Period, we did not fully contribute to certain social insurance and housing provident funds for some of our employees and we also engaged certain third-party human resource service providers to make contributions for mandatory social insurance and housing provident funds for a few employees. If we are demanded by the relevant authorities to cease engaging third-party human resource service providers to make contributions for social insurance and housing provident funds for our employees, we will comply with such demand and make the contributions by ourselves in the future. Pursuant to relevant PRC laws and regulations, if we fail to pay social insurance contributions on time or in full amount directly through our own accounts, the relevant authorities may require us to pay the outstanding social insurance contributions within a stipulated deadline and we may be liable to a late payment fee equal to 0.05% of the outstanding amount for each day of delay. If we fail to make such payments, we may be liable to a fine of one to three times the amount of the outstanding contributions. With respect to a failure to pay the full amount of housing provident fund as required directly through our own accounts, the housing provident fund management center may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the people's court for compulsory enforcement.

According to the Urgent Notice of the General Office of the Ministry of Human Resources and Social Security on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《人力資源社會保障部辦公廳關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on September 21, 2018, all local authorities responsible for the collection of social insurance are strictly forbidden to conduct self-collection (集中清繳) of historical unpaid social insurance contributions from enterprises.

During the Track Record Period and as of the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance or housing provident fund, nor had we received any order or been informed to settle the under-contributions, and we do not have any significant disputes with our employees regarding social insurance premiums and housing provident fund.

As advised by our PRC Legal Advisors, on the basis that (i) the applicable laws and regulations and the execution and supervision requirements of local government have not materially changed; and (ii) we have not received any complaints from our employees, the likelihood that we will be subject to a material administrative penalty by the relevant competent authorities and be subject to the self-collection is relatively low. As such, our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations. See "Risk Factors — Risks Relating to Our Business — Failure to make full contributions to social insurance and housing provident funds for our employees in accordance with the relevant PRC laws and regulations may subject us to penalties."

Our Directors consider that our Group has maintained a good relationship with our employees and is expected to remain amicable in the future. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) we did not have any material disputes with our employees; (ii) we did not experience any material difficulties in recruiting and retaining staff; and (iii) no labor union had been established by our employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ('ESG')

Overview

We are committed to making lasting and positive impacts on our customers, suppliers, and communities affected by our operations in terms of environmental, social, and governance ('ESG'), and pledge to conduct our business in a legal, ethical, and responsible manner. Our management attaches great importance to ESG issues and has implemented relevant operational mechanisms.

We have established an ESG governance structure consisting of the Board of Directors and the ESG Working Group. The Board of Directors is responsible for establishing, reviewing, and approving our ESG strategy and policies, overseeing ESG-related operations, and ensuring compliance with applicable legislation. The ESG Working Group led by General Manager, and is responsible for implement ESG-related operations, including identifying material ESG issues, coordinating daily ESG work, regularly reviewing ESG-related performance, and reporting to the Board of Directors. Besides, we commit to engage a professional ESG consultant within one year after [**REDACTED**] to assist us in enhance our ESG framework and strengthen our governance capabilities.

As a company engaged in the research and development, production, and sales of Foods for Special Medical Purposes ('FSMP'), we recognize our responsibilities in ESG. We actively practice the innovative model of "integration of industry, academia, research and application", and dedicated to providing customers with precise and efficient product services as well as reliable experiences. As of the Latest Practicable Date, we had been honoured with many awards and recognitions, including the 2025 Health Food Industry Leadership Award, 2024 Innovative Health Technology Product Award, 2023 Industry Decade Benchmark Award, 2023 Most Promising Growth Brand, 2023 Industry Contribution Award, 2023 Channel Reputation Award, 2023 Qingdao High-tech Enterprise, and 2022 Best Brand Power Award. During the Track Record Period, we had not incurred any significant fines or penalties for violations of relevant ESG regulations.

ESG Risk Management

We attach importance to establishing a risk management system and have formulated a Risk Management System to identify, analyze, and assess risks in our business. We have also fully integrated ESG into our risk management system by actively identifying and monitoring relevant risks and opportunities and analyzing and summarizing their potential risks and financial impacts.

The Group conducts annual risk assessments covering current/potential risks, including ESG and strategic risks. The Board of Directors evaluates (with external experts when needed) existing strategies, objectives, and internal controls, implementing necessary improvements. We will continue identifying, assessing, managing, and mitigating ESG risks through:

- Monitoring laws/regulations/industry standards to assess the updated compliance requirements;
- Reviewing peer ESG reports to identify emerging risks;
- Organizing management discussions on material ESG focused areas;
- Dedicated ESG risk management processes integrated with overall business risk frameworks;
- Advanced business continuity systems to address ESG-related disruptions.

Climate Change

Global warming poses extensive risks to business operations. We actively identify and monitor climate-related risks and opportunities that may affect our business, strategy and financial performance.

For climate-related physical risks, the increasing severity of extreme weather events and shifting precipitation patterns due to climate change may pose significant operational challenges. These include delays in project planning, authorization, execution, transportation difficulties, supply chain disruptions, and negative impacts on the workforce. Such disruptions may lead to a reduction in our production capacity. To mitigate these risks, we consistently monitor climate trends and weather forecasts, and take corresponding preventive measures. In accordance with the "*Flood Prevention and Emergency Response Plan*", we promptly establish a flood control working group to assess flood risks. We reinforce production facilities to enhance disaster resistance capabilities, minimizing the impact of extreme weather events on business operations.

For climate-related transition risks, we need to transition to low-carbon operations and make substantial improvements in energy efficiency, emission reduction, and to meet compliance requirements. Our focus on climate efforts and green transformation enhance our risk resilience, reduce energy costs, and improve our environmental performance. To address these risks, we prioritize renewable energy adoption and resource recycling, implement emission reduction plans aligned with global temperature control targets, and promote low-carbon technologies to establish green factories. Key initiatives include introducing automated palletizing robots, upgrading automated box-folding and sealing equipment to improve packaging efficiency, adopting dry production processes and utilizing alcohol-based solvents to maintain water-free workshop environments.

KPIs and Objectives

Resource Consumption

Electricity Consumption. For the years ended December 31, 2022, 2023 and 2024, our electricity consumption levels were approximately 2,253.4 MWh, 1,653.2 MWh and 5,196.9 MWh, respectively.

Water Consumption. For the years ended December 31, 2022, 2023 and 2024, our water consumption totaled 17,667.3 tons, 19,763.5 tons and 32,899 tons, respectively.

Natural Gas Consumption. For the years ended December 31, 2022, 2023, and 2024, our natural gas usage was 137.08 thousand cubic meters, 88.67 thousand cubic meters and 197.34 thousand cubic meters, respectively.

We are dedicated to fostering a culture of resource conservation. Our objective is to reduce energy intensity through the following measures:

- *Electricity Consumption*. We continuously monitor our electricity consumption levels and (i) encourage the use of natural lighting, (ii) apply Variable Frequency Drive (VFD) technology to air conditioning systems, ventilation systems, water pumps, and other equipment to automatically adjust operating frequency based on actual production needs, (iii) promote the use of disposable products and reusable bags/cartons, (iv) encourage the use of public transportation to conserve energy and reduce greenhouse gas emissions, (v) advocate paperless office practices, including double-sided and black-and-white printing where necessary. By 2026, we aim to reduce electricity consumption per RMB million in revenue by approximately 5% compared to the 2024 baseline.

- *Water Consumption.* We continuously monitor water usage in our offices and warehouses and have implemented multiple water conservation initiatives, such as: encourage employees to turn off taps properly to prevent leaks, post water-saving reminders in restrooms to raise awareness of responsible water usage, promptly repair dripping taps to minimize water waste. By 2026, we aim to reduce water consumption per RMB million in revenue by approximately 3% compared to the 2024 baseline.

Greenhouse gas emissions

Reducing emissions in Scope 1 and Scope 2 is usually the top priority of our carbon reduction strategy. The following chart summarizes our annual Scope 1, Scope 2 and Scope 3 emissions during the performance record period:

Category	**Year ended December 31,**		
	2022	**2023**	**2024**
Scope 1[1] (tCO_2e)	296.39	191.72	426.68
Scope 2[1] (tCO_2e)	1,585.26	1,163.03	3,656.03
Scope 3[2] (tCO_2e)	19.81	98.63	74.98
Total (tCO_2e)	1,901.46	1,453.38	4,157.69
Greenhouse gas emission density[3] (tCO_2e/million revenue)	3.83	2.07	4.89

Notes:

(1) In 2023, due to our factory renovation, the greenhouse gas emissions in Scope 1 and Scope 2 decreased. With the completion of the renovation, the greenhouse gas emissions increased in 2024 along with the growth of production capacity.

(2) Scope 3 emissions data was calculated in accordance with Appendix 2 of the HKEX *"How to Prepare Environmental, Social and Governance Reports",* referencing the ISO 14064-1 standard "*Specification with guidance at the organization level for quantification and reporting of GHG emissions and removals",* combined with our internal records and best estimates. Scope 3 greenhouse gas emissions mainly include waste generated during operations, and goods/services purchased by us.

(3) The calculation of greenhouse gas emission density is based on the total greenhouse gas emissions within Scope 1 and Scope 2.

Greenhouse gas emission reduction targets

We are committed to continuously reducing emissions. As of the Latest Practicable Date, we had set several reasonable management targets. Regarding Greenhouse gas emissions, we plan to reduce the emission density by 5% in the next five years based on the 2024 emission density level. We have taken active carbon reduction measures in our business operations, such as:

- For auxiliary power equipment such as air compressors and nitrogen generators, we adopt frequency reduction unloading technology, when they are operating at low load, to achieve low-energy consumption operation. By precisely controlling the operating frequency of the equipment and dynamically adjusting it based on actual production demands, the energy consumption of the equipment under non-full-load conditions may be effectively reduced, thereby enhancing energy utilization efficiency;

- In the area of office, corridors and factories, install intelligent lighting control systems, such as voice-controlled delay switches, to avoid the phenomenon of long-burning lights and reduce the electricity consumption for lighting; and

- Encourage employees to promote sustainable transportation practices, including encouraging the use of public transportation, prioritizing direct flights for essential business travel, and using video conferencing as a viable alternative to non-essential international travel.

Waste management

Our production process utilizes mature dry blending technology that does not generate exhaust gases or wastewater. The hazardous waste we produce primarily includes laboratory solid waste (reagent containers), laboratory liquid waste (organic solutions), and spent activated carbon. In accordance with national and local regulations, we have established management policies for solid and hazardous waste, conducting surveys and certification of third-party waste treatment providers and engaging qualified third parties with waste disposal. Additionally, we have developed emergency response plans for gas leaks, fire incidents, and alcohol spills in production areas to ensure prompt and effective action in case of environmental accidents, minimizing their impact on the workshop environment and production schedule. The table below details the waste generated during the reporting periods.

Category	Year ended December 31,		
	2022	2023	2024
Hazardous waste(1) (tons)	0.13	0.45	1.52
Density of hazardous waste (tons/million revenue)	0.0003	0.0007	0.0018
Non-hazardous waste(2) (tons)	3.1	6.3	5.9
Density of non-hazardous waste (tons/million revenue)	0.0063	0.0096	0.0071
industrial wastewater(3) (kilotons)	–	–	–
Waste gas(4) (tons)	–	–	–

Notes:

(1) Due to increased production capacity, the generation of both hazardous and non-hazardous waste showed year-on-year growth from 2022 to 2024.

(2) The significant rise in non-hazardous waste output in 2023 resulted from factory renovation works, with post-renovation levels declining slightly in 2024.

(3) No industrial wastewater is generated or discharged by us, with sewage originating exclusively from domestic sources.

(4) The production process emits no exhaust gases, with natural gas exclusively utilized to power air conditioning systems maintaining optimal workshop temperatures.

Packaging Material Management

We have established formal management policies and procedures, to consistently implement environmentally friendly strategies for packaging materials.

Our primary packaging materials consist of cans, plastic materials such as polypropylene (PP) and polyphenylene ether (PPE), as well as paper-based products like cartons. We actively work to reduce packaging material consumption to minimize carbon emissions associated with the usage and transportation of these materials. Furthermore, we continuously explore innovative designs and alternative materials to reduce packaging weight and focus on minimizing the use of plastics.

Social Responsibility

Labor Practices

We are committed to promoting fairness and equality in the workplace through transparent and equitable recruitment and promotion policies, ensuring all employees receive equal opportunities in hiring, promotion, welfare benefits, and career development.

We maintain a zero-tolerance policy toward all forms of discrimination, including but not limited to gender, sexual orientation, disability, age, race, nationality, family status, or other legally protected characteristics, and actively foster diversity across our organization. Our approach guarantees equitable and respectful treatment in all employment matters, encompassing recruitment, training, health initiatives, and professional/personal development programs.

Employee Training and Development

We believe cultivating and expressing employees' personal values are integral to our overall worth. To ensure continuous employee growth and enhance competitiveness, we built a targeted, diversified training system. Through multiple training methods and platforms, we offer extensive learning resources, providing employees with expanded and in-depth learning opportunities across their entire career lifecycle, with multi-dimensional, multi-level courses.

Occupational Health and Safety

We are required to comply with Chinese laws and regulations concerning employee health and safety. We have established comprehensive internal policies and measures regarding occupational health and safety, providing our production staff with adequate safety equipment. We regularly evaluate our equipment and production facilities to ensure operational safety, organize annual physical examinations for all employees and conduct periodic and annual training on environmental regulations, safe production, and emergency response to enhance their awareness and knowledge of safety procedures and accident prevention.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any major accidents involving personal injury or property damage. We have not been subject to any material claims, litigation, penalties, or disciplinary actions due to any significant accidents.

Supply Chain Management

We have established comprehensive supplier management systems, specifying requirements for supplier qualification, periodic evaluation, and record management of raw materials, auxiliary materials, packaging materials, and other supplies. The procurement department is primarily responsible for supplier onboarding. When introducing new suppliers, we conduct thorough assessments including material reviews, supplier investigations, and decision-making processes.

In our cooperation with suppliers, we sign quality commitment agreements and quality protocols, while conducting regular supplier audits to strengthen quality control of raw materials and packaging materials. We believe sound supply chain management practices ensure product quality, reliability, and efficiency.

We conducted the latest annual supplier review, evaluating suppliers based on the following criteria: qualifications, processes, reputation, track record, pricing, quality, delivery performance, and corporate social responsibility. Only suppliers meeting these standards are considered for engagement. Based on evaluation results, we updated our supplier directory and implemented tiered supplier management. We adhere to mutual benefit principles to establish long-term sustainable relationships with high-quality suppliers.

Product Responsibility

Ensuring product excellence is paramount to us. We have implemented a comprehensive quality management system covering the entire chain from raw materials to production and sales, encompassing quality policies, quality monitoring, quality acceptance, quality data statistics, and quality dispute resolution. Products undergo rigorous testing before market release. Additionally, we actively manage and track customer feedback, taking appropriate actions regarding product quality and safety issues. We value customer feedback as a precious resource and address each case with seriousness.

We strictly enforce a meticulous quality control procedure that includes detailed processes for incoming material inspection, in-process inspection, and finished product inspection. Our commitment to maintaining high-quality standards is demonstrated through our certifications in health, safety, and service management systems, including but not limited to GMP, HACCP, and ISO 9001:2015 Quality Management System certification.

During the Track Record Period, we had successfully maintained a perfect record of zero product recalls due to safety or health reasons. Furthermore, we have not received any major complaints regarding product quality.

Data Security and Privacy Protection

We have established an information security management policy to strengthen our information security practices, standardize security operations, and enhance our information security protection capabilities. The policy clearly defines various types of information, related confidentiality measures, confidentiality obligations, data protection measures, information leakage monitoring and handling procedures.

When handling confidential or classified information during company operations, appropriate approval processes must be followed. In the event of internal information leakage or potential violations, employees must immediately take remedial actions and promptly report to the information security team, which will respond and handle the situation swiftly.

During the Track Record Period and up to the Latest Practicable Date, we had not recorded any material leakage or breach of personal information and confidential data, or any administrative penalties for violation of cybersecurity and data protection laws, rules and regulations issued by any competent regulatory authorities.

Operational Compliance

To uphold the highest standards of ethical conduct and integrity in business operations, we have established comprehensive anti-fraud policies covering conflicts of interest, confidentiality, bribery, and anti-corruption. We established a Compliance Department to implement a company-wide compliance system, including compliance risk monitoring, reporting and investigation procedures, with regular compliance oversight.

Any violations of anti-fraud policies or business ethics will be addressed and may result in termination of business relationships or employment. To reinforce these principles, we implemented anti-fraud policies to prevent all forms of corruption and bribery. We incorporate fraud risk assessment into enterprise risk management and implemented internal controls such as approval/authorization/verification processes, cross-checking, segregation of duties, and performance evaluations.

We established multiple reporting channels including hotlines, email and suggestion boxes. We encourage employees and stakeholders to properly report any internal misconduct, violations, fraud, or actions harming the Group's interests and reputation.

Community Engagement

We place high importance on social responsibility. During the Track Record Period, we actively participated in various public welfare activities, including direct donations or contributions through charitable organizations, supporting rare disease communities, and promoting public awareness of genetic/rare diseases and specialized nutritional therapies through science education. For the year ended December 31, 2024, we donated over RMB690,000 through direct contributions or foundations, primarily supporting disaster relief, poverty alleviation, education assistance, and disability aid programs.

We also participated in the Special Formula Subsidy Program for Children with Phenylketonuria (PKU), initiated by the Maternal and Child Health Service Department of the National Health and Family Planning Commission and the National Maternal and Child Health Surveillance Office. PKU is a congenital metabolic disorder. Children with PKU lack the enzyme phenylalanine hydroxylase in their bodies, which results in the inability to metabolize phenylalanine normally. Without treatment, children with PKU will gradually suffer varying degrees of neurological damage after 3-4 months, such as intellectual disability. However, through an early low-phenylalanine diet, these children can live and learn normally, just like their peers. In this program, we provided assistance to over 1,280 children over five years, distributing metabolic disorder products with a total value exceeding RMB 42 million. This was a large-scale initiative that helped a significant number of children. The program also alleviated the financial burden on the families of affected children and boosted the confidence of parents in pursuing treatment.

INSURANCE

We maintain insurance policies to cover our properties, equipment, vehicles and inventory. As of the Latest Practicable Date, we had not received any material insurance claims against us. Consistent with what we believe to be customary practice in our industry, we generally do not maintain any business interruption insurance. We believe that the existing insurance coverage of our business is adequate and is in line with the general industry practice. However, the insurance policies maintained by us may not be sufficient to cover claims in respect of personal injury or property or environmental damage arising from accidents on our properties or relating to our operations, or to cover business interruption risks. Such coverage is not mandatory according to the applicable laws and regulations.

PROPERTIES

Our corporate headquarters are located in Qingdao. Our production facility as of the Latest Practicable Date was located in Qingdao, Shandong province.

Owned Properties

As of the Latest Practicable Date, we owned one parcel of land in Qingdao, Shandong Province (the "**Qingdao Property**") with a total site area of approximately 47,200 sq.m. and three buildings with an aggregate GFA of approximately 31,750 sq.m. As of the Latest Practicable Date, we had obtained land use right certificates for such parcel of land and building ownership certificates for such three buildings. As confirmed by our PRC Legal Advisors, we are entitled to use such land and we legally own such buildings. We use such land and buildings primarily as our production facility, warehouse and office.

Based on the most recent audited consolidated statements of our Group, as the carrying amount of the Qingdao Property is above 15% of our total assets, we have included a valuation report with respect to our interests in the Qingdao Property as Appendix III to this document, pursuant to Rules 5.01A(1) and 5.01B(1) of the Listing Rules. See Appendix III to this document and "Financial Information — Investment Properties and Valuation of Investment Properties" for details.

The Facility Upgrade Project

In respect of the upgrade project for our plant and laboratory in Qingdao (the "**Facility Upgrade Project**"), as of the Latest Practicable Date, we had not received construction commencement permits, and had not completed the filing procedures for the Facility Upgrade Project.

According to the Measures for Construction Permission Management of Construction Projects (《建築工程施工許可管理辦法》), for any construction project without a construction permit (施工許可證) being obtained, the relevant government authority may order to suspend the construction, request for rectification within a specified time limit and impose on the owner of the construction project a fine of 1% to 2% of the contract value of the construction project.

According to the Administrative Measures for the Filing of As-built Inspection of Housing, Building and Municipal Infrastructure Projects (《房屋建築和市政基礎設施工程竣工驗收備案管理辦法》), the owner of the construction project shall complete the filing formalities for the filing of as-built inspection of the project with the construction administrative department of the people's government at or above the county level at the place where the project is located within 15 days as of the date on which the as-built inspection of the project is passed. If the construction entity fails to complete the formalities for the filing of as-built inspection of the project within 15 days as of the date on which the project passes the as-built inspection, the filing authority shall order it to make a rectification within a time limit, and impose a fine of not less than RMB200,000 but not more than RMB500,000.

Furthermore, according to the Fire Protection Law of the PRC (《中華人民共和國消防法》) and the Interim Provisions on the Administration of Fire Protection Design Review and Final Inspection of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), within five working days from the date when passing the final inspection of any other as-built construction project (other than special construction projects, requiring fire protection designs in accordance with the national technical standards of fire protection for construction projects), the owner of the construction project shall report for recordation to the competent department. If the owner of the construction project fails to report to the housing and urban-rural development authority for recordation as required by the Fire Protection Law of the PRC after final inspection, the housing and urban-rural development authority shall order the construction entity to take corrective action and impose a fine of not more than RMB5,000 on it.

During the Track Record Period and up to the Latest Practicable Date, we had not received any penalties or requests for rectification from the government authorities regarding the Facility Upgrade Project. In addition, according to the compliance certificate issued by the relevant authorities, we did not have any records of violations or non-compliance in the field of development and reform, natural resources and planning, housing and urban-rural development, and fire safety during the Track Record Period. Our PRC Legal Advisors have advised us, and our Directors believe, that the failure to obtain the permit or complete relevant filings procedures will not cause material adverse effect to our business operations.

Leased Property

As of the Latest Practicable Date, we had leased a property in Beijing with a GFA of approximately 1,118 sq.m., used as offices. Our lease agreement in respect of such leased property has a lease term of over four years. As of the Latest Practicable Date, the lease agreement we entered into was legal and valid, and the lessor had obtained relevant ownership certificate for such property and had the right to lease the property to us.

As of the Latest Practicable Date, we had not obtained lease registration for the leased property. We will take all practicable and reasonable steps to ensure that the unregistered lease is registered if required by competent authorities, including requiring relevant property owners to cooperate with us to complete the lease registration. According to the Urban Real Estate Administration Law of the PRC (《中華人民共和國城市房地產管理法》), and the Commercial Building Leasing Administrative Measures (《商品房屋租賃管理辦法》), the relevant local governments may require the rectification of the non-registration of lease agreements within a certain period of time. If rectification is not made within the specified time, we may be subject to a fine ranging from RMB1,000 to RMB10,000 for our unregistered lease agreement. According to our PRC Legal Advisors, under the Civil Code of the PRC (《中華人民共和國民法典》), the non-registration of the lease agreement does not affect the validity and enforceability of the lease agreement. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered to rectify the non-registration of lease agreement or subject to any penalties arising from the non-registration. Our PRC Legal Advisors have advised us, and our Directors believe, that such non-registration would not materially and adversely affect our business operations. See "Risk Factors — Risks Relating to Our Business — Failure to comply with property-related laws and regulations regarding certain of our owned and leased properties may adversely affect our business."

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any material difficulties in renewing lease agreements or locating new premises for our facilities. We do not foresee any major challenges or impediments in renewing the relevant leases upon their expiration.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been and were not a party to any legal, arbitral or administrative proceedings and not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations. To the best knowledge of our Directors, our business operations had been carried out in compliance with applicable laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date. We are of the view that we have in place adequate internal control measures to ensure ongoing compliance with applicable laws and regulations.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks in our operations and have established a risk management system with relevant policies and procedures that we believe are appropriate for our business operations. We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as financial reporting, compliance, and anti-bribery and kick-back. Such risk management policies are established by our Board based on the current effective laws and regulations of China and our Memorandum and Articles and Association.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [**REDACTED**], we [have adopted] and will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our financial reporting process and internal control system. For more information, see "Directors, Supervisors and Senior Management;"

- adopt various policies to ensure compliance with the Listing Rules, including but not limited to policies and procedures related to internal control and risk management, periodically reviewing their effectiveness and compliance to relevant rules and regulations; and

- continue to organize training sessions for our Directors and senior management in respect of the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management. We have various procedures in place to implement accounting policies, and our financial team reviews our management accounts based on such procedures.

Compliance Risk Management

In order to effectively manage our compliance and legal risk exposures, we have adopted strict internal procedures to ensure the compliance of our business operations with the applicable rules and regulations. In accordance with these procedures, our in-house legal team performs the basic function of reviewing and updating the form of contracts we enter into with our customers, partners and suppliers. Our legal team examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations of business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

Anti-bribery and Kick-back Risk Management

In terms of anti-bribery and kick-back prevention, we have implemented a series of policies and internal control measures against bribery and kick-back, which set forth procedures for implementing relevant anti-bribery procedures and setting out anti-bribery responsibilities for relevant personnel. We will strictly prohibit bribery or other improper payments in any of our business operations according to our anti-bribery and kick-back prevention policies. Improper payments prohibited by such policies include bribes, kickbacks, falsification and alteration of accounting and business documents, or any other payment made or offered to obtain an undue business advantage. Moreover, we keep accurate books and records that reflect transactions and asset dispositions in reasonable detail. Payment made in violation of the anti-bribery and kick-back prevention policies is strictly prohibited. Our compliance team is responsible for investigating the reported incidents and taking appropriate measures as necessary. We provide employees with adequate communication channels, establish whistleblower policy and encourage employees to take the initiative to seek guidance from us regarding the implementation of anti-bribery policies. During such investigations, our compliance team complies with relevant laws and anti-bribery policies and provides written feedback as necessary.

OVERVIEW

Immediately upon completion of the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or any Shares which may be issued upon the exercise of options granted under the Option Grant Agreement, Shengyuan HK and Mr. Zhang Mengran, by virtue of an acting in concert agreement entered into between them, will control in aggregate approximately [**REDACTED**]% of the total share capital of our Company.

Shengyuan HK is a company wholly owned by Shengyuan BVI, which in turn is wholly owned by Beams Power, a company wholly owned by Ms. Meng. Ms. Meng and Mr. Zhang have a spousal relationship. Pursuant to the agreement entered into between Ms. Meng and Mr. Zhang on May 28, 2025, Ms. Meng and Mr. Zhang agreed and confirmed that since the date of incorporation of Beams Power, by virtue of their spousal relationship, they had been and would continue to consult with each other and reach a consensus between themselves before making decisions and exercising the voting rights or other shareholder's rights in Beams Power or through Beams Power at the Board and Shareholders' meetings. Mr. Zhang Mengran is the son of Ms. Meng and Mr. Zhang. Pursuant to the acting in concert agreement entered into between Shengyuan HK and Mr. Zhang Mengran on May 28, 2025, Shengyuan HK and Mr. Zhang Mengran agreed and confirmed that from the date Mr. Zhang Mengran became the shareholder of our Company to the date when any of them ceases to be the shareholder of our Company, they had been and would continue to be parties acting in concert and Mr. Zhang Mengran shall exercise his voting rights or other shareholder's rights at the Board and Shareholders' meetings in accordance with the direction of Shengyuan HK. Accordingly, Ms. Meng, Mr. Zhang, Mr. Zhang Mengran, Beams Power, Shengyuan BVI and Shengyuan HK constitute a group of our Controlling Shareholders under the Listing Rules.

Mr. Zhang founded Synutra International Inc. in 1998 which became a leading infant formula maker in China in the early 2000s. Synutra International Inc. became a NASDAQ listed company through a reverse acquisition in 2005 and was transferred from NASDAQ Over-The-Counter Bulletin Board under the trading symbol "SYUT.OB" to NASDAQ Global Market under the symbol "SYUT" in 2007, making it the first Chinese infant formula company listed in the US major markets. Through a going-private transaction in 2017, Mr. Zhang took Synutra International Inc. off the public market and controlled 100% of Synutra International Inc. through Beams Power, an investment platform wholly owned by his wife, Ms. Meng. Mr. Zhang is currently serving as the chairman of the board of directors and chief executive officer of Shengyuan Group. Ms. Meng has extensive experience in international trade and investment and is currently holding as the directorship and management positions of Beams Power and other investment vehicles of Beams Power. Mr. Zhang Mengran has several years of experience in dairy industry and is currently participating in the liquid milk business of Shengyuan Group. Each of Beams Power, Shengyuan BVI and Shengyuan HK is an investment holding company.

DELINEATION OF BUSINESS

Our Group is principally engaged in the development, production and sales of FSMP products. During the Track Record Period, we also produced and sold certain products with medical based nutritional benefits, such as infants' calcium magnesium zinc formula and children's calcium magnesium zinc milk powder. As we focus on FSMP products, we ceased to produce such non-FSMP products since November 2023 and October 2024, respectively.

In addition to their interests in our Group, our Controlling Shareholders are also interested in other businesses (the "**Other Businesses**") which mainly included (i) development, production and sales of infant formula and other milk powder products; (ii) development, production and sales of nutritional supplements, including raw materials and consumer facing finished products; (iii) development and marketing of dairy products including ice cream, cheese, butter, ultra-high-temperature milk and milk protein drinks; (iv) operation of a certified national standard laboratory (medical) specialized in the screening of newborns with metabolic disorders and allergies; (v) operation of a lifestyle handbook APP for younger generations; and (vi) operation of self-developed private domain member management software for private sales and live streaming.

In particular, our Directors are of the view that the business in relation to the development and sales of infant formula and other milk powder products conducted by our Controlling Shareholders and their close associates can be clearly delineated from our business in the following aspects:

	Development, production and sales of FSMP products of our Group	Development, production and sales of infant formula and other milk powder products of our Controlling Shareholders
(i) Different target consumers	Our FSMP products are designed to meet the nutritional needs of people with special medical conditions, such as milk protein allergy, lactose intolerance, preterm or low birth weight infants, amino acid metabolism disorder, eating disorders, maldigestion, malabsorption and metabolic disorders.	Ordinary infant formula and other milk powder products that are suitable for people who are in good health condition.

	Development, production and sales of FSMP products of our Group	Development, production and sales of infant formula and other milk powder products of our Controlling Shareholders
(ii) Different formula and functions	Each FSMP product is a scientifically formulated nutritional solution designed for individuals with eating disorders, maldigestion, malabsorption, metabolic disorders or disease-specific dietary requirements. For example, (i) we replace cow's milk protein with partially hydrolyzed whey protein in our allergy prevention products and with extensively hydrolyzed whey protein or amino acids in our allergy treatment products; (ii) we reduce the amount of lactose in our preterm formula while adding DHA, AA, taurine and 30 other nutrients to provide adequate nutrition for their growth; and (iii) we replace milk proteins with whey proteins in our lactose-free products, while adding nucleotides for intestinal and immune protection, as well as DHA and AA to promote visual brain development and help regulate immune balance.	The major nutrients, such as protein, fat and carbohydrate, will not be specially formulated in developing the product recipe of ordinary infant formula and other milk power products for people with special medical conditions.

	Development, production and sales of FSMP products of our Group	Development, production and sales of infant formula and other milk powder products of our Controlling Shareholders
(iii) Different regulations	Each FSMP product formula is required to be registered with the SAMR pursuant to the Administrative Measures for the Registration of Formula Foods for Special Medical Purposes (特殊醫學用途配方食品註冊管理辦法) for production and sales in the PRC. According to the Guidelines for Labeling of Foods for Special Medical Purposes (特殊醫學用途配方食品), the independent packages of the minimum sales units of FSMP products shall be marked with the exclusive logo of FSMP, and shall indicate warning instructions such as "*Please use under the guidance of a physician or dietitian*" and "*Not for use by non-target populations*" in a conspicuous position.	Each ordinary infant formula is required to be registered with the SAMR pursuant to the Administrative Measures for the Registration of Product Formulas of Infant Formula Milk Powder (嬰幼兒配方乳粉產品配方註冊管理辦法) for production and sales in the PRC. Other milk powder products are not required to be registered with the SAMR. Ordinary infant formula and other milk powder products are not required to be marked with the exclusive logo or to indicate such warning instructions on their sales package.

	Development, production and sales of FSMP products of our Group	Development, production and sales of infant formula and other milk powder products of our Controlling Shareholders
	According to Interim Administrative Measures for the Examination of Advertisements for Drugs, Medical Devices, Health Food and Formula Food for Special Medical Purposes (藥品、醫療器械、保健食品、特殊醫學用途配方食品廣告審查管理暫行辦法), (i) an advertisement for FSMP products shall not be published without review and an application for the review of an advertisement for FSMP products shall be filed with the relevant advertisement review authority; and (ii) an advertisement for FSMP products shall prominently indicate the target consumers with warning instructions such as "*Not for use by non-target populations*" and "*Please use under the guidance of a physician or dietitian.*"	An advertisement for ordinary infant formula and other milk powder products is not required to be reviewed before publication or to indicate the target consumers with such warning instructions.
(iv) Specific guidance requirements to consumers	Our FSMP products shall be consumed under the specific guidance of a physician or dietitian.	Ordinary infant formula and other milk powder products can be consumed according to the instructions printed on the product label without specific guidance of a physician or dietitian.

Given the differences between our business and the Other Businesses, there is a clear delineation between our business and the Other Businesses. Our Directors are therefore of the view that there is no competition between our business and the Other Businesses.

Save as disclosed above, as of the Latest Practicable Date, none of our Controlling Shareholders, our Directors and their close associates had any interest in a business, apart from our business, which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

To ensure that competition will not arise in the future, each of our Controlling Shareholders [has entered] into the Deed of Non-competition in favor of our Company to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest in, or otherwise be involved in any business which may compete with our business, further details of which are set out in "Deed of Non-competition" below.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR CLOSE ASSOCIATES

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the [**REDACTED**] for the following reasons:

Management Independence

Our Board comprises one executive Director, five non-executive Directors and three independent non-executive Directors. Save for two of our non-executive Directors, namely Ms. Cai Ning, who is currently serving as the chief financial officer of Shengyuan Group, and Mr. Zhao Shouming, who is currently serving as the supply chain director at Beijing Nutrition Research Institute of Shengyuan Nutritional and a non-executive director of Jintao, none of our Directors or members of our senior management team holds any position at our Controlling Shareholders or their close associates.

Despite their overlapping roles, Ms. Cai Ning and Mr. Zhao Shouming as our non-executive Directors are not involved in the day-to-day management and operations of our businesses. Our executive Director and senior management team carry out the business operations of our Group independently from our Controlling Shareholders and their respective close associates.

Each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests. In the event that there is an actual or potential conflict of interest arising out of any transaction to be entered into between our Group and any of the Directors or their respective close 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.

Our Board comprises nine Directors, including three independent non-executive Directors, which represent one-third of the members of our Board. Our independent non-executive Directors have extensive experience in corporate management and governance, and they are appointed to ensure that our Board will only make decisions after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review.

We have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders that would support our independent management. See "Corporate Governance Measures" in this section.

Based on the reasons above, our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Operational Independence

We have full rights to make all decisions on, and carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the [**REDACTED**]. Our Group is able to operate without reliance on our Controlling Shareholders and their respective close associates.

Licenses required for operation

We hold and enjoy the benefit of all relevant licenses and permits material to the operation of our business.

Research and development

We have our own research and development team responsible for developing new products, conducting tests of raw materials and products, analyzing and comparing their performance and enhancing production efficiency, which is independent from our Controlling Shareholders and their respective close associates. All members of our research and development team were full-time employees of our Group and did not hold any position in our Controlling Shareholders or their respective close associates. In addition, as of the Latest Practicable Date, our Group held 17 registered patents in the PRC which are necessary for our research and development and operations. With such an experienced and independent research and development team and self-owned patents, our Group has all the requisite resources to carry on our research and development process independently.

Access to customers, suppliers and business partners

We have independent access to our customers, suppliers as well as our business partners. Our customers and suppliers bases are diversified and unrelated to our Controlling Shareholders and their respective close associates.

Production

We have our own production facility in Qingdao, Shandong province to manufacture our products and are constructing a new production facility in Fengzhen which will be able to supply a large portion of the raw materials for the production of our FSMP products upon its commencement of operation. We have our own production team dedicated to our production and operating process and the production facilities have been and will be operated by our own production team.

Operational facilities and administration

As of the Latest Practicable Date, we had leased properties in Beijing from Beijing Nutrition Research Institute of Shengyuan Nutritional, a branch company of Shengyuan Nutritional which is an indirect wholly-owned subsidiary of Beams Power, with a total GFA of approximately 1,118 sq.m. from May 1, 2024 to July 25, 2028 on terms which are comparable to market terms for our office use. Save as disclosed above, all the properties, facilities and equipment necessary to our business operations are independent from our Controlling Shareholders and their respective associates.

In addition, we have full-time management team and staff to carry out our own administration and operation independently from our Controlling Shareholders and their respective close associates. All key administrative functions have been and will be carried out by our own without reliance or the support of our Controlling Shareholders and their respective close associates.

Connected transactions with our Controlling Shareholders

The section headed "Connected Transactions" in this document sets out the continuing connected transactions between our Group and our Controlling Shareholders or their respective associates which will continue after [**REDACTED**]. The terms of all such transactions are determined after arm's length negotiations and on normal commercial terms. Accordingly, such continuing connected transactions are not expected to affect our operational independence as a whole.

Based on the reasons above, our Directors are of the view that we have full rights to make all decisions on, and to carry out, our own business operations independently from our Controlling Shareholders and their respective close associates and will continue to do so after the [**REDACTED**].

Financial Independence

We have an independent financial system and make financial decisions according to our own business needs. We also have our own internal control and accounting systems, accounting and finance department for discharging the treasury function, which all are independent from our Controlling Shareholders and their respective close associates.

As of the Latest Practicable Date, our Group did not have any outstanding loans, advances or balances due to or from our Controlling Shareholders or their respective close associates which were not arising from the ordinary course of business. Save for two bank borrowings in an aggregate amount of RMB30,000,000 guaranteed by our Controlling Shareholders and their close associates in favor of our Company which will be fully repaid before the [**REDACTED**], our Group did not have any guarantee or share pledge provided by or to our Controlling Shareholders and their respective close associates in respect of any loans of our Group or our Controlling Shareholders and their respective close associates as of the Latest Practicable Date. We are capable of obtaining financing from Independent Third Parties without relying on any guarantee or security provided by our Controlling Shareholders or their respective associates.

Based on the above, our Directors believe that we are able to conduct our business independently from our Controlling Shareholders and their close associates from a financial perspective and are able to maintain financial independence and would not place undue reliance on our Controlling Shareholders or their close associates.

DEED OF NON-COMPETITION

Each of our Controlling Shareholders [has entered] into a Deed of Non-competition in favor of our Company, pursuant to which each of them [has unconditionally and irrevocably undertaken] to our Company that it will not, and will procure its close associates (save for members of our Group) not to directly or indirectly be involved in, interested in or undertake any business that directly or indirectly competes, or may compete, with our business which principally includes the development, production and sales of FSMP products (collectively referred to as the "**Restricted Businesses**"), or directly or indirectly hold shares or interest in any company or business that competes or may compete directly or indirectly with the business engaged by us from time to time, or conduct any Restricted Businesses, except where our Controlling Shareholders and their close associates hold less than 30% of interest of any company, which is engaged in any business that is or may be in competition with any business engaged by any member of our Group and they do not possess the right to control the board of directors of such company. The above restrictions also do not apply when our Group engages in a new business that is not a Restricted Business and at the time of commencement of such new business, any of our Controlling Shareholders had already been conducting or has been involved in, or otherwise been interested in, the relevant business.

Further, each of our Controlling Shareholders [has undertaken] that if any new business investment/other business opportunity relating to the Restricted Businesses (the "**Competing Business Opportunity**") is identified by/made available to it or any of its close associates, it shall, and shall procure that its close associates shall, refer such Competing Business Opportunity to our Company on a timely basis by giving written notice (the "**Offer Notice**") within 30 business days of identifying the target company (if relevant), the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity.

Upon receiving the Offer Notice, we shall seek approval from a board committee who does not have an interest in the Competing Business Opportunity (the "**Independent Board**") as to whether to pursue or decline the Competing Business Opportunity. Any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity. The Independent Board shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our strategies and development plans and the general market conditions of our business. If appropriate, the Independent Board may appoint independent financial advisors and legal advisors to assist in the decision making process in relation to such Competing Business Opportunity. The Independent Board shall, within 30 business days of receipt of the Offer Notice, inform our Controlling Shareholders in writing, on behalf of us, its decision whether to pursue or decline the Competing Business Opportunity.

The relevant Controlling Shareholders shall be entitled but not obliged to pursue such Competing Business Opportunity if it has received a notice from the Independent Board declining such Competing Business Opportunity or if the Independent Board failed to respond within such 30 business days' period mentioned above. If there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by the relevant Controlling Shareholders, it shall refer such revised Competing Business Opportunity to us as if it were a new Competing Business Opportunity.

The Deed of Non-Competition will lapse automatically if our Controlling Shareholders together ceases to control, whether directly or indirectly, 30% or above of our Shares with voting rights or our H Shares cease to be listed on the Stock Exchange. Each of our Controlling Shareholders has further undertaken to us that it will provide and procure its close associates to provide on best endeavor basis, all information necessary for the annual review by our independent non-executive Directors for the enforcement of the Deed of Non-Competition. It will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report.

In order to promote good corporate governance practices and to improve transparency, the Deed of Non-Competition includes the following provisions:

- our independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-competition by our Controlling Shareholders;

- we will disclose the decisions on matters reviewed by our independent non-executive Directors (including the reasons for not taking up the Competing Business Opportunity referred to our Company) and the review by our independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-competition in our annual report or by way of announcement to the public in compliance with the requirements of the Listing Rules; and

- in the event that any of our Directors and/or their respective close associates has material interests in any matter to be deliberated by our Board in relation to the compliance and enforcement of the Deed of Non-competition, he/she may not vote on the resolutions of our Board approving the matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that it/he/she has fully comprehended its/his/her obligations to act in our Shareholders' best interests as a whole. Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We would adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) as part of our preparation for the [**REDACTED**], we have amended our Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her associates have a material interest nor shall such Director be counted in the quorum present at the meeting;

(b) a Director with himself/herself or his/her close associates having material interests shall make full disclosure in respect of matters that may have conflict or potentially conflict with any of our interest at the meeting of the Board and shall abstain from voting on such matters and not be counted in the quorum, unless the attendance or participation of such Director at such meeting of the Board is permitted under the Listing Rules;

(c) we are committed that our Board should include a balanced composition with not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to our Shareholders. We [have appointed] three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. For details of our independent non-executive Directors, please refer to "Directors, Supervisors and Senior Management — Board of Directors — Independent non-executive Directors" in this document;

(d) we have appointed Altus Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance;

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

(f) as required by the Listing Rules, our independent non-executive Directors shall review any continuing connected transaction annually and confirm in our annual report that such transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favorable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and

(g) on an annual basis, our independent non-executive Directors will review the non-compete undertakings provided by our Controlling Shareholders and their compliance with such undertakings.

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

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, Supervisors, substantial shareholders and chief executive and those of our subsidiaries (other than the directors, supervisors, substantial shareholders and chief executive of our insignificant subsidiaries), any person who was our Director or a director of our subsidiaries within 12 months preceding the [**REDACTED**] and any of their respective associates will be connected persons of our Company upon [**REDACTED**].

Our Group has entered into a number of agreements with parties who will, upon completion of [**REDACTED**], become our connected persons, and the transactions disclosed in this section will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

OUR CONNECTED PERSONS

Our Group has entered into agreements with the following connected persons, the transactions contemplated under such agreements will constitute our continuing connected transactions upon [**REDACTED**]:

Connected persons	Connected relationship
Shengyuan Nutritional	Shengyuan Nutritional is an indirect wholly-owned subsidiary of Beams Power, which is one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules.
Meitek (Qingdao) Co., Ltd. (美泰科技(青島)股份有限公司) ("**Meitek**")	Meitek is indirectly owned as to approximately 46.17% by Beams Power, which is one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules.
Jintao	Jintao is an indirect wholly-owned subsidiary of Beams Power, which is one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the years ending December 31, 2025	2026	2027
			(RMB in million)		
A. Fully-exempt continuing connected transactions					
Property Leasing Framework Agreement . .	14A.76	N/A	1.4	1.4	1.4
B. Partially-exempt continuing connected transactions					
Raw Materials Procurement Framework Agreement.	14A.36, 14A.105	Announcement	4.5	4.6	4.4
C. Non-exempt continuing connected transactions					
OEM Services Framework Agreement . .	14A.35-36, 14A.105	Announcement, circular and independent Shareholders' approval	22.8	23.9	18.3

(A) Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements

Property Leasing Framework Agreement

On [●], 2025, our Company entered into a property leasing framework agreement (the "**Property Leasing Framework Agreement**") with Shengyuan Nutritional (for itself and on behalf of its subsidiaries), pursuant to which our Group agreed to lease certain premises (the "**Premises**") located at No. 167, Zhaizishan Road, Huangdao District, Qingdao to Shengyuan Nutritional for office and/or business uses. The Property Leasing Framework Agreement has a term commencing from the [**REDACTED**] to December 31, 2027, which may be renewed for a further term of not exceeding three years as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules. Relevant members of both parties shall enter into separate property leasing agreements for specific premises setting out the specific terms and conditions based on the principles and conditions provided in the Property Leasing Framework Agreement.

For each of the three years ended December 31, 2024, the total transaction amount for the lease of the Premises were RMB1.1 million, RMB1.1 million and RMB1.5 million, respectively.

The amounts paid by Shengyuan Nutritional to our Group for the lease of the Premises were determined after arm's length negotiations with reference to (i) the historical transaction amounts paid by Shengyuan Nutritional to our Group for the lease of the Premises for the year ended December 31, 2024; and (ii) the prevailing market rent of comparable properties in the proximity of the Premises.

Our Directors estimate that the maximum transaction amount payable by Shengyuan Nutritional to our Group under the Property Leasing Framework Agreement for each of the three years ending December 31, 2027 will not exceed RMB1.4 million, RMB1.4 million and RMB1.4 million, respectively.

In arriving at the above annual caps, our Directors have considered:

(i) the historical transaction amounts paid by Shengyuan Nutritional to our Group for the lease of the Premises for the year ended December 31, 2024;

(ii) the geographical locations of the Premises and the prevailing market rent of comparable properties in the proximity of the Premises; and

(iii) the estimated gross floor area of the Premises rent to Shengyuan Nutritional for the three years ending December 31, 2027, which is expected to decrease as compared to that for the year ended December 31, 2024, for their continuing use of the Premises.

Shengyuan Nutritional is an indirect wholly-owned subsidiary of Beams Power, which is one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Property Leasing Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

As each of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of the annual caps for the Property Leasing Framework Agreement is expected to be less than 5% on an annual basis and the total consideration is less than HK$3,000,000, the transactions contemplated under the Property Leasing Framework Agreement for the corresponding period will be within the *de minimis* threshold provided under Rule 14A.76 of the Listing Rules and will, upon the [**REDACTED**], be fully exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(B) Continuing Connected Transactions Subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Circular and Independent Shareholders' Approval Requirements

Raw Materials Procurement Framework Agreement

On [●], 2025, our Company (for ourselves and on behalf of our subsidiaries) entered into a raw materials procurement framework agreement (the "**Raw Materials Procurement Framework Agreement**") with Meitek, pursuant to which our Group agreed to procure raw materials such as vegetable fat powder and nutrient fortifiers from Meitek for manufacturing of our products. The Raw Materials Procurement Framework Agreement has a term commencing from the [**REDACTED**] to December 31, 2027, which may be renewed for a further term of not exceeding three years as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules. Relevant members of our Group and Meitek shall enter into separate raw materials procurement agreements for specific raw material setting out the specific terms and conditions based on the principles and conditions provided in the Raw Materials Procurement Framework Agreement.

Meitek is a leading manufacturer of raw materials such as vegetable fat powder and dietary supplements ingredients such as chondroitin sulfate series, collagen series, DHA powder and ARA powder series. We have been purchasing raw materials such as vegetable fat powders and nutrient fortifiers from Meitek for manufacturing of our products since 2021. Due to the long and close relationship between Meitek and our Group, Meitek is familiar with our specific requirements and expected deliverables. The entering into of the Raw Materials Procurement Framework Agreement would enable our Group to procure the necessary raw materials with high and stable quality standards that meet our specific requirements through a reliable and stable source, thereby saving time and costs for us in sourcing such raw materials as required. Taking into consideration of the above, we believe that the transactions contemplated under the Raw Materials Procurement Framework Agreement are in the interest of our Company and our Shareholders as a whole.

For each of the three years ended December 31, 2024, the total transaction amount for the procurement of raw materials from Meitek were RMB0.2 million, RMB4.5 million and RMB1.4 million, respectively. The decrease in the transaction amount in 2024 was primarily attributable to the fact that certain equipment of Meitek was not in operation for several months in such year due to their equipment upgrade, when we reduced the procurement of raw materials from Meitek.

The fees paid by our Group to Meitek for the procurement under the Raw Materials Procurement Framework Agreement were mainly determined based on the unit price and the procurement volume of each of the raw materials. Given that each of the raw materials is readily available in the market from independent third party suppliers, the fees for the procurement under the Raw Materials Procurement Framework Agreement were determined after arm's length negotiations with reference to (i) the prevailing market price of the raw materials of the similar specification, as well as the quality and volume; and (ii) the prices charged by Meitek for historical transactions of similar raw materials.

Our Directors estimate that the maximum transaction amount payable by our Group to Meitek under the Raw Materials Procurement Framework Agreement for each of the three years ending December 31, 2027 will not exceed RMB4.5 million, RMB4.6 million and RMB4.4 million, respectively.

In arriving at the above annual caps, our Directors have considered:

(i) the historical transaction amounts paid by our Group to Meitek for the procurement of raw materials during the Track Record Period;

(ii) the estimated price of the raw materials to be charged by Meitek for the three years ending December 31, 2027, which is based on the historical price during the Track Record Period; and

(iii) the estimated demand for the procurement of raw materials from Meitek for the three years ending December 31, 2027.

Meitek is indirectly owned as to approximately 46.17% by Beams Power, which is one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Raw Materials Procurement Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

As each of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of the annual caps for the Raw Materials Procurement Framework Agreement is expected to be more than 0.1% but less than 5% on an annual basis, the transactions contemplated under the Raw Materials Procurement Framework Agreement constitute continuing connected transactions for our Company which will, upon the [**REDACTED**], be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

(C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements

OEM Services Framework Agreement

On [●], 2025, our Company (for ourselves and on behalf of our subsidiaries) entered into an OEM services framework agreement (the "**OEM Services Framework Agreement**") with Jintao, pursuant to which we engaged Jintao to provide us with OEM services for the manufacturing of certain FSMP products according to our instructions and standards and in return we agreed to pay OEM service fees to Jintao. The raw materials will be provided by our Group to Jintao at our own cost. The OEM Services Framework Agreement has a term commencing from the [**REDACTED**] to December 31, 2027, which may be renewed for a further term of not exceeding three years as the parties may mutually agree, subject to compliance with the requirements under Chapter 14A of the Listing Rules. Relevant members of our Group and Jintao shall enter into separate OEM services agreements for specific FSMP product setting out the specific terms and conditions based on the principles and conditions provided in the OEM Services Framework Agreement.

Jintao owns a factory in South Korea that is qualified to manufacture FSMP products containing amino acids or hydrolyzed whey protein in South Korea. We have been engaging Jintao as our overseas OEM service supplier to manufacture such FSMP products and selling them through third-party cross-border e-commerce platforms since 2020. Due to the long and close relationship between Jintao and our Group, Jintao is familiar with our specific requirements and expected deliverables, which helped to reduce the communication costs and has enabled us to continuously source high-quality products that met our specific requirements. In view of our stable relationship with Jintao and the qualifications and product quality of its South Korean factory, we believe that the transactions contemplated under the OEM Services Framework Agreement are in the interest of our Company and our Shareholders as a whole.

For each of the three years ended December 31, 2024, the total transaction amount for the OEM services provided by Jintao to our Group were RMB62.5 million, RMB66.0 million and RMB28.2 million, respectively. The decrease in the transaction amount in 2024 was primarily due to the change in the OEM services model between our Group and Jintao. During the years ended December 31, 2022 and 2023, Jintao procured the raw materials by itself for the manufacturing of our FSMP products according to our instructions and standards and the cost of such raw materials constituted part of the total transaction amount for the OEM services between our Group and Jintao. With an aim of reducing the amount of our Group's connected transaction with Jintao upon [**REDACTED**], the raw materials have been provided by our Group to Jintao at our own cost for manufacturing of our FSMP products since January 2024.

The service fees paid by our Group to Jintao under the OEM Services Framework Agreement were mainly calculated based on the unit processing price and the volume of each of the products. The service fees for the OEM services under the OEM Services Framework Agreement were determined after arm's length negotiations with reference to (i) the prevailing market price of the OEM services of the similar service scope, as well as the volume, quality and complexity of the services to be provided; and (ii) the prices charged by Jintao for historical transactions of similar OEM services.

Our Directors estimate that the maximum transaction amount payable by our Group to Jintao under the OEM Services Framework Agreement for each of the three years ending December 31, 2027 will not exceed RMB22.8 million, RMB23.9 million and RMB18.3 million, respectively.

In arriving at the above annual caps, our Directors have considered:

(i) the historical transaction amounts paid by our Group to Jintao for the OEM services for the year ended December 31, 2024;

(ii) the estimated price of the OEM services to be charged by Jintao for the three years ending December 31, 2027, which is based on the historical price in 2024; and

(iii) the estimated sales volumes of such FSMP products through third-party cross-border e-commerce platforms and the estimated demand for the OEM services from Jintao for the three years ending December 31, 2027, which are expected to decrease as we are applying for the relevant registration certificates for production of such FSMP products in the PRC and will commence production of such FSMP products independently upon obtaining the relevant registration certificates.

Jintao is an indirect wholly-owned subsidiary of Beams Power, which is one of our Controlling Shareholders, and therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the OEM Services Framework Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon [**REDACTED**].

As one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of the annual caps for the OEM Services Framework Agreement is expected to be more than 5% on an annual basis, the transactions contemplated under the OEM Services Framework Agreement constitute continuing connected transactions for our Company which will, upon the [**REDACTED**], be subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPLICATION FOR WAIVER

The transactions described in "— (B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from the Circular and Independent Shareholders' Approval Requirements" in this section constitutes our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements of the Listing Rules.

The transactions described in "— (C) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section constitutes our continuing connected transactions under the Listing Rules, which are subject to the reporting, annual review, announcement, circular and independent Shareholders' approval requirements of the Listing Rules.

In respect of these continuing connected transactions, 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 (i) the announcement requirement under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as disclosed in "— (B) Continuing Connected Transactions subject to the Reporting, Annual Review and Announcement Requirements but exempt from the Circular and Independent Shareholders' Approval Requirements" in this section; and (ii) the announcement, circular and independent Shareholders' approval requirements in respect of the continuing connected transactions as disclosed in "— (C) Continuing Connected Transactions subject to the Reporting, Annual Review, Announcement, Circular and Independent Shareholders' Approval Requirements" in this section, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective annual caps (as stated above).

Apart from the above waivers sought on the strict compliance of the announcement requirement, we will comply with the relevant requirements under Chapter 14A of the Listing Rules. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transaction referred to in this document, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) consider that all the non-exempt continuing connected transactions as set out above have been and will be carried out: (i) in the ordinary and usual course of our business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors (including our independent non-executive Directors) are also of the view that the annual caps of the non-exempt continuing connected transactions are fair and reasonable and are in the interests of our Shareholders as a whole.

SOLE SPONSOR'S VIEW

The Sole Sponsor has (i) reviewed the relevant documents and information provided by our Company in relation to the non-continuing connected transactions described in this section; and (ii) participated in the due diligence and discussions with the management of our Group.

Based on the above, the Sole Sponsor is of the view (i) that the non-exempt continuing connected transactions [have been] entered into in the ordinary and usual course of our business, on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) that the proposed annual caps (where applicable) of the non-exempt continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

OVERVIEW

Our Board of Directors comprises nine Directors, including one executive Director, five non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include determining our business and investment plans, preparing our annual financial budgets and final reports, and exercising other powers, functions and duties as conferred by the Articles. We [have entered into] a service agreement with our executive Director and a letter of appointment with each of our non-executive Directors and independent non-executive Directors.

Our Supervisory Committee consists of three members comprising one employee representative Supervisor, and two Supervisors representing Shareholders. The functions and duties of our Supervisory Committee include supervising our Board of Directors and senior management on fulfilling their respective duties, financial performance, internal control management and risk management of the corporation.

The general manager and other members of the senior management of our Group, together with our executive Director, are responsible for the day-to-day operations and management of the business of our Group.

The table below sets out the key information of our Directors, Supervisors and senior management:

Our Directors

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and key responsibilities	Relationship with other Directors, Supervisors and senior management
Executive Director						
Mr. Zha Feng (查峰)	61	June 5, 2020	June 5, 2020	Executive Director, chairman of our Board and general manager	Responsible for the strategic planning, business direction and overall operational management of our Group	None
Non-executive Directors						
Ms. Cai Ning (蔡寧)	49	June 5, 2020	June 5, 2020	Non-executive Director	Responsible for providing guidance for the strategy and business development of our Group	None

Name	Age	Date of joining our Group	Date of appointment as Director	Existing position(s) in our Group	Roles and key responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Zhao Shouming (趙守明)	51	November 19, 2021	November 19, 2021	Non-executive Director	Responsible for providing guidance for the strategy and business development of our Group	None
Mr. Wu Jin (吳進)	46	June 5, 2020	June 5, 2020	Non-executive Director	Responsible for providing guidance for the strategy and business development of our Group	None
Ms. Yi Lin (易琳)	42	December 22, 2023	December 22, 2023	Non-executive Director	Responsible for providing guidance for the strategy and business development of our Group	None
Ms. Yin Yuehan (殷悦焓)	33	January 10, 2025	January 10, 2025	Non-executive Director	Responsible for providing guidance for the strategy and business development of our Group	None
Independent non-executive Directors						
Ms. Li Liangqiu (厲梁秋)	47	[●], 2025	[●], 2025	Independent non-executive Director	Responsible for providing independent advice to our Board	None
Mr. Siu Wing Hay (蕭永禧)	50	[●], 2025	[●], 2025	Independent non-executive Director	Responsible for providing independent advice to our Board	None
Mr. Chan Cho Nam Caleb (陳祖男)	40	[●], 2025	[●], 2025	Independent non-executive Director	Responsible for providing independent advice to our Board	None

Our Supervisors

Name	Age	Date of joining our Group	Date of appointment as Supervisor	Existing position(s) in our Group	Roles and key responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Xu Fusen (徐福森)	58	June 5, 2020	June 5, 2020	President of the Supervisory Committee and Supervisor	Responsible for presiding the work of the Supervisory Committee and supervising and providing independent advice to our Board	None
Mr. Ma Shibo (馬世波)	50	June 18, 2020	April 12, 2025	Supervisor and manager of testing center of our Group	Responsible for supervising and providing independent advice to our Board and management of testing center of our Group	None
Mr. Zhang Jie (張杰)	42	June 18, 2020	April 12, 2025	Employee representative Supervisor and manager of general management department of our Group	Responsible for supervising and providing independent advice to our Board and overall management of personnel, administration and logistics of our Group	None

Our senior management

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position(s) in our Group	Roles and key responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Zha Feng (查峰)	61	June 5, 2020	June 5, 2020	Executive Director, chairman of our Board and general manager	Responsible for the strategic planning, business direction and overall operational management of our Group	None
Mr. Qi Guojing (齊國靜)	53	April 1, 2019	April 1, 2019	Deputy general manager and marketing director of our Group	Responsible for the sales, marketing and business branding of our Group	None

Name	Age	Date of joining our Group	Date of appointment as senior management	Existing position(s) in our Group	Roles and key responsibilities	Relationship with other Directors, Supervisors and senior management
Mr. Xu Qingli (徐慶利)	50	September 1, 2020	September 1, 2020	R&D director of our Group	Responsible for the research and development, product registration, clinical trial research and technical support of our Group	None
Mr. Yu Chengpeng (于程鵬)	50	June 18, 2020	June 18, 2020	Deputy general manager and production director of our Group	Responsible for the production, procurement, quality control and logistics management of our Group	None
Mr. Gao Zhongheng (高中恒)	42	July 1, 2020	July 1, 2020	Financial director of our Group	Responsible for the financial management of our Group	None
Ms. Li Jiayi (李嘉依) (former name Li Jing (李婧)). . .	41	July 20, 2023	July 20, 2023	Compliance manager, Board secretary and joint company secretary	Responsible for the compliance, internal control and company secretarial matters of our Group	None

Executive Director

Mr. Zha Feng (查峰), aged 61, was appointed as our Director on June 5, 2020 and was re-designated as our executive Director on May 30, 2025. Mr. Zha joined our Group in June 5, 2020 and has been serving as the chairman of our Board and our general manager since then. He is primarily responsible for the strategic planning, business direction and overall operational management of our Group.

Mr. Zha has over 30 years of experience in the food industry and food safety monitoring. From July 1987 to January 1996, Mr. Zha served as a public servant at the Ministry of Health of the PRC (中華人民共和國衛生部), one of the former State Council departments with a mandate in public health where he was primarily responsible for the supervision and administration of food safety. Mr. Zha has extensive experience in business management having served as the director and general manager at Red Bull Vitamin Beverage Co., Ltd. (紅牛維他命飲料有限公司), a company principally engaged in beverage manufacturing. From February 2009 to June 2020, Mr. Zha served various positions in Shengyuan Group including the vice president of human resources and administration and executive president of Shengyuan Group, where he was responsible for the daily operation of Shengyuan Group, including the daily operation of its then FSMP division.

Mr. Zha obtained his bachelor's degree in hygiene from Shanghai Medical College of Fudan University (復旦大學上海醫學院) (formerly known as Shanghai Medical University (上海醫科大學)) in the PRC in July 1987 and his master's degree of medicine from Tongji Medical University (同濟醫科大學) in the PRC in June 1992. He also obtained his Master of Business Administration (MBA) degree from Concordia University in Canada in May 2000.

Non-executive Directors

Ms. Cai Ning (蔡寧), aged 49, was appointed as our Director on June 5, 2020 and was re-designated as our non-executive Director on May 30, 2025. She is primarily responsible for the providing guidance for the strategy and business development of our Group.

Ms. Cai has over 27 years of experience in auditing and corporate financial management. From August 1997 to May 1999, Ms. Cai served as a staff accountant in the tax group at Ernst & Young (Shanghai Branch) (安永會計師事務所上海分所) where she was primarily responsible for filing corporate and individual income tax returns for clients and research on tax laws and related policies. From June 2001 to November 2009, she served as a director at the San Francisco office of Scotia Capital (USA) Inc., the investment banking arm of the Bank of Nova Scotia whose shares are listed on the Toronto Stock Exchange (stock code: BNS) and the New York Stock Exchange (stock code: BNS), where she was responsible for the portfolio management and deal execution for the real estate, gaming and leisure industries, as well as technology industries. From April 2010, Ms. Cai served as the investment analysis director of China region at Trina Solar Co., Ltd. (天合光能股份有限公司) (formerly known as Changzhou Trina Solar Co., Ltd. 常州天合光能有限公司)), a solar photovoltaic manufacturer whose shares are listed on the Shanghai Stock Exchange (stock code: 688599), where she was primarily responsible for the financial analysis and support for capacity investments, power plant projects and sales operations in China. Since December 2012, she has been serving as the chief financial officer of Shengyuan Group where she was primarily responsible for overseeing overall financial management, and capital market transactions in particular.

Ms. Cai obtained her bachelor's degree of economics in international trade from Shanghai International Studies University (上海外國語大學) in the PRC in July 1997 and obtained her Master of Business Administration (MBA) degree from University of Iowa in the United States in May 2001. Ms. Cai is also a fellow member of the Chartered Financial Analyst (CFA) of the CFA Institute.

Mr. Zhao Shouming (趙守明), aged 51, was appointed as our Director on November 19, 2021 and was re-designated as our non-executive Director on May 30, 2025. He is primarily responsible for providing guidance for the strategy and business development of our Group.

Mr. Zhao has extensive work experiences in the dairy and infant milk powder industry. He joined Shengyuan Group in December 1997 and held various positions in Shengyuan Group companies, including (i) successively as the regional manager of Liaoning province, deputy manager of material department and manager of logistics department of Qingdao Shengyuan Dairy Co., Ltd. (青島聖元乳業有限公司) ("**Shengyuan Dairy**"), a company principally engaged in production and sales of dairy products and infant milk powder, from December 1997 to September 2003, where he was primarily responsible for sales, procurement and warehousing and logistics work; (ii) successively as the general manager at Bei'an Yeeper Dairy Co., Ltd. (北安宜品乳業有限公司), Luobei Shengyuan Dairy Co., Ltd. (蘿北聖元乳業有限公司) and Baoquanling Shengyuan Dairy Co., Ltd. (寶泉嶺聖元乳業有限公司), companies principally engaged in production of dairy products, from October 2003 to September 2009, where he was primarily responsible for the management of the entire plant operation; (iii) the technical director of Dutch Cow brand business division of Beijing Nutrition Research Institute of Shengyuan Nutritional, from October 2009 to November 2011, where he was primarily responsible for outsourced production of coloured liquid milk; (iv) the general manager at Chahar Dairy Co., Ltd. (察哈爾乳業有限公司), a company principally engaged in production of dairy products, from December 2011 to December 2015, where he was primarily responsible for the management of the entire plant operation; (v) successively as customer manager, sales manager, project manager, director of joint venture office, production president of Youbo Group and supply chain director at Beijing Nutrition Research Institute of Shengyuan Nutritional, since January 2016, where he is primarily responsible for the procurement and logistics management; and (vi) a non-executive director of Jintao since August 2022, where he is primarily responsible for providing guidance for the strategy and business development.

Mr. Zhao obtained his college diploma in chemistry education from Keshan Normal College (克山師範專科學校) in the PRC in July 1997 and his master's degree in corporate management from Ocean University of China (中國海洋大學) in the PRC in September 2004. He was accredited as a food engineer by Heilongjiang Provincial Personnel Department (黑龍江省人事廳) in August 2004 and also accredited as a food safety management specialist by the Education and Training Center of the Ministry of Human Resources and Social Security (人力資源和社會保障部教育培訓中心) in March 2014.

Mr. Wu Jin (吳進), aged 46, was appointed as our Director on June 5, 2020 and was re-designated as our non-executive Director on May 30, 2025. He is primarily responsible for providing guidance for the strategy and business development of our Group.

Mr. Wu has over 15 years of experience in capital investment. Mr. Wu served as a vice president at CDH Investments from June 2010 to May 2014. He worked with KKR Investment Advisory (Shanghai) LLC as a senior investment consultant during May 2014 to December 2015 and as a vice president of investment during January 2016 to April 2017. Since May 2017, Mr. Wu has been serving as the managing director at Shanghai Hehongjinghui Private Equity

Management Company (上海合弘景暉股權投資管理有限公司), a company principally engaged in capital investment and under common control with HLC, which is one of our [**REDACTED**] Investors, where he was primarily responsible for fund project evaluation, investment and management.

In addition, Mr. Wu is serving as a non-executive director at the following entities where he is primarily responsible for providing guidance for the strategy and business development: (i) Shanghai Julikang Medical Technology Group Co., Ltd. (上海聚力康醫療科技集團股份有限公司), a medical device disinfection supply service provider, since November 2019; (ii) Ador Personal Care (Zhejiang) Co. Ltd. (愛朶護理(浙江)股份有限公司), a company principally engaged in the production and sales of paper diapers, since 2018; and (iii) Winit (Shanghai) Information Technology Co., Ltd. (萬邑通(上海)信息科技股份有限公司), a supply chain management solution provider, since 2021.

Mr. Wu obtained his bachelor's degree in international corporate management from Fudan University (復旦大學) in the PRC in July 2001 and his master's degree of science in finance from London Business School in the United Kingdom in September 2007.

Ms. Yi Lin (易琳), aged 42, was appointed as our Director on December 22, 2023 and was re-designated as our non-executive Director on May 30, 2025. She is primarily responsible for providing guidance for the strategy and business development of our Group.

Ms. Yi has nearly 20 years of experience in auditing and investment. From September 2006 to August 2011, Ms. Yi worked with PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所). Since August 2011, Ms. Yi has been serving as a partner at Beijing Defu Yue'an Investment Consultancy Limited (北京德福悅安投資顧問有限公司), a company principally engaged in investment business and under common control with GL Stone Investment IV L.P., which is one of our [**REDACTED**] Investors, where she is primarily responsible for fund management.

In addition, Ms. Yi is serving as a director at the following entities where she is primarily responsible for providing guidance for the strategy and business development: (i) Beijing Tianjian Yuanda Technology Co., Ltd. (北京天健源達科技股份有限公司), a company principally engaged in the research and development of medical information system, since June 2017; (ii) Henan Youde Medical Equipment Co., Ltd. (河南優德醫療設備股份有限公司), a company principally engaged in the production and sales of rehabilitation medical equipment, since December 2019; and (iii) Star Sports Medicine Co., Ltd. (北京天星醫療股份有限公司), a manufacturer of innovative sports medicine products that offers integrated clinical solutions, since March 2023.

Ms. Yi obtained her bachelor's degree in literature from University of International Business and Economics (對外經濟貿易大學) in the PRC in July 2006. She also obtained her Master of Business Administration (MBA) degree from Guanghua School of Management, Peking University (北京大學光華管理學院) in the PRC in July 2016.

Ms. Yin Yuehan (殷悦焓), aged 33, was appointed as our Director on January 10, 2025 and was re-designated as our non-executive Director on May 30, 2025. She is primarily responsible for providing guidance for the strategy and business development of our Group.

Since January 2018, Ms. Yin has been serving as an executive director in Shanghai SAIC Hengxu Investment Management Co., Ltd. (上海上汽恒旭投資管理有限公司), a company principally engaged in private equity investment and the general partner of Suzhou Shenqi Lina Green Equity Investment Partnership (Limited Partnership) (蘇州申祺利納綠色股權投資合夥企業(有限合夥)), which is one of our [**REDACTED**] Investors, where she is primarily responsible for exploring new investment directions and taking the lead of investment, due diligence and delivery of projects.

In addition, Ms. Yin is serving as a director at the following entities where she is primarily responsible for providing guidance for the strategy and business development: (i) Shanghai ZD Medical Technology Co., Ltd. (上海卓道醫療科技有限公司), a company principally engaged in the research and development of rehabilitation robot and intelligent rehabilitation solutions, since December 2022; (ii) Shanghai Golden Leaf MedTech Co., Ltd. (上海魅麗緯葉醫療科技有限公司), an interventional medical device developer, since December 2022; and (iii) Wisbiom (Beijing) Biotechnology Co., Ltd. (中科微智(北京)生物科技有限公司), a company principally engaged in developing microecological preparations and microbiome-related products and solutions, since December 2023.

Ms. Yin obtained her bachelor's degree in Chinese language from Fudan University (復旦大學) in the PRC in July 2012 and her master's degree in global economy from Shanghai Academy of Social Sciences (上海社會科學院) in the PRC in June 2015.

Independent non-executive Directors

Ms. Li Liangqiu (厲梁秋), aged 47, was appointed as our independent non-executive Director on [●], 2025 and is primarily responsible for providing independent advice to the Board.

Ms. Li has over 20 years of experience in food and pharmaceuticals industry. From July 1999 to May 2016, she served at the China Center for Food and Drug International Exchange (中國食品藥品國際交流中心), an affiliated institution of National Medical Products Administration to carry out food and drug related international exchange and cooperation and organize research on international food and drug policies and regulations. Since October 2016, Ms. Li has been serving as a vice secretariat, and since January 2020, as an executive vice-president at China Nutrition and Health Food Association (中國營養保健食品協會), an organization principally engaged in food safety, market branding, health and welfare, and whole-industry chain management, where she is responsible for organizing activities and/or events within the industry. Since May 2023, Ms. Li has also been serving as an independent director of Chenguang Biotech Group Co., Ltd. (晨光生物科技集團股份有限公司), a biotechnology company whose shares are listed on the Shenzhen Stock Exchange (stock code: 300138), where she is primarily responsible for supervising and providing independent advice to the board of the company.

Ms. Li obtained her bachelor's degree of law from School of International Business and Economics, Zhejiang University (浙江大學對外經貿學院) in the PRC in June 1999 and completed the postgraduate courses in economic law from China University of Political Science and Law (中國政法大學) in the PRC in June 2006. Ms. Li was accredited various expertise title including a member of the expert committee of the Food Safety Commission of the State Council in the PRC from December 2022 to December 2027; a member of the expert group on School Food Safety and Nutrition Health, Ministry of Education in the PRC from November 2021 to November 2025; an expert member of Hainan Provincial Food Safety Expert Committee in the PRC from July 2020 to June 2023.

Mr. Siu Wing Hay (蕭永禧), aged 50, was appointed as our independent non-executive Director on [●], 2025 and is primarily responsible for providing independent advice to our Board.

Mr. Siu has over 25 years of experience in corporate finance industry. He worked at Lippo Securities Holdings Limited, a company principally engaged in corporate finance, from September 1997 to October 1998, and Horwath Capital Asia Limited, a company principally engaged in corporate finance, from March to September 1999, both as a corporate finance executive primarily responsible for corporate finance projects. From September 1999 to June 2011, he worked at Cinda International Capital Limited, a company licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of regulated activities and a subsidiary of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), an asset management company whose shares are listed on the Main Board of the Stock Exchange (stock code: 1359), with his last position served as an executive director, where he was responsible for managing corporate finance projects. From June 2011 to December 2016, Mr. Siu served as a corporate finance managing director and responsible officer at Messis Capital Limited, a company licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of regulated activities, where he was responsible for managing corporate finance projects. Since January 2017, he has been serving as a managing director and responsible officer at Red Sun Capital Limited, a company licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) of regulated activities, where he is responsible for managing corporate finance projects.

In addition, from September 2016 to September 2019, Mr. Siu served as an independent non-executive director of Janco Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8035). Since February 2022, he has been serving as an independent non-executive director of Lai Si Enterprise Holding Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2266), where he is responsible for supervising and providing independent advice to the board of the company.

Mr. Siu obtained his bachelor's degree of business administration in finance from The Hong Kong University of Science and Technology in Hong Kong in November 1997. Mr. Siu was admitted as a member of The Association of Charted Certified Accountants (ACCA) in May 2001. He was accredited as a certified public accountant by the Hong Kong Institute of Certified Public Accountants (HKICPA) in March 2003. He was also admitted as a fellow member of ACCA in May 2006.

Mr. Chan Cho Nam Caleb (陳祖男), aged 40, was appointed as our independent non-executive Director on [●], 2025 and is primarily responsible for providing independent advice to our Board.

Mr. Chan has over 10 years of experience in the legal industry. From August 2014 to November 2017, Mr. Chan worked at TC & Co. Solicitors, a law firm in Hong Kong, with his last position as an associate, where he was primarily responsible for corporate finance matters including initial public offerings and mergers and acquisitions. He worked at Iu, Lai & Li Solicitors & Notaries, a law firm in Hong Kong, from November 2017 to August 2021, and Howse Williams, a law firm in Hong Kong, from October 2021 to August 2022, both as an assistant solicitor primarily responsible for corporate finance matters including initial public offerings and mergers and acquisitions. From September 2022 to August 2024, Mr. Chan served as a legal counsel at New World Development Company Limited, a company principally engaged in property development, property investment and other strategic operations whose shares are listed on the Main Board of the Stock Exchange (stock code: 0017), where he was primarily responsible for corporate finance matters and legal and compliance matters relating to the Listing Rules and the SFO of the company. Since September 2024, Mr. Chan has been serving as the head of legal in a Hong Kong company principally engaged in international commodities trading, where he is primarily responsible for all legal and compliance matters including drafting and negotiating transaction documents, anti-money laundering and customer due diligence compliance related work and company secretarial matters.

Mr. Chan obtained his bachelor's degree of science in business administration from Boston University in the United States in May 2006. He also obtained his juris doctor degree and postgraduate certificate in laws from The Chinese University of Hong Kong in Hong Kong in November 2013 and July 2014, respectively. In addition, Mr. Chan was admitted as a solicitor by the High Court of Hong Kong in October 2016.

SUPERVISORS

Mr. Xu Fusen (徐福森), aged 58, was appointed as our Supervisor on June 5, 2020. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. Xu has over 26 years of experience in accounting and financial management. From January 1998 to May 2003, he served as the head of financial department of Qingdao Economic Technology Development Zone Municipal Engineering General Company (青島經濟技術開發區市政工程總公司) (now known as Qingdao West Coast City Construction Engineering Limited (青島西海岸城市建設工程有限公司), a stated-owned company principally engaged in municipal management, where he was primarily responsible for the financial management and internal audit of the Company. From June 2003 to June 2007, he served as a financial manager and group audit director at Shengyuan Dairy, where he was primarily responsible for the financial management of the Company. Since June 2007, he has been serving as a group audit director and chief accountant at Shengyuan Nutritional, where he is primarily responsible for the financial management, investment, financing and reorganization of the Company. Mr. Xu also holds various directorships in other subsidiaries of Beams Power.

Mr. Xu obtained his Master of Business Administration (MBA) degree from Graduate School of Peking University (北京大學研究生院) via distance learning in November 2003. Mr. Xu was accredited as a Chinese certified public accountant (non-practicing member) by The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in July 2015.

Mr. Ma Shibo (馬世波), aged 50, was appointed as our Supervisor on April 12, 2025. Mr. Ma joined our Group on June 18, 2020 and has been serving as the manager of the testing center of our Group since then. He is primarily responsible for supervising and providing independent advice to our Board and management of the testing center of our Group.

Mr. Ma has over 20 years of experience in quality testing of infant formula products. From December 2002 to June 2020, he served various positions at Shengyuan Nutritional with his last position as the testing technology leader, where he was primarily responsible for managing the testing technology work of the testing center.

Mr. Ma obtained his bachelor's degree in food engineering from Tianjin University of Science & Technology (天津科技大學) (formerly known as Tianjin Institute of Light Industry (天津輕工業學院)) in the PRC in July 1997. He was accredited as an intermediate quality engineer (中級質量工程師) by Shandong Provincial Personnel Department (山東省人事廳) in June 2007 and as an intermediate engineer (中級工程師) by Qingdao West Coast New Area Engineering Technology Service Qualification Intermediate Evaluation Committee (青島西海岸新區工程技術服務資格中級評審委員會) in December 2018.

Mr. Zhang Jie (張杰), aged 42, was appointed as our Supervisor on April 12, 2025. Mr. Zhang joined our Group on June 18, 2020 and has been serving as the manager of general management department of our Group since then. He is primarily responsible for supervising and providing independent advice to our Board and overall management of personnel, administration and logistics.

Mr. Zhang has over 17 years of experience in administrative management. From July 2006 to November 2007, Mr. Zhang served as a business manager at Qingdao Economic and Technological Development Zone Jintong Computer Co., Ltd. (青島經濟技術開發區金通電腦有限公司), a company principally engaged in the sales of network security software and hardware, where he was primarily responsible for the sales of products. From April 2008 to June 2020, he worked at Shengyuan Nutritional with his last position as an administrative director, where he was primarily responsible for the administrative management.

Mr. Zhang obtained his bachelor's degree in physical education from Qufu Normal University (曲阜師範大學) in the PRC in July 2006. He was accredited as an assistant logistics engineer (助理物流師) by Occupational Skill Testing Authority of the Ministry of Human Resources and Social Security (人力資源和社會保障部職業技能鑒定中心) in February 2011.

None of our Directors and Supervisors had any other relationship with any Directors, Supervisors, senior management, substantial shareholders or Controlling Shareholders of our Company as of the Latest Practicable Date. Save as disclosed in this document, none of our Directors and Supervisors held any directorship in any other listed companies in the three years immediately prior to the date of this document.

Each of our Directors has confirmed that he/she has obtained the legal advice on May 16, 2025 with regards to the requirements under the Listing Rules that are applicable to him/her as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange as set out in Rule 3.09D of the Listing Rules and he/she understood his/her obligations as a director of a listed issuer.

Each of our independent non-executive Directors has confirmed his independence with regards to each of the factors as set out in Rule 3.13(1) to (8) of the Listing Rules and that there are no other factors that may affect his independence at the time of his appointment.

Save as disclosed herein, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as of the Latest Practicable Date.

SENIOR MANAGEMENT

Mr. Zha Feng (查峰), aged 61, is our executive Director, the chairman of our Board and our general manager. For his biography, see "— Executive Director" in this section.

Mr. Qi Guojing (齊國靜), aged 53, joined our Group on April 1, 2019 and has been serving as our deputy general manager and marketing director since then. He is primarily responsible for the sales, marketing and business branding of our Group.

Mr. Qi has 27 years of experience in sales and marketing. Prior to joining our Group, from January 1998 to January 2006, Mr. Qi worked with Beijing Uni-President Food Co., Ltd. (北京統一食品有限公司), a company principally engaged in the sales of beverage and instant noodle. From August 2006 to March 2019, he successively served as an assistant to sales director, general manager of Central China branch, general manager of South China branch and general manager of FSMP division at Shengyuan Nutritional, where he was primarily responsible for achievement of sales targets, development of sales platform and channels and implementation of marketing projects.

Mr. Qi obtained his bachelor's degree in horticulture from South China Agricultural University (華南農業大學) in the PRC in July 1994.

Mr. Xu Qingli (徐慶利), aged 50, joined our Group on September 1, 2020 and has been serving as our research and development director since then. He is primarily responsible for the research and development, product registration, clinical trial research and technical support of our Group.

Mr. Xu has over 23 years of experiences in infant formula industry. Prior to joining our Group, from December 1998 to December 2001, Mr. Xu successively served as a sales representative and inspector at Shengyuan Dairy where he was primarily responsible for assisting sales and marketing and products inspection. From March 2005 to August 2020, he successively served as a technical officer, R&D officer and R&D manager at Shengyuan Nutritional where he was primarily responsible for the research and development and registration of infant formula and FSMP products.

Mr. Xu obtained his bachelor's degree in food science and engineering from Northeast Agricultural University (東北農業大學) in the PRC in July 1998.

Mr. Yu Chengpeng (于程鵬), aged 50, joined our Group on June 18, 2020 and has been serving as our deputy general manager and production director since then. He is primarily responsible for the production, procurement, quality control and logistics management of our Group.

Mr. Yu has over 26 years of experience in production and quality control of infant formula products. Prior to joining our Group, from July 1998 to June 2006, Mr. Yu successively served as a production staff, production supervisor, analyst, quality control inspector and quality control supervisor at Shengyuan Dairy where he was primarily responsible for the production line operation, testing and quality control. From June 2006 to June 2020, he served as a quality control manager and production manager at Shengyuan Nutritional where he was primarily responsible for the production and quality control management.

Mr. Yu obtained his bachelor's degree in economic management from Shandong Provincial Party School of the Communist Party of China (中共山東省委黨校) in the PRC in December 2005.

Mr. Gao Zhongheng (高中恒), aged 42, joined our Group on July 1, 2020 and has been serving as our financial director since then. He is primarily responsible for the financial management of our Group.

Mr. Gao has over 18 years of experience in auditing and financial management. From March 2007 to June 2020, he held various positions in Shengyuan Nutritional with his last position as a financial manager, where he was primarily responsible for the auditing and accounting management.

Mr. Gao obtained his bachelor's degree in business management from China University of Petroleum (East China) (中國石油大學(華東)) in the PRC in July 2005. Mr. Gao was accredited as an intermediate accountant (中級會計師) by the Human Resources and Social Security Department of Shandong Province (山東省人力資源和社會保障廳) in January 2013 and as a certified public accountant by the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in June 2020.

Ms. Li Jiayi (李嘉依) (former name Li Jing (李婧)), aged 41, joined our Group on July 20, 2023 and has been serving as our compliance manager since then. She was appointed as our Board secretary and joint company secretary on May 12, 2025. She is primarily responsible for the compliance, internal control and company secretarial matters of our Group.

Prior to joining our Group, from May 2010 to July 2023, she has served various positions including investor relations manager, internal control officer and manager of children's clothing division at Shengyuan Nutritional, where she was primarily responsible for the investor relations, coordination for group financial statement and internal audit and management of children's clothing division.

Ms. Li obtained her bachelor's degree in international finance from Fort Hays State University in the United States in May 2006 and also obtained her master's degree in accounting and financial management from DeVry University in the United States in June 2009.

JOINT COMPANY SECRETARIES

Ms. Li Jiayi (李嘉依) (former name Li Jing (李婧)), aged 41, our compliance manager, Board secretary and joint company secretary. For her biography, see "— Senior Management" in this section.

Mr. Chan Sun Kwong (陳晨光), aged 58, was appointed as our joint company secretary on May 30, 2025. He is an external service provider and is responsible for corporate secretarial matters of our Group.

Mr. Chan obtained a diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University) in July 1990. He has been registered as a fellow member of the Hong Kong Chartered Governance Institute since February 2008, the Chartered Governance Institute in the United Kingdom since February 2008, the Institute of Chartered Accountants in England and Wales since July 2017, the Association of Chartered Certified Accountants in the United Kingdom since October 1996 and the Hong Kong Institute of Certified Public Accountants since March 2000. Mr. Chan has also been a mediator of The Hong Kong Mediation Centre since November 2010 and Hong Kong Mediation Accreditation Association Limited since April 2013.

Mr. Chan has over 33 years of experience in accounting, auditing, banking and company secretarial fields. From January 1992 to March 1998, Mr. Chan served in UDL Management Limited and his last position was a financial controller. He served as company secretary of UDL Holdings Limited (now known as DTXS Silk Road Investment Holdings Company Limited), a company whose shares are listed on the Stock Exchange (stock code: 620), from January 1992 to September 1997 and as company secretary of KEL Holdings Limited (now known as Chinese People Holdings Company Limited), a company whose shares are listed on the Stock Exchange (stock code: 681), from March 1997 to September 1997. He has been the sole proprietor of Ken Chan & Co. Certified Public Accountants, since July 1998. From March 2003 to June 2011, he served as the company secretary and an executive director of Sam Woo Holdings Limited (now known as Modern Innovative Digital Technology Company Limited), a company whose shares are listed on the Stock Exchange (stock code: 2322). From December 2014 to August 2016, Mr. Chan had served as an independent non-executive director of Pak Tak International Limited, a company whose shares are listed on the Stock Exchange (stock code: 2668). He had also served as company secretary of KPa-BM Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 2663), from June 2015 to April 2025, joint company secretary of M&L Holdings Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 8152), from June 2017 to June 2020, company secretary of Universe Printshop Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 8448), from June 2017 to February 2021 and joint company secretary of Jianzhong Construction Development Limited, a company whose shares are listed on the Stock Exchange (stock code: 589), from December 2019 to November 2021. He has been serving as an independent non-executive director of Altus Holdings Limited, a company whose shares are listed on the Stock Exchange (stock code: 8149), since September 2016 and the company secretary of Sam Woo Construction Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 3822), since January 2013.

BOARD COMMITTEES

Our Board [has established] the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee and delegated various responsibilities to these committees, which assist our Board in discharging its duties and overseeing particular aspects of our Group's activities.

Audit Committee

We [have established] the Audit Committee on [●], 2025 pursuant to Rule 3.21 of the Listing Rules with written terms of reference in compliance with paragraph D.3 of Part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules. The Audit Committee consists of three members, namely Mr. Siu Wing Hay, Ms. Cai Ning and Mr. Chan Cho Nam Caleb. The chairman of our Audit Committee is Mr. Siu Wing Hay, who is an independent non-executive Director of our Company and has the appropriate professional qualifications or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee include, but are not limited to, (i) reviewing and monitoring the external auditors' audit process and giving guidance to our internal audit work; (ii) making recommendations to our Board on the appointment, reappointment and removal of the external auditor; (iii) overseeing the effectiveness of our financial reporting system, risk management and internal control systems; (iv) reviewing and providing advice and comments on our financial reports; (v) coordination among our management team, internal audit department and related departments and external auditors; (vi) performing our corporate governance functions; and (vii) performing other duties and responsibilities as assigned by our Board and/or required by the relevant laws and regulations.

Remuneration and Appraisal Committee

We [have established] the Remuneration and Appraisal Committee on [●], 2025 pursuant to Rule 3.25 of the Listing Rules with written terms of reference in compliance with paragraph E.1 of Part 2 of the CG Code. The Remuneration and Appraisal Committee consists of three members, namely Ms. Li Liangqiu, Mr. Zha Feng and Mr. Siu Wing Hay. Ms. Li Liangqiu is the chairman of the Remuneration and Appraisal Committee.

The primary duties of the Remuneration and Appraisal Committee include, but not limited to (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time; and (iv) reviewing and/or approving matters relating to share schemes under chapter 17 of the Listing Rules.

Nomination Committee

We [have established] the Nomination Committee on [●], 2025 pursuant to Rule 3.27A of the Listing Rules with written terms of reference in compliance with paragraph B.3 of Part 2 of the CG Code. The Nomination Committee consists of three members, namely Mr. Zha Feng, Ms. Li Liangqiu and Mr. Chan Cho Nam Caleb. Mr. Zha Feng is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but not limited to (i) reviewing the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; (ii) identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) assessing the independence of our independent non-executive Directors; and (iv) making recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy which sets out the approach to achieve and maintain diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at our Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account our board diversity policy and other factors. We will also take into account our own business model and specific needs from time-to-time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board has a balanced mix of knowledge, skills and experience, including but not limited to the business management, auditing, financial management, production, procurement, investment management, corporate finance, legal, food safety and disease control and prevention. Members of our board have obtained degrees in various majors including hygiene, business administration, international trade, chemistry education, corporate management, finance, literature, Chinese language, global economy and laws. We have three independent non-executive Directors from different industry backgrounds, including corporate finance, legal, food and pharmaceuticals industry. Furthermore, our Directors are of a wide range of age, from 33 years old to 61 years old.

With regards to gender diversity on our Board, we recognize the particular importance of gender diversity. Our Board currently comprises [four] female Directors and [five] male Directors. We have taken and will continue to take steps to promote and enhance gender diversity at all levels of our Company. Our board diversity policy provides that our Board should keep gender diversity after [**REDACTED**] where possible when selecting and making recommendations on suitable candidates for Board appointments. It is our objective to maintain an appropriate balance of gender diversity with reference to the expectations of stakeholders and international and local recommended best practices.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After [**REDACTED**], our Nomination Committee will review our board diversity policy and its implementation from time to time to monitor its continued effectiveness and we will disclose the implementation of our board diversity policy, including any measurable objectives set for implementing the board diversity policy and the progress on achieving these objectives, in our corporate governance report on an annual basis.

CORPORATE GOVERNANCE

Our Company aims to achieve high standards of corporate governance which are crucial to the development and safeguard the interests of our Shareholders. To accomplish this, our Company expects to comply with the CG Code and the associated Listing Rules after the [**REDACTED**] save for the deviation as mentioned below. Any deviation from the code provisions shall be carefully considered, and the reasons for any deviation and explanation of how good corporate governance was achieved by means other than strict compliance with the code provisions shall be given in the interim report and the annual report in respect of relevant period.

According to code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zha is currently the chairman and general manager of our Company. In view of the fact that Mr. Zha has been assuming the responsibilities in the strategic planning, business direction and overall operational management of our Group since our establishment, our Board believes that it is in the best interest of our Group to have Mr. Zha taking up both roles for effective management and operations. Therefore, our Directors consider that the deviation from such code provision is appropriate. Notwithstanding such deviation, our Directors are of the view that our Board is able to work efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions will be made in consultation with members of our Board and the relevant Board committees, and there are three independent non-executive Directors on our Board offering independent perspective, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within our Board. Our Board shall nevertheless review the structure and composition of our Board and senior management from time to time in light of prevailing circumstances to maintain a high standard of corporate governance practices of our Company.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive compensation from our Group in the form of fees, salaries and other benefits, allowances, performance-based bonuses and retirement benefit scheme contributions.

The remuneration (including fees, salaries and other benefits, performance-based bonuses, retirement benefit scheme contributions) recorded for our Directors and Supervisors in respect of the three years ended December 31, 2024 was approximately RMB1.3 million, RMB1.4 million and RMB2.0 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors or Supervisors for each of the three years ended December 31, 2024.

The aggregate amount of salaries and other benefits, performance-related bonuses, retirement benefit scheme contributions recorded for our Company's five highest paid individuals in respect of the three years ended December 31, 2024 was approximately RMB7.9 million, RMB9.2 million and RMB10.0 million, respectively.

No remuneration was paid by our Company to, or receivable by our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company as a compensation for loss of office in respect of the three years ended December 31, 2024.

Further, none of our Directors or Supervisors had waived or agreed to waive any remuneration during the Track Record Period. Under the arrangement currently in force, the aggregate remuneration (including fees, salaries and other benefits, performance-based bonuses, retirement benefit scheme contributions) of our Directors and Supervisors for the year ending December 31, 2025 is estimated to be no more than approximately [**REDACTED**].

Our Board will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management and will, following the [**REDACTED**], receive recommendation from the Remuneration and Appraisal Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors, Supervisors and senior management and performance of our Group.

COMPETITION

Each of our Directors (other than our independent non-executive Directors) confirms that as of the Latest Practicable Date, he/she did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, either directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules.

COMPLIANCE ADVISOR

We have appointed Altus Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise our Company in the following circumstances:

- before the publication of any regulatory announcement, circular and financial report;

- where a transaction, which might be notifiable or connected transaction under the Listing Rules, is contemplated including shares issues, sales or transfers of treasury shares and share repurchases;

- where our Company proposes to use the [**REDACTED**] from the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our Shares under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the [**REDACTED**] and end on the date on which our Company distribute our annual report in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

SHARE CAPITAL

As of the Latest Practicable Date, the registered share capital of our Company was RMB60,600,000 divided into 60,600,000 [**REDACTED**] Shares, with a nominal value of RMB1.00 each.

Assuming the [**REDACTED**] is not exercised, the share capital of our Company immediately after the completion of the [**REDACTED**] and conversion of [**REDACTED**] Shares into H Shares will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total issued share capital
[60,600,000]	H Shares converted from [**REDACTED**] Shares	[**REDACTED**]%
[**REDACTED**]	H Shares to be issued under the [**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	**Total**	100%

Assuming the [**REDACTED**] is fully exercised, the share capital of our Company immediately after the completion of the [**REDACTED**] and conversion of [**REDACTED**] Shares into H Shares will be as follows:

Number of Shares	Description of Shares	Approximate percentage of total issued share capital
[60,600,000]	H Shares converted from [**REDACTED**] Shares	[**REDACTED**]%
[**REDACTED**]	H Shares to be issued under the [**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	**Total**	100%

The above table assumes that the [**REDACTED**] has become unconditional and the H Shares are issued pursuant to the [**REDACTED**] (without taking into account any H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement).

RANKINGS

Upon the completion of the [**REDACTED**] and conversion of [**REDACTED**] Shares into H Shares, our Shares will consist of H Shares, both of which are ordinary Shares in the share capital of our Company and are regarded as the same class of Shares under the Articles of Association.

Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities (such as our certain existing shareholders the [**REDACTED**] Shares held by whom will be converted into H Shares according to the filing with the CSRC), H Shares generally cannot be subscribed by or traded between legal or natural PRC persons.

[**REDACTED**] Shares and H Shares shall carry the same rights in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividend for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for [**REDACTED**] Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares or a combination of cash and shares.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company will have only one class of Shares upon completion of the [**REDACTED**], namely ordinary Shares, and each carries the same rights in all respects with the other Shares.

For details of circumstances under which our Shareholders' general meetings are required, see "Appendix VI — Summary of the Articles of Association" to this document.

CONVERSION OF OUR [REDACTED] SHARES INTO H SHARES

If any of the [**REDACTED**] Shares are to be converted, [**REDACTED**] and [**REDACTED**] as H Shares on the Hong Kong Stock Exchange, such conversion, [**REDACTED**] and [**REDACTED**] will need the filing of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

Filing with the CSRC and Full Circulation Application

In accordance with the Overseas Listing Trial Measures and related guidelines announced by the CSRC, H-share listed companies which apply for the conversion of unlisted shares into H shares for listing and circulation on the Stock Exchange shall file the application with the CSRC according to the administrative filing procedures necessary for the Overseas Listing Trial Measures. An unlisted domestic joint stock company may apply for "Full Circulation" when applying for an overseas initial public offering.

We [have filed] with the CSRC for the filing of the [**REDACTED**] and "Full Circulation", pursuant to which (i) our Company is supposed to issue no more than [**REDACTED**] H Shares with a nominal value of RMB1.00 each, which are all ordinary Shares, and upon such issuance our Company may be listed on the Main Board of the Stock Exchange; (ii) a total of [60,600,000] [**REDACTED**] Shares (with a nominal value of RMB1.00 each) held by certain Shareholders (the "**Participating Shareholders**") are supposed to be converted into H Shares on a one-for-one basis after the [**REDACTED**], and the relevant Shares may be listed on the Stock Exchange upon completion of the conversion.

[**REDACTED**] **Approval by the Stock Exchange**

We have applied to the Stock Exchange for the approval for the granting of [**REDACTED**] of, and [**REDACTED**], our H Shares to be issued pursuant to the [**REDACTED**] and the H Shares to be converted from [60,600,000] [**REDACTED**] Shares on the Stock Exchange, which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the conversion of [**REDACTED**] Shares into H Shares after receiving the approval of the Stock Exchange: (a) giving instructions to our H Share Registrar regarding relevant share certificates of the converted H Shares; and (b) enabling the converted H Shares to be accepted as eligible securities by [**REDACTED**] for deposit, clearance and settlement in the [**REDACTED**]. The Participating Shareholders may only [**REDACTED**] the Shares upon completion of following domestic procedures.

Domestic Procedures

The Participating Shareholders may only [**REDACTED**] the Shares upon completion of the following procedures for the registration, deposit and transaction settlement in relation to the conversion and [**REDACTED**]:

(a) we will appoint China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) ("**CSDC**") as the nominal holder to deposit the relevant securities at China Securities Depository and Clearing (Hong Kong) Company Limited ("**CSDC (Hong Kong)**"), which will then deposit the securities at HKSCC in its own name. CSDC, as the nominal holder of the Participating Shareholders, shall handle all custody, maintenance of detailed records, cross-border settlement and corporate actions, etc. relating to the converted H Shares for the Participating Shareholders;

(b) according to the Notice of the SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the Participating Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the

H Share "Full Circulation" at a domestic securities company (the "**Domestic Securities Company**"). The Domestic Securities Company shall open a securities trading account for the H Share "Full Circulation" at a Hong Kong securities company (the "**Hong Kong Securities Company**"); and

(c) the Participating Shareholders shall submit trading orders of the converted H Shares through the Domestic Securities Company. Trading orders of the Participating Shareholders for the relevant Shares will be submitted to the Stock Exchange through the securities trading account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the Participating Shareholders, will all be conducted separately.

As a result of the conversion, the shareholding of the relevant Participating Shareholders in our [**REDACTED**] Share capital registered shall be reduced by the number of [**REDACTED**] Shares converted and the number of H Shares shall be increased by the number of converted H Shares.

A Shareholder holding [**REDACTED**] Shares can work with our Company according to the Articles of Association and follow the procedures set out in this document to convert the [**REDACTED**] Shares into H Shares after the [**REDACTED**] if they wish, provided that such conversion of [**REDACTED**] Shares into and [**REDACTED**] and [**REDACTED**] of H Shares will be subject to the completion of the filing procedures with the relevant PRC regulatory authorities, including the CSRC, the approval of the Stock Exchange and the satisfaction of the public float requirement under the Listing Rules.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

The PRC Company Law provides that in relation to the public offering of a company, the shares issued prior to the public offering shall not be transferred within a period of one year from the date on which the publicly offered shares are listed on any stock exchange. Accordingly, Shares issued by our Company prior to the [**REDACTED**] shall be subject to such statutory restriction and not be transferred within a period of one year from the [**REDACTED**].

Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons hold in our Company cannot be transferred within one year from the [**REDACTED**], nor within half a year after they leave their positions as Directors, Supervisors or members of the senior management in our Company.

For details of the lock-up undertaking given by our Controlling Shareholders to the Stock Exchange, see "[**REDACTED**] — [**REDACTED**] Arrangements and Expenses — The [**REDACTED**] — Undertaking to the Stock Exchange pursuant to the Listing Rules — Undertaking by our Controlling Shareholders" in this document.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) issued by the CSRC, the domestic shareholders of unlisted shares shall handle share transfer registration business in accordance with the relevant business rules of CSDC. Further, H-share companies should submit relevant status reports to the CSRC within 15 days after the conversion registration with the CSDC of such shares involved in the application is completed.

[REDACTED] SHARE OPTIONS

Pursuant to the written resolutions of our Shareholders passed on May 30, 2025 and the Option Grant Agreement, options to subscribe an aggregate of 2,400,000 Shares were granted to Mr. Zhang, representing approximately [**REDACTED**]% of the issued share capital of our Company immediately following the completion of the [**REDACTED**] (without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**] or H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement). Mr. Zhang may exercise the options within ten years after the vesting of such options, upon which the H Shares will be issued to Mr. Zhang or his designated entity (Shengyuan HK or other designated entity wholly owned by Mr. Zhang), at his direction. For details, see "Appendix VII — Statutory and General Information — D. [**REDACTED**] Share Options."

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for the Company to issue H Shares and seek the [**REDACTED**] of H Shares on the Stock Exchange. The Company has obtained such approval at the Shareholders' general meeting held on May 30, 2025.

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the [**REDACTED**] and conversion of [**REDACTED**] Shares into H Shares (without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**] or H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement), have interests and/or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any type of the issued voting shares of any member of our Company.

LONG POSITIONS IN SHARES OF OUR COMPANY

		Shares held as of the date of this document and immediately prior to the completion of the [REDACTED] and conversion of [REDACTED] Shares into H Shares[1]			Shares held immediately following the completion of the [REDACTED] and conversion of [REDACTED] Shares into H Shares[1]			
Name of Shareholder	**Nature of interest**	**Type of Shares[2]**	**Number**	**Percentage of shareholding in the relevant type of Shares**	**Type of Shares[2]**	**Number**	**Percentage of shareholding in the relevant type of Shares**	**Percentage of shareholding in the total issued share capital**
				(approx.)			*(approx.)*	*(approx.)*
Shengyuan HK[3][4]	Beneficial owner Interest held jointly with another person	[**REDACTED**] Shares	31,667,561 (L)	52.26%	H Shares	[31,667,561] (L)	[**REDACTED**]%	[**REDACTED**]%
Mr. Zhang Mengran[3] . . .	Beneficial owner Interest held jointly with another person	[**REDACTED**] Shares	31,667,561 (L)	52.26%	H Shares	[31,667,561] (L)	[**REDACTED**]%	[**REDACTED**]%
Shengyuan BVI[4] .	Interest in a controlled corporation	[**REDACTED**] Shares	31,667,561 (L)	52.26%	H Shares	[31,667,561] (L)	[**REDACTED**]%	[**REDACTED**]%
Beams Power[4] . .	Interest in a controlled corporation	[**REDACTED**] Shares	31,667,561 (L)	52.26%	H Shares	[31,667,561] (L)	[**REDACTED**]%	[**REDACTED**]%
Ms. Meng[4]. . . .	Interest in a controlled corporation	[**REDACTED**] Shares	31,667,561 (L)	52.26%	H Shares	[31,667,561] (L)	[**REDACTED**]%	[**REDACTED**]%
Mr. Zhang[4] . . .	Interest of spouse	[**REDACTED**] Shares	31,667,561 (L)	52.26%	H Shares	[31,667,561] (L)	[**REDACTED**]%	[**REDACTED**]%
HLC[5].	Beneficial owner	[**REDACTED**] Shares	5,823,077 (L)	9.61%	H Shares	[5,823,077] (L)	[**REDACTED**]%	[**REDACTED**]%
HLC Partners III L.P.[5]	Interest in a controlled corporation	[**REDACTED**] Shares	5,823,077 (L)	9.61%	H Shares	[5,823,077] (L)	[**REDACTED**]%	[**REDACTED**]%

		Shares held as of the date of this document and immediately prior to the completion of the [REDACTED] and conversion of [REDACTED] Shares into H Shares(1)			Shares held immediately following the completion of the [REDACTED] and conversion of [REDACTED] Shares into H Shares(1)			
Name of Shareholder	Nature of interest	Type of Shares(2)	Number	Percentage of shareholding in the relevant type of Shares	Type of Shares(2)	Number	Percentage of shareholding in the relevant type of Shares	Percentage of shareholding in the total issued share capital
				(approx.)			*(approx.)*	*(approx.)*
HLC GP III Company Limited(5)	Interest in a controlled corporation	**[REDACTED]** Shares	5,823,077 (L)	9.61%	H Shares	[5,823,077] (L)	**[REDACTED]**%	**[REDACTED]**%
Mr. Wang Stephen Hui (王暉)(5)	Interest in a controlled corporation	**[REDACTED]** Shares	5,823,077 (L)	9.61%	H Shares	[5,823,077] (L)	**[REDACTED]**%	**[REDACTED]**%
GL Stone(6)	Beneficial owner	**[REDACTED]** Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	**[REDACTED]**%	**[REDACTED]**%
GL Capital Management GP IV B.C. 4 Ltd.(6)	Interest in a controlled corporation	**[REDACTED]** Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	**[REDACTED]**%	**[REDACTED]**%
GL China Opportunities Fund IV (Canada) L.P.(6)	Interest in a controlled corporation	**[REDACTED]** Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	**[REDACTED]**%	**[REDACTED]**%
GL China Opportunities Fund IV L.P.(6)	Interest in a controlled corporation	**[REDACTED]** Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	**[REDACTED]**%	**[REDACTED]**%
GL Capital Management Limited(6)	Interest in a controlled corporation	**[REDACTED]** Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	**[REDACTED]**%	**[REDACTED]**%
GL Partners Capital Management Limited(6)	Interest in a controlled corporation	**[REDACTED]** Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	**[REDACTED]**%	**[REDACTED]**%
GL Capital Management GP IV B.C. Ltd.(6)	Interest in a controlled corporation	**[REDACTED]** Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	**[REDACTED]**%	**[REDACTED]**%
GL Capital Management GP IV L.P.(6)	Interest in a controlled corporation	**[REDACTED]** Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	**[REDACTED]**%	**[REDACTED]**%
GL Capital Management GP IV Ltd(6)	Interest in a controlled corporation	**[REDACTED]** Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	**[REDACTED]**%	**[REDACTED]**%
Mr. Li Zhenfu (李振福)(6)	Interest in a controlled corporation	**[REDACTED]** Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	**[REDACTED]**%	**[REDACTED]**%

SUBSTANTIAL SHAREHOLDERS

		Shares held as of the date of this document and immediately prior to the completion of the [REDACTED] and conversion of [REDACTED] Shares into H Shares[1]			Shares held immediately following the completion of the [REDACTED] and conversion of [REDACTED] Shares into H Shares[1]			
Name of Shareholder	Nature of interest	Type of Shares[2]	Number	Percentage of shareholding in the relevant type of Shares	Type of Shares[2]	Number	Percentage of shareholding in the relevant type of Shares	Percentage of shareholding in the total issued share capital
				(approx.)			*(approx.)*	*(approx.)*
Lion River I NV[6]	Interest in a controlled corporation	[REDACTED] Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	[REDACTED]%	[REDACTED]%
Assicurazioni Generali SpA[6]	Interest in a controlled corporation	[REDACTED] Shares	4,390,244 (L)	7.24%	H Shares	[4,390,244] (L)	[REDACTED]%	[REDACTED]%
Suzhou Shenqi[7]	Beneficial owner	[REDACTED] Shares	3,461,538 (L)	5.71%	H Shares	[3,461,538](L)	[REDACTED]%	[REDACTED]%
Hengxu Capital[7]	Interest in a controlled corporation	[REDACTED] Shares	3,461,538 (L)	5.71%	H Shares	[3,461,538](L)	[REDACTED]%	[REDACTED]%
Shanghai Qijia[7]	Interest in a controlled corporation	[REDACTED] Shares	3,461,538 (L)	5.71%	H Shares	[3,461,538](L)	[REDACTED]%	[REDACTED]%
SAIC Financial[7]	Interest in a controlled corporation	[REDACTED] Shares	3,461,538 (L)	5.71%	H Shares	[3,461,538](L)	[REDACTED]%	[REDACTED]%
SAIC Motor[7]	Interest in a controlled corporation	[REDACTED] Shares	3,461,538 (L)	5.71%	H Shares	[3,461,538](L)	[REDACTED]%	[REDACTED]%
Nanjing Junhong[7]	Interest in a controlled corporation	[REDACTED] Shares	3,461,538 (L)	5.71%	H Shares	[3,461,538](L)	[REDACTED]%	[REDACTED]%
Nanjing Hengyishang[7]	Interest in a controlled corporation	[REDACTED] Shares	3,461,538 (L)	5.71%	H Shares	[3,461,538](L)	[REDACTED]%	[REDACTED]%
Mr. Lu Yongtao[7]	Interest in a controlled corporation	[REDACTED] Shares	3,461,538 (L)	5.71%	H Shares	[3,461,538](L)	[REDACTED]%	[REDACTED]%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) For the avoidance of doubt, both [**REDACTED**] Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

(3) Shengyuan HK and Mr. Zhang Mengran are parties acting in concert pursuant to an acting in concert agreement entered into between them. For details, see "Relationship with Our Controlling Shareholders — Overview" in this document. Shengyuan HK holds 29,497,561 Shares, representing approximately 48.68% and [**REDACTED**]% of our Shares in issue immediately prior to and following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement). Mr. Zhang Mengran holds 2,170,000 Shares, representing approximately 3.85% and [**REDACTED**]% of our Shares in issue immediately prior to and following the completion of the [**REDACTED**] (without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**] or H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement).

(4) Shengyuan HK is wholly owned by Shengyuan BVI, which is wholly owned by Beams Power. Beams Power is wholly owned by Ms. Meng, the spouse of Mr. Zhang. By virtue of the SFO, each of Ms. Meng, Beams Power and Shengyuan BVI is deemed to be interested in the Shares held by Shengyuan HK, and Mr. Zhang is deemed to be interested in the Shares held by Ms. Meng.

(5) HLC is wholly owned by HLC Partners III L.P.. The general partner of HLC Partners III L.P. is HLC GP III Company Limited, which is wholly owned by Mr. Wang Stephen Hui. By virtue of the SFO, each of Mr. Wang Stephen, HLC GP III Company Limited and HLC Partners III L.P. is deemed to be interested in the Shares held by HLC.

(6) The general partner of GL Stone is GL Capital Management GP IV B.C. 4 Ltd., which is wholly owned by GL Capital Management Limited. GL Stone is owned as to approximately 59.07% by GL China Opportunities Fund IV (Canada) L.P. and approximately 40.93% by GL China Opportunities Fund IV L.P., both being its limited partners. The general partner of GL China Opportunities Fund IV (Canada) L.P. is GL Capital Management GP IV B.C. Ltd., which is wholly owned by GL Capital Management Limited. The general partner of GL China Opportunities Fund IV L.P. is GL Capital Management GP IV L.P., which is wholly owned by GL Capital Management GP IV Ltd. Each of GL Capital Management Limited and GL Capital Management GP IV Ltd is owned as to 51% by GL Partners Capital Management Limited and 49% by Lion River I NV. GL Partners Capital Management Limited is owned as to 70% by Mr. Li Zhenfu. Lion River I NV is wholly owned by Assicurazioni Generali SpA. By virtue of the SFO, each of Assicurazioni Generali SpA, Lion River I NV, Mr. Li Zhenfu, GL Partners Capital Management Limited, GL Capital Management Limited, GL Capital Management GP IV Ltd, GL Capital Management GP IV L.P., GL Capital Management GP IV B.C. Ltd., GL China Opportunities Fund IV L.P., GL China Opportunities Fund IV (Canada) L.P. and GL Capital Management GP IV B.C. 4 Ltd. is deemed to be interested in the Shares held by GL Stone.

(7) Suzhou Shenqi is managed by its general partner Hengxu Capital, which is owned as to 45% by Shanghai Qijia, 40% by SAIC Financial and 15% by Shanghai Shengqi. Both Shanghai Qijia and Shanghai Shengqi are ultimately controlled by Mr. Lu Yongtao. SAIC Financial is a wholly-owned subsidiary of SAIC Motor. Suzhou Shenqi is owned as to approximately 36.54% by Nanjing Junhong. The general partner of Nanjing Junhong is Nanjing Hengyishang, which is controlled by Mr. Lu Yongtao.

LONG POSITIONS IN UNDERLYING SHARES OF OUR COMPANY

Name of Shareholder	Nature of interest	Type of Shares(1)	Number(2)(3)	Percentage of shareholding in the relevant type of Shares immediately following the completion of the [REDACTED] and conversion of [REDACTED] Shares into H Shares	Percentage of shareholding in the total issued share capital immediately following the completion of the [REDACTED] and conversion of [REDACTED] Shares into H Shares
				(approx.)	*(approx.)*
Shengyuan HK(1)	Beneficial owner	H Shares	[2,400,000] (L)	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) For the avoidance of doubt, both [**REDACTED**] Shares and H Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares.

(2) The letter "L" denotes the person's long position in our Shares.

(3) Such interest is in the form of share options of our Company which have been granted but not yet been exercised as of the Latest Practicable Date.

Save as disclosed above, our Directors are not aware of any person who will, immediately prior to and following the completion of the [**REDACTED**] and conversion of [**REDACTED**] Shares into H Shares (without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**] or H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement), have interests and/or short positions in any 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 who is, directly or indirectly interested in 10% or more of the nominal value of any type of the issued voting shares of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

*You should read the following discussion and analysis in conjunction with our audited consolidated financial information as of and for the years ended December 31, 2022, 2023 and 2024 (the "**Historical Financial Information**") included in the Accountants' Report set out in Appendix I to this document, together with the accompanying notes. Our Historical Financial Information has been prepared in accordance with IFRS.*

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to 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 the section headed "Risk Factors" in this document.

OVERVIEW

We are one of the leading providers of FSMP in China, focusing on the development, production and sales of FSMP products. We have always been at the forefront of China's FSMP industry. In terms of retail value in 2024, we ranked (i) first among homegrown FSMP brands, and fourth among all FSMP brands, in China's FSMP market, and (ii) first among homegrown FSMP brands, and third among all FSMP brands, in China's infant FSMP market.

Our product portfolio stands as the industry's most comprehensive FSMP solution matrix. As of the Latest Practicable Date, we had 14 main FSMP products, addressing five categories of clinical indications. We strive to illuminate every corner of clinical necessity and care about the needs of special groups.

We have orchestrated a widely-reaching and deeply-penetrating sales network. With a focus on medical institutions and maternal-child specialty stores, our sales network seamlessly integrates such offline points of sales with e-commerce platforms, creating cross-channel synergies to maximize our consumer outreach.

For the years ended December 31, 2022, 2023 and 2024, our revenue was RMB491.2 million, RMB654.2 million and RMB834.1 million, respectively, our profit for the corresponding year was RMB83.9 million, RMB170.4 million and RMB94.1 million, respectively, and our adjusted net profit (non-IFRS measure), as profit and total comprehensive income for the year less loss on fair value change of financial liabilities at FVTPL, for the corresponding year was RMB120.7 million, RMB175.0 million and RMB199.4 million, respectively.

BASIS OF PRESENTATION

Our Historical Financial Information has been prepared in accordance with IFRS Accounting Standards.

The preparation of our consolidated financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information are disclosed in Note 5 of the Accountants' Report in Appendix I.

For the purposes of preparing and presenting the Historical Financial Information for the Track Record Period, we have consistently applied the accounting policies which conform with the IFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2024 throughout the Track Record Period. Our management concluded, on a preliminary basis, that the adoption of new and amended standards is not expected to have a significant impact on our Group in the current or future reporting periods and on foreseeable future transactions.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

We believe our results of operations and financial condition are mainly affected by the following factors:

Market Demand for Our FSMP Products

We operate in China's FSMP industry. Our operation results are strongly correlated with the market demand for FSMP products, which is in turn driven by the development of China's FSMP industry. According to CIC, China has a large and growing underserved population that have rigid demand for FSMP products. The current penetration rate (calculated as the population served divided by the population in need) of China's FSMP products is low compared to that of mature markets, such as Europe and the United States. In terms of retail value, the size of China's FSMP market grew from RMB7.3 billion in 2019 to RMB23.2 billion in 2024, with a CAGR of 26.1%.

Brand recognition is also a key factor to market demand for our products. Once consumers establish usage habits with a specific brand's products, they typically exhibit sticky characteristics of long-term continuous use. If our brands are seen as superior in quality or other aspects, such perception will have a strong impact on our sales given the strong correlation between brand reputation and consumers' purchases.

Market demand for our FSMP products largely depends on public awareness and acceptance of FSMP products and our brands. Favorable reception of the FSMP products in general and our brands and their positive impact on health and special medical conditions will likely boost market demand for FSMP products in general and the sales of our products. As such, our operation results and future growth will be affected by the penetration of FSMP products and the overall development of China's FSMP industry.

Cost of Sales

Our cost of sales primarily consists of (i) material cost, which primarily includes the cost of purchasing raw materials, finished goods and packaging materials, (ii) staff cost, which covers salaries and wages, retirement benefits and staff welfare associated with our production personnel; (iii) depreciation expenses arising from our production facilities; (iv) transportation cost in relation to the delivery of our finished goods; and (v) others, which include utilities, repair costs and labor outsourcing costs, among other things.

Our materials cost amounted to RMB130.9 million, RMB180.1 million, and RMB225.8 million for the years ended December 31, 2022, 2023, and 2024, respectively, representing 94.4%, 94.8% and 93.4% of our total cost of sales, respectively, representing the largest portion of our cost of sales. The per unit costs of sales of our FSMP products are subject to the supply and price volatility of major raw materials, such as hydrolyzed protein, vegetable fat powder and nutrient fortifiers, which are affected by the PRC and global markets. We source our key raw materials from suppliers in the PRC and other countries which meet our rigorous quality standards and have proven track records of producing high-quality products to ensure the safety and quality of our raw materials. Any fluctuations of the prices of our key raw materials may have a material impact on our results of operations and profitability.

In addition to procurement of raw materials from third-party suppliers, we are also constructing a new production facility in Fengzhen, Inner Mongolia, which is expected to have an annual production capacity of 4,500 tons of fat powder and 80 tons of hydrolyzed protein powder. We believe this will help control raw material cost and ensure stable supply of hydrolyzed protein and fat powder. Whether our production facility in Fengzhen will commence operations as planned and produce quality hydrolyzed protein and fat powder at favorable costs will have an impact on our future results of operations.

Product Mix

Our revenue and profitability are substantially affected by our product mix. We primarily sell FSMP products to our customers, including allergy prevention and treatment products, products for preterm infants, lactose-free products, nutritionally complete products, metabolic disorder products and other products. During the Track Record Period, a substantial amount of our revenue was derived from the sales of our allergy prevention and treatment products, which accounted for 85.5%, 88.2% and 90.3% of our total revenue in 2022, 2023 and 2024, respectively.

Gross profit margins vary among different types of products. See "— Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin" for details.

Our Production Capacity

Sufficient production capacity is crucial for meeting increasing demand and driving our business growth. As of December 31, 2024, we had one production plant located in Qingdao, which comprised production workshop I at the relevant time. In February 2025, our production workshop II in the same production plant commenced operation. Our production plant currently has a total designed production capacity of 3,324 tons of all products per annum. See "Business — Production — Our Production Facilities" for details. In 2022, 2023 and 2024, the utilization rate of our production facilities was 68.2%, 77.6% and 99.8%, respectively.

To meet rising demand for FSMP products, we plan to further expand our production capacity by upgrading our existing production lines, installing new production lines and building new production plants. See "Future Plans and [**REDACTED**] — [**REDACTED**]." We believe such strategic expansion will allow us to capitalize on the growing market opportunities and strengthen our competitive position. On the other hand, when market demand is insufficient, our production facility may be idle, and we will have to incur expenses to maintain such idle production facility. In addition to our in-house manufacturing capabilities, we also utilize the production yield from OEMs to satisfy the consumer demand for certain of our products. See "Business — Production — Production Outsourcing Arrangement" for more information. As a result, our future results of operations, profitability and prospects are, to a certain extent, dependent on whether we could maintain sufficient production capacity and a healthy utilization rate of our production facilities.

Sales and Distribution Network

Our products are sold nationwide through our extensive sales and distribution network that covers most regions in China. During the Track Record Period, we primarily sold our products to (i) distributors and (ii) end consumers through e-commerce channels. Our distributors primarily sell our products to hospitals and maternal-child specialty stores. As of December 31, 2024, we cooperated with 338 distributors and our products were sold in over 17,000 retail points of sales.

To adapt to consumers' changing purchasing habits, we have set our footprint on major e-commerce platforms such as Tmall and JD.com, where we sold our products directly to end consumers. Although e-commerce sales only contributed a relatively small portion of our total revenue during the Track Record Period, in light of the increasing importance of e-commerce, we believe our online sales channel has great growth potential as it addresses the purchasing habits of younger generations.

Our future growth and results of operations will largely depend on our ability to maintain and further expand our sales and distribution network and our online sales.

Regulatory Environment of the FSMP Industry

The FSMP market in China is highly regulated. The implementation and enforcement of government policies and regulations in China generally could have a significant impact on the supply, production, price, advertising and sale of FSMP products in China, which also increase the cost of compliance with such policies and regulations for FSMP companies in China. In particular, the government enforces stringent registration regulations for FSMP, requiring companies to register FSMP products with the food safety supervision and administration department of the State Council before production. In order to obtain registration certificates, FSMP enterprises need to submit extensive documentation, including product formulas, production processes, label instructions and clinical trial reports to demonstrate the scientific validity and safety of their products. The review process is rigorous, demanding high levels of professional R&D capability and a meticulous approach. These regulatory requirements limit new entries into the market by players lacking sufficient expertise. For details, see "Regulatory Overview."

As of the Latest Practicable Date, we held a total of eight FSMP registration certificates in China. In particular, as of April 30, 2025, we ranked first among all Chinese infant FSMP brands in China in terms of the number of infant FSMP registration certificates, according to CIC. We believe our arsenal of registrations is crucial to our historical growth and positions us well to capture future opportunities.

MATERIAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are material to the preparation of our Historical Financial Information. Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments related to accounting items. The estimates and assumptions we use and the judgments we make in applying our accounting policies have a significant impact on our financial position and operational results. Our management continually evaluates such estimates, assumptions and judgments based on past experience and other factors, including industry practices and expectations of future events that are deemed to be reasonable under the circumstances. There has not been any material deviation with regard to the procedures and methods used by our management in making accounting estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates, assumptions and judgments used in the preparation of our financial statements. Our material accounting policy information, estimates, assumptions and judgments, which are important for understanding our financial condition and results of operations, are set forth in Notes 4 and 5 to the Accountants' Report in Appendix I to this document. We set forth below the accounting policies that we believe are the most significant to our financial information.

Revenue Recognition

We recognize revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to the customer. Revenue from sales of goods is recognized at a point in time when the goods are delivered and accepted by the customers since only by that time we pass control of the goods to the customers. We do not allow customers to return goods unless the goods have defective packaging prior to the customers' confirmation of acceptance. Transportation and handling activities that occur before customers obtain control of the goods are considered as fulfillment activities.

Sales to distributors

We typically require full payment before goods delivery, and contract liabilities are recognized when consideration is received in which revenue has yet been recognized. We provide additional incentives to distributors at a pre-determined percentage of the actual sales based on the actual achievement rate of the sales targets. The distributors can then redeem such incentives for free goods and such incentives provide a material right to distributors. The consideration received or receivable from the goods sold is allocated to the incentives earned by distributors on relative stand-alone selling prices which reflect the discount that distributors would obtain when redeeming the incentives, and deferred with contract liabilities recognized. Such contract liabilities are recognized as revenue until the incentives are redeemed when we fulfill our obligations to supply goods.

Sales to end users

We directly sell goods to end users through certain independent third party e-commerce platforms. Payments from end users are generally made to the e-commerce platforms before goods delivery and will be remitted to us twice a month or at the end of each month.

Property, Plant and Equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized in accordance with our accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When we make payments for ownership interests of properties which includes both leasehold and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognized so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

We perform impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, amounts due from related parties and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on our historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

We always recognize lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, we measure the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case we recognize lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, we compare the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, we consider 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 when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, we presume that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless we have reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, we assume that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt 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 fulfill its contractual cash flow obligations.

We regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, we consider an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including us, in full (without taking into account any collaterals held by us).

Irrespective of the above, we consider that default has occurred when a financial asset is more than 90 days past due unless we have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

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; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

We write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under our recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. We use a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to us in accordance with the contract and the cash flows that we expect to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, we take into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

We recognize an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and amounts due from *related parties where the corresponding adjustment is recognized through a loss allowance account.*

Derecognition of financial assets

We derecognize a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that we manage together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with our documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables, amounts due to related parties and dividend payables are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

We derecognize financial liabilities when, and only when, our obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, we review the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, we estimate the recoverable amount of the cash-generating unit ("**CGU**") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, we compare the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which we must incur to make the sale.

Key Sources of Estimation Uncertainty

In the application of our accounting policies, which are described in Note 4 of the Accountants' Report set out in Appendix I to this document, our Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Fair value measurement of financial liabilities at FVTPL

Financial liabilities at FVTPL are measured at fair value being determined based on unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant inputs thereof. Changes in assumptions relating to these factors may result in the material adjustments to the fair value of the financial liabilities at FVTPL. See Notes 24 and 29 (c) of the Accountants' Report set out in Appendix I to this document for further disclosures.

Useful lives and residual values of property, plant and equipment

We determine the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions and expected changes in the operating environment. We will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth selected consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of revenue*	*RMB'000*	*% of revenue*	*RMB'000*	*% of revenue*
Revenue	491,223	100.0	654,244	100.0	834,096	100.0
Cost of sales	(138,722)	(28.2)	(189,866)	(29.0)	(241,690)	(29.0)
Gross profit	352,501	71.8	464,378	71.0	592,406	71.0
Other income	9,905	2.0	13,927	2.1	7,493	0.9
Other gains and losses	3,623	0.7	2,772	0.4	1,321	0.2
Impairment losses under expected credit loss ("ECL") model, net of reversal	(12)	–	13	–	(29)	–
Loss on fair value change of financial liabilities at fair value through profit or loss ("FVTPL")	(36,824)	(7.5)	(4,520)	(0.7)	(105,259)	(12.6)
Marketing and distribution expenses	(191,724)	(39.0)	(267,384)	(40.9)	(328,624)	(39.4)
General and administrative expenses	(8,842)	(1.8)	(14,077)	(2.2)	(21,822)	(2.6)
Research and development expenses	(6,511)	(1.3)	(10,812)	(1.7)	(13,330)	(1.6)
Finance costs	–	–	–	–	(115)	–
Profit before tax	122,116	24.9	184,297	28.2	132,041	15.8
Income tax expenses	(38,230)	(7.8)	(13,854)	(2.1)	(37,897)	(4.5)
Profit and total comprehensive income for the year	83,886	17.1	170,443	26.1	94,144	11.3

Non-IFRS Measures

To supplement our consolidated statements of profit or loss and other comprehensive income presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure), as additional financial measures, which are not required by, or presented in accordance with IFRS. We believe that the presentation of these non-IFRS measures facilitate comparisons of the operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that the presentation of such non-IFRS measures when shown in conjunction with the corresponding IFRS measures provide useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain items.

However, the use of non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies.

We define adjusted net profit (non-IFRS measure), as profit and total comprehensive income for the year less loss on fair value change of financial liabilities at fair value through profit or loss (FVTPL). The following tables reconcile our adjusted net profit (non-IFRS measure) for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit and total comprehensive income for the year	83,886	170,443	94,144
Less:			
Loss on fair value change of financial liabilities at FVTPL	(36,824)	(4,520)	(105,259)
Adjusted net profit (non-IFRS measure)	**120,710**	**174,963**	**199,403**

Revenue

During the Track Record Period, we generated revenue from sales of FSMP products. Our total revenue increased by 33.2% from RMB491.2 million in 2022 to RMB654.2 million in 2023, and further increased by 27.5% to RMB834.1 million in 2024, mainly due to an increase in the sales volume of our products. Such increase in sales volume was driven by the growing market demand for our products, which was in turn due to increasing consumer awareness and reception of FSMP products, our enhanced marketing efforts and the continued improvement of our brand recognition and reputation.

Revenue by Product Category

During the Track Record Period, we sold FSMP products under five categories, namely allergy prevention and treatment products, products for preterm infants, lactose-free products, nutritionally complete products, metabolic disorder products and other products.

The following table sets forth a breakdown of our revenue generated from different product categories in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of total*	*RMB'000*	*% of total*	*RMB'000*	*% of total*
Allergy prevention and treatment products	419,863	85.5	577,320	88.2	752,933	90.3
Products for preterm infants	34,873	7.1	35,180	5.4	39,950	4.8
Lactose-free products	15,971	3.3	23,873	3.6	21,213	2.5
Nutritionally complete products	2,317	0.5	4,429	0.7	9,890	1.2
Metabolic disorder products	1,660	0.3	1,981	0.3	2,784	0.3
Other products	16,539	3.4	11,460	1.8	7,326	0.9
Total	**491,223**	**100.0**	**654,244**	**100.0**	**834,096**	**100.0**

The following table sets forth the sales volume and average selling price (ASP) of each product category for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	Sales volume	**ASP**	**Sales volume**	**ASP**	**Sales volume**	**ASP**
	(kg)	*(RMB per kg)*	*(kg)*	*(RMB per kg)*	*(kg)*	*(RMB per kg)*
Allergy prevention and treatment products	1,210,736	347	1,673,303	345	2,266,149	332
Products for preterm infants	150,385	232	160,736	219	170,597	234
Lactose-free products	82,587	193	122,640	195	107,598	197
Nutritionally complete products	19,295	120	30,531	145	65,639	151
Metabolic disorder products	5,413	307	5,324	372	6,496	429
Other products	154,731	107	90,799	126	57,123	128
Total/Overall	**1,623,147**	**303**	**2,083,334**	**314**	**2,673,601**	**312**

During the Track Record Period, a substantial portion of our revenue was derived from the sales of our allergy prevention and treatment products, which accounted for 85.5%, 88.2% and 90.3% of our total revenue in 2022, 2023 and 2024, respectively. Our revenue generated from allergy prevention and treatment products increased by 37.5% from RMB419.9 million in 2022 to RMB577.3 million in 2023, and further increased by 30.4% to RMB752.9 million in 2024. This continuous increase is primarily due to increases in sales volume of such products, which is in turn due to the increased market penetration rate of allergy prevention and treatment products as a result of consumers' increasing awareness of allergies.

Our revenue generated from our products for preterm infants increased slightly from RMB34.9 million in 2022 to RMB35.2 million in 2023. Our revenue from products for preterm infants increased by 13.6% from RMB35.2 million in 2023 to RMB40.0 million in 2024, primarily resulting from increases in both sales volume and ASP due to the resumption of production of our breast milk fortifiers, which has a higher ASP. The production of our breast milk fortifiers was temporarily suspended from November 2022 to August 2023 during transition of our production model in accordance with regulatory requirements. See "— Discussion of Certain Key Items from Consolidated Statements of Financial Position — Inventories." We obtained the new production permit subsequently and resumed production in September 2023.

Lactose-free products are often used as solutions to temporary diarrhea and are more spontaneously driven by in-store pitches as compared to solutions to long-term conditions such as allergy. Therefore, our revenue from lactose-free products are relatively susceptible to fluctuations in sales volumes. Our revenue generated from lactose-free products increased by 49.5% from RMB16.0 million in 2022 to RMB23.9 million in 2023, primarily due to increased sales volume in 2023. The lower sales volume in 2022 was due to fewer instances of diarrhea in 2022 as children developed better hygienic habits during the COVID-19 pandemic, and more instances of diarrhea surged after the end of the pandemic which led to a higher demand for our lactose-free products in 2023. Our revenue from lactose-free products decreased by 11.1% from RMB23.9 million in 2023 to RMB21.2 million in 2024, primarily due to the decreased sales volume of our products resulting from a decrease in market demand.

Our revenue generated from nutritionally complete products increased by 91.2% from RMB2.3 million in 2022 to RMB4.4 million in 2023, due to (i) the increased sales volume as a result of our promotional campaign featuring free additional products on purchases above a certain threshold and (ii) an increase in ASP as a result of an increased revenue contribution from direct sales through e-commerce platforms, which generally have higher ASPs than products sold to distributors; and further increased significantly to RMB9.9 million in 2024, primarily due to an increase in sales volume resulting from purchases by certain new customers with whom we started to cooperate in 2024.

Our revenue generated from metabolic disorder products increased by 19.4% from RMB1.7 million in 2022 to RMB2.0 million in 2023, primarily due to an increase of ASP as a result of our charitable sales of products at cost during the COVID-19 pandemic in 2022; and further increased by 40.5% to RMB2.8 million in 2024, primarily due to (i) our voluntary upward adjustment of the ASP of *Teai Bingjia (特愛丙佳)* product and (ii) an increase in sales volume.

Our other products primarily include non-FSMP products with medical based nutritional benefits, such as infants' calcium magnesium zinc formula and children's calcium magnesium zinc milk powder. As we focus on FSMP products, we ceased to produce these products since November 2023 and October 2024, respectively. Our revenue generated from other products decreased by 30.7% from RMB16.5 million in 2022 to RMB11.5 million in 2023 and further decreased by 36.1% to RMB7.3 million in 2024, due to the discontinuation of production of such products as we have always been an FSMP-focused company.

Revenue by Sales Channel

During the Track Record Period, we sold our products through (i) distributors and (ii) direct sales via e-commerce platforms. For details, see "Business — Sales and Distribution Channels."

The following table sets forth a breakdown of our revenue by sales channel for the years indicated:

	Year ended December 31,					
	2022		**2023**		**2024**	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
	(RMB'000, except percentages)					
Direct sales to end users	279,882	57.0	358,989	54.9	419,834	50.3
Sales to distributors	211,341	43.0	295,255	45.1	414,262	49.7
Total	**491,223**	**100.0**	**654,244**	**100.0**	**834,096**	**100.0**

During the Track Record Period, our revenue generated through sales to distributors grew at a faster pace than our revenue generated through direct sales to end users, and as a result the former accounted for an increasing portion of our total revenue. This is primarily due to our continuous efforts to expand, through distributors, our reach of hospitals and other medical institutions, which is a crucial channel to promote our products.

Cost of Sales

Our cost of sales primarily consists of (i) material cost, which primarily includes the cost of purchasing raw materials, finished goods and packaging materials, (ii) staff cost, which covers salaries and wages, retirement benefits and staff welfare associated with our production personnel; (iii) depreciation expenses arising from our production facilities; (iv) transportation cost in relation to the delivery of our finished goods; and (v) others, which include utilities, repair costs and labor outsourcing costs, among other things. The following table sets forth a breakdown of our cost of sales by nature and their corresponding percentages of our total cost of sales for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Material cost	130,928	94.4	180,056	94.8	225,759	93.4
Staff cost	4,083	2.9	4,456	2.3	5,351	2.2
Depreciation expense	1,773	1.3	1,904	1.0	2,135	0.9
Transportation cost	1,938	1.4	2,675	1.4	3,065	1.3
Others	–	–	775	0.5	5,380	2.2
Total	**138,722**	**100.0**	**189,866**	**100.0**	**241,690**	**100.0**

Gross Profit and Gross Profit Margin

Our gross profit increased by 31.7% from RMB352.5 million in 2022 to RMB464.4 million in 2023 and by 27.6% to RMB592.4 million in 2024. The growth of our gross profit remained relatively stable throughout the three years, in line with our sales expansion throughout the Track Record Period.

In 2022, 2023 and 2024, our gross profit margin was 71.8%, 71.0% and 71.0%, respectively.

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

	Year ended December 31,					
	2022		2023		2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Allergy prevention and treatment products	308,326	73.4	417,152	72.3	541,887	72.0
Products for preterm infants	23,739	68.1	23,381	66.5	26,672	66.8
Lactose-free products	10,367	64.9	14,940	62.6	13,567	64.0
Nutritionally complete products	1,208	52.1	2,632	59.4	5,747	58.1
Metabolic disorder products	805	48.5	1,117	56.4	2,022	72.6
Other products	8,056	48.7	5,155	45.0	2,511	34.3
Total/Overall	**352,501**	**71.8**	**464,378**	**71.0**	**592,406**	**71.0**

Our gross profit margin for allergy prevention and treatment products remained relatively stable at 73.4%, 72.3% and 72.0% for 2022, 2023 and 2024, respectively.

Our gross profit margin for products for preterm infants was 68.1%, 66.5% and 66.8% for 2022, 2023 and 2024, respectively. Our gross profit margin saw a decline in 2023 and 2024 as compared to 2022, primarily as a result of a decrease of ASP, which was in turn due to the temporary suspension of production of our breast milk fortifier products which had a higher ASP.

Our gross profit margin for lactose-free products remained relatively stable at 64.9%, 62.6% and 64.0% for 2022, 2023 and 2024, respectively.

Our gross profit margin for nutritionally complete products was 52.1%, 59.4% and 58.1% for 2022, 2023 and 2024, respectively. The gross profit margin increased in 2023, primarily due to an increase in ASP of our nutritionally complete products as a result of an increased revenue contribution from direct sales through e-commerce platforms, which generally have higher ASPs than products sold to distributors. The gross profit margin remained relatively stable at 59.4% in 2023 and 58.1% in 2024.

Our gross profit margin for metabolic disorder products was 48.5%, 56.4% and 72.6% for 2022, 2023 and 2024, respectively. The continuous increase during the Track Record Period was primarily due to increases of ASP of our metabolic disorder products.

Our gross profit margin for other products was 48.7%, 45.0% and 34.3% for 2022, 2023 and 2024, respectively. Fluctuations of the gross profit margin of our other products were primarily due to changes in product mix, as our products under this category had varying gross profit margins and they were gradually discontinued.

Other Income

Our other income primarily consisted of (i) government grants; (ii) interest income from loans to related parties; (iii) rental income; (iv) distributor penalty income; (v) bank interest income; and (vi) other incomes.

The following table sets forth the breakdown of our other income by nature and their corresponding percentages of our total other income for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Government grants	3,125	31.5	3,399	24.4	637	8.5
Interest income from loans to related parties	3,478	35.2	8,386	60.2	3,619	48.3
Rental income	1,144	11.5	1,134	8.1	1,518	20.3
Distributor penalty income	1,419	14.3	638	4.6	1,051	14.0
Bank interest income	648	6.5	272	2.0	412	5.5
Others	91	1.0	98	0.7	256	3.4
Total	**9,905**	**100.0**	**13,927**	**100.0**	**7,493**	**100.0**

Our government grants primarily include one-off financial incentive for key taxpayers, recurring handling fees for tax withholding, collection and entrusted levy, one-off incentive funds for industrial enterprises above designated size and recurring employment stabilization subsidy. Such government grants are unconditional.

Our interest income from loans to related parties represents interest accrued on amounts due from related parties. Such amounts bear interest at 3.4% to 3.9% per annum. Such amounts have been fully settled in December 2024. See "— Discussion of Certain Key Items from Consolidated Statements of Financial Position — Amounts due from Related Parties."

Our rental income is generated from our property in Qingdao rented to a related party for office and/or business uses. See "Connected Transactions — Summary of Our Continuing Connected Transactions."

Distributor penalty income refers to fines we impose upon distributors who fail to abide by our anti-cannibalization policies. See "Business — Sales and Distribution Channels — Sales to Distributors — Distributor Selection and Management" for more information.

Our bank interest income refers to interest received on bank deposits.

Other Gains and Losses

Our other gains and losses primarily consisted of (i) net foreign exchange gains, representing the loss resulting from currency conversion mainly because of our advancement to our related party in foreign currency which deviates from our functional currency; and (ii) net loss on disposal of property, plant, and equipment.

The following table sets forth the breakdown of our other gains and losses:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Net foreign exchange gains	3,623	100.0	2,772	100.0	1,390	105.2
Net loss on disposal of property, plant and equipment	–	–	–	–	(69)	(5.2)
Total	**3,623**	**100.0**	**2,772**	**100.0**	**1,321**	**100.0**

Impairment Losses under the ECL Model, Net of Reversal

Impairment losses under the expected credit loss model, net of reversal refers to our ECL as a result of potential client default. We regularly assess the credit level of customers and adjust our impairment losses under the ECL model accordingly. The fluctuations of impairment losses under the ECL model, net of reversal are the result of our management's expectation that there will be some adjustments to the existing accounts receivable balances corresponding to the different circumstances of the customers. For details of the ECL model, see "— Material Accounting Policies and Estimates — Financial Instruments — Financial Assets — Impairment of Financial Assets — Measurement and Recognition of ECL."

Loss on Fair Value Change of Financial Liabilities at FVTPL

Loss on fair value change of financial liabilities at FVTPL is related to the preferential rights, namely redemption, liquidation preferences and drag-along right, historically conferred to our minority shareholders. Such unconditional obligations of our Company are designated as financial liabilities at FVTPL on initial recognition, and are measured at fair value with any changes in fair value arising on remeasurement recognized in the profit or loss. The financial liabilities were valued at fair value by our management with reference to an independent valuation carried out by an independent valuer, which has appropriate qualifications and experiences in valuation of similar instruments. As a result, the fair value of such financial liabilities fluctuates along with the change in the valuation of our Company. For details, see "— Material Accounting Policies and Estimates — Financial Instruments — Financial Liabilities and Equity" and Note 24 of the Accountants' Report set out in Appendix I to this document.

The aforementioned preferential rights have been terminated in January 2025.

Marketing and Distribution Expenses

Our marketing and distribution expenses comprised of (i) marketing and promotion expenses which represent advertising and marketing expenses incurred for promoting our brands and products, particularly on cross-border e-commerce platforms; (ii) staff costs which primarily represent salaries and wages, retirement benefits and staff welfare of our sales personnel; (iii) cross-border e-commerce platform service fees, which represent service fees charged by cross-border e-commerce platforms for sales of our products; (iv) traveling expenses incurred by our sales personnel and (v) other fees, including packaging and packaging design fees depreciation and office expenses. The following table sets forth the breakdown of our marketing and distribution expenses by nature and their corresponding percentages of our total marketing and distribution expenses for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Marketing and promotion expenses	152,949	79.8	217,976	81.5	268,092	81.6
Staff costs	31,974	16.7	39,080	14.6	48,739	14.8
Cross-border e-commerce platform service fees	3,257	1.7	4,513	1.7	5,560	1.7
Traveling expenses	2,887	1.5	4,885	1.8	4,962	1.5
Others	657	0.3	930	0.4	1,271	0.4
Total	**191,724**	**100.0**	**267,384**	**100.0**	**328,624**	**100.0**

General and Administrative Expenses

Our general and administrative expenses consisted of (i) staff costs, which covers the salaries and wages, retirement benefits and staff welfare of our administrative personnel; (ii) software and office expenses, which covers the licensing fee of our copyrighted software and other office expenses; (iii) depreciation expenses; (iv) consulting service fee, which primarily include preferential party's fees incurred in the normal course of our business; (v) property taxes and other taxes; and (vi) other expenses, primarily including and high-tech enterprise certification services. The following table sets forth the breakdown of our general and administrative expenses by nature and their corresponding percentages of our total general and administrative expenses for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Staff costs	3,898	44.1	6,792	48.2	10,376	47.5
Software and office expenses	1,675	18.9	3,386	24.1	4,780	21.9
Depreciation costs	721	8.2	727	5.2	3,079	14.2
Consulting service fee	829	9.4	1,190	8.5	1,708	7.8
Property taxes and others taxes	859	9.7	858	6.1	1,055	4.8
Others	860	9.7	1,124	7.9	824	3.8
Total	**8,842**	**100.0**	**14,077**	**100.0**	**21,822**	**100.0**

Research and Development Expenses

Our research and development expenses primarily consist of (i) clinical trial fees; (ii) staff costs, which covers the salaries and wages, retirement benefits and staff welfare of our R&D personnel; (iii) laboratory expenses, which primarily include depreciation, materials consumed and testing fees; and (iv) others, which includes the maintenance expenses for our lab equipments, and travel, rents and office-related expenses incurred by our R&D department. The following table sets forth the breakdown of our research and development expenses by nature and their corresponding percentages of our total research and development expenses for the periods indicated:

	Year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Clinical trial fees	1,247	19.2	3,690	34.1	4,719	35.4
Staff costs	3,108	47.7	3,522	32.6	4,310	32.3
Laboratory expenses	1,730	26.6	2,715	25.1	3,119	23.4
Others	426	6.5	885	8.2	1,182	8.9
Total	**6,511**	**100.0**	**10,812**	**100.0**	**13,330**	**100.0**

Finance Costs

Our financing costs represent interests on lease liabilities.

Income Tax Expenses

The following table sets forth a breakdown of our income tax expense for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC Enterprise Income Tax ("EIT")	16,024	12,533	16,987
Hong Kong	325	775	2,601
Sub-total	**16,349**	**13,308**	**19,588**
Deferred tax charge	21,881	546	18,309
Total	**38,230**	**13,854**	**37,897**

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the PRC Law on Enterprise Income Tax ("**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiary is 25% during the Track Record Period. The Company is subjected to 25% PRC EIT rate for the year ended December 31, 2022 while we obtained the High and New Technology Enterprise certification on November 29, 2023, and is therefore entitled to a preferential tax rate of 15% for a period from the year ended December 31, 2023 to the year ended December 31, 2025.

In 2022, 2023 and 2024, our statutory income tax rate was 25%, 15% and 15%, respectively, as we qualified as a High and New Technology Enterprise (高新技術企業) in 2023 and 2024. In 2022, 2023 and 2024, our effective income tax rate, representing income tax expense divided by profit before income tax, expressed as a percentage, was 31.3%, 7.5% and 28.7%, respectively. Our effective income tax rate was higher than our statutory income tax rate in 2022 and 2024, primarily as the loss on fair value change of financial liabilities at FVTPL was adjusted to increase our taxable profit as an expense not deductible for tax purpose. Our effective income tax rate was lower than our statutory income tax rate in 2023, primarily due to the decrease in deferred tax liabilities resulting from a decrease in applicable tax rate.

As of the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no material disputes or unresolved tax issues with relevant tax authorities.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

2024 Compared to 2023

Revenue

Our total revenue increased from RMB654.2 million in 2023 by 27.5% to RMB834.1 million in 2024, mainly due to the growing market demand for our products, which was in turn due to increasing consumer awareness and reception of FSMP products, our enhanced marketing efforts and the continued improvement of our brand recognition and reputation. See "— Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" for more details.

Cost of Sales

Our cost of sales increased from RMB189.9 million in 2023 by 27.3% to RMB241.7 million in 2024, primarily due to an increase in our material cost by 25.4% from RMB180.1 million in 2023 to RMB225.8 million in 2024, which was in line with the increase in our total revenue and sales volume.

Gross Profit and Gross Profit Margin

Our gross profit increased from RMB464.4 million in 2023 by 27.6% to RMB592.4 million in 2024, which is in line with the increase in our total revenue. Our overall gross profit margin remained relatively stable at 71.0% in 2023 and 2024. See "— Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin" for more details.

Other Income

Our other income decreased from RMB13.9 million in 2023 by 46.2% to RMB7.5 million in 2024 due to decreases in (i) interest income from related parties, as we settled a portion of amounts due from related parties in 2024; and (ii) our government grants due to the expiration of a financial incentive for key taxpayers in 2024.

Other Gains and Losses

Our other gains and losses decreased from RMB2.8 million in 2023 by 52.3% to RMB1.3 million in 2024, primarily due to the decline in our net foreign exchange gain, which was in turn due to the settlement of our foreign-currency denominated advances to related parties.

Impairment Losses under the ECL Model, Net of Reversal

Our impairment losses under the expected credit loss model, net of reversal remained insignificant at reversal of RMB13,000 in 2023 and recognition of RMB29,000 in 2024.

Loss on Fair Value Change of Financial Liabilities at FVTPL

Our loss on fair value change of financial liabilities at fair value through profit or loss increased significantly from RMB4.5 million in 2023 to RMB105.3 million in 2024, primarily because we introduced new investors by the end of 2023, and increase of our equity value, that in turn increased our loss on fair value change of financial liabilities at FVTPL.

Marketing and Distribution Expenses

Our marketing and distribution expenses increased from RMB267.4 million in 2023 by 22.9% to RMB328.6 million in 2024, primarily due to increases in (i) marketing and promotion expenses paid to cross-border e-commerce platforms as a result of increased sales on cross-border e-commerce platforms; and (ii) staff costs as a result of an increase in headcount and our average salary. Our marketing and distribution expenses as a percentage of our revenue decreased from 40.9% in 2023 to 39.4% in 2024.

General and Administrative Expenses

Our general and administrative expenses increased from RMB14.1 million in 2023 by 55.0% to RMB21.8 million in 2024, primarily due to salary increases for our administrative staff and increased office-related expenses as a result of our expansion. Our general and administrative expenses as a percentage of our revenue remained relatively low at 2.2% in 2023 and 2.6% in 2024.

Research and Development Expenses

Our research and development expenses increased from RMB10.8 million in 2023 by 23.3% to RMB13.3 million in 2024, primarily due to our decision to conduct more clinical trials over the year and to further invest in research and development.

Finance Costs

Our financing costs increased from nil in 2023 to RMB115,000 in 2024, primarily as we entered into a new long-term lease for our office building in Beijing in 2024.

Income Tax Expenses

Our income tax expenses increased significantly from RMB13.9 million in 2023 to RMB37.9 million in 2024. This significant increase was primarily due to (i) relatively lower deferred tax liabilities in 2023 resulting from a decrease in applicable statutory tax rate, and (ii) adjustment of our loss on fair value change of financial liabilities at FVTPL as a non-deductible expense for tax purposes in 2024.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our net profit decreased from RMB170.4 million in 2023 by 44.8% to RMB94.1 million in 2024.

2023 Compared to 2022

Revenue

Our total revenue increased by 33.2% from RMB491.2 million in 2022 to RMB654.2 million in 2023, mainly due to the growing market demand for our products, which was in turn due to increasing consumer awareness and reception of FSMP products, our enhanced marketing efforts and the continued improvement of our brand recognition and reputation. See "— Consolidated Statements of Profit or Loss and Other Comprehensive Income — Revenue" for more details.

Cost of Sales

Our cost of sales increased by 36.9% from RMB138.7 million in 2022 to RMB189.9 million in 2023, primarily due to an increase in our material cost by 37.5% from RMB130.9 million in 2022 to RMB180.1 million in 2023, which was generally in line with the increase in our total revenue and sales volume.

Gross Profit and Gross Profit Margin

Our gross profit increased by 31.7% from RMB352.5 million in 2022 to RMB464.4 million in 2023, which is in line with the increase in our total revenue. Our overall gross profit margin remained relatively stable at 71.8% in 2022 and 71.0% in 2023. See "— Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin" for more details.

Other Income

Our other income increased by 40.6% from RMB9.9 million in 2022 to RMB13.9 million in 2023, primarily due to the increase of interest income from related parties, which was in turn due to an increase in advances to related parties during the year of 2023.

Other Gains and Losses

Our other gains and losses decreased by 23.5% from RMB3.6 million in 2022 to RMB2.8 million in 2023, primarily due to the decline in our net foreign exchange gain as a result of foreign exchange fluctuations.

Impairment Losses under the Expected Credit Loss Model, Net of Reversal

Our impairment losses under the expected credit loss model, net of reversal remained insignificant at recognition of RMB12,000 in 2022 and reversal of RMB13,000 in 2023.

Loss on Fair Value Change of Financial Liabilities at FVTPL

Our loss on fair value change of financial liabilities at fair value through profit or loss decreased by 87.7% from RMB36.8 million in 2022 to RMB4.5 million in 2023, primarily due to the change in preferential rights conferred to a minority shareholder.

Marketing and Distribution Expenses

Our marketing and distribution expenses increased by 39.5% from RMB191.7 million in 2022 to RMB267.4 million in 2023, primarily due to an increase in marketing and promotion expenses and service fees paid to cross-border e-commerce platforms, which resulted from our increased sales on cross-border e-commerce platforms. Our marketing and distribution expenses as a percentage of our revenue increased slightly from 39.0% in 2022 to 40.9% in 2023.

General and Administrative Expenses

Our general and administrative expenses increased by 59.2% from RMB8.8 million in 2022 to RMB14.1 million in 2023, primarily due to salary increases for employees and office-related expenses as the company expands. Our general and administrative expenses as a percentage of our revenue remained relatively low at 1.8% in 2022 and 2.2% in 2023.

Research and Development Expenses

Our research and development expenses increased by 66.1% from RMB6.5 million in 2022 to RMB10.8 million in 2023, primarily due to our decision to conduct more clinical trials and testing over the year and to further invest in research and development, in particular our pipeline nutritionally complete products.

Finance Costs

We did not incur finance costs in 2022 and 2023.

Income Tax Expenses

Our income tax expenses decreased by approximately 63.8% from RMB38.2 million in 2022 to RMB13.9 million in 2023. This significant decrease was primarily due to (i) the decrease in deferred tax liabilities in 2023 resulting from a decrease in applicable statutory tax rate, and (ii) adjustment of our loss on fair value change of financial liabilities at FVTPL as a non-deductible expense for tax purposes in 2022.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year increased from RMB83.9 million in 2023 by 103.2% to RMB170.4 million in 2024.

DISCUSSION OF CERTAIN KEY ITEMS FROM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our financial position as of the dates indicated, which has been extracted from the Accountants' Report set out in Appendix I to this document:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets			
Property, plant and equipment	18,726	19,747	48,281
Right-of-use assets	19,380	18,710	29,626
Deferred tax assets	2,655	3,323	1,571
Amounts due from related parties	102,732	–	–
Prepayments paid for acquisition of property, plant and equipment	–	11,193	26,628
	143,493	52,973	106,106
Current assets			
Inventories	32,484	85,134	119,571
Trade and other receivables	33,289	32,439	23,049
Prepayments	5,207	2,357	6,020
Amounts due from related parties	95,259	10,242	101
Cash and cash equivalents	47,387	229,555	162,639
	213,626	359,727	311,380
Current liabilities			
Trade and other payables	42,776	80,127	75,032
Contract liabilities	42,218	18,227	20,332
Amounts due to related parties	2,492	18,471	2,523
Tax payables	4,651	4,071	12,399
Financial liabilities at FVTPL	291,501	476,021	581,280
Lease liabilities	–	–	1,156
Dividend payables	–	–	23,185
	383,638	596,917	715,907
Net current liabilities	(170,012)	(237,190)	(404,527)
Total assets less current liabilities	(26,519)	(184,217)	(298,421)
Capital and reserves			
Paid-in capital	60,000	60,000	60,000
Reserves	(122,642)	(271,054)	(377,910)
Total deficit	(62,642)	(211,054)	(317,910)
Non-current liabilities			
Lease liabilities	–	–	3,095
Deferred tax liabilities	36,123	26,837	16,394
	36,123	26,837	19,489
	(26,519)	(184,217)	(298,421)

Property, Plant and Equipment

Our property, plant and equipment consisted of (i) buildings; (ii) machinery; (iii) inspection equipment; (iv) electronic devices, furniture and office equipment; (v) motor vehicles; (vi) leasehold improvements; and (vii) construction in progress. Our property, plant and equipment increased by 5.5% from RMB18.7 million as of December 31, 2022 to RMB19.7 million as of December 31, 2023, and further increased by 144.5% to RMB48.3 million as of December 31, 2024, primarily due to the construction of our Fengzhen production base and the expansion of our Qingdao production base.

Right-of-Use Assets

Our right-of-use assets consisted of leasehold land for our production facilities and an office building. Our right-of-use assets decreased by 3.5% from RMB19.4 million as of December 31, 2022 to RMB18.7 million as of December 31, 2023 due to depreciation, and increased by 58.3% to RMB29.6 million as of December 31, 2024 primarily due to our newly leased office building in Beijing.

Deferred Tax

Our deferred tax mainly arose from undistributed profits of a Hong Kong subsidiary, and contract liabilities. The following is the analysis of the deferred tax balances as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	2,655	3,323	1,571
Deferred tax liabilities	(36,123)	(26,837)	(16,394)
	(33,468)	**(23,514)**	**(14,823)**

For the movements of our deferred tax assets and liabilities, see Note 17 to Accountants' Report set forth in Appendix I to this document.

Amounts Due from Related Parties

Our amounts due from related parties include (i) receivables due from e-commerce platforms and rent payable by Shengyuan Group, which are trade nature, and (ii) cash advances due from our Controlling Shareholders and certain related parties, which are non-trade nature.

The following table sets forth our amount due from related parties by nature:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade nature	–	3,159	101
Non-trade nature	197,991	7,083	–
	197,991	**10,242**	**101**

Our amounts due from related parties that are of a non-trade nature carried an interest of 3.4% to 3.9% per annum. Such amounts had been fully settled in December, 2024.

Our cash advances due from our Controlling Shareholders may be recognized as a lending transaction. Our PRC Legal Advisors have advised us that according to Article 10 of the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (Second Revision in 2020) (最高人民法院關於審理民間借貸案件適用法律若干問題的規定(2020第二次修正)) which came into effect on January 1, 2021, where a private lending contract is concluded between legal persons for production or business purposes, the people's court shall support the parties' claim that the contract is valid, unless the circumstances specified in Articles 146, 153, and 154 of the Civil Code or Article 13 of these Provisions apply. On this basis, our PRC Legal Advisors are of the view that cash advances due from our Controlling Shareholders were legally binding on the related parties. All such transactions between related parties were fully settled in December 2024. As of the Latest Practicable Date, we did not receive any penalties, investigation or notice from relevant competent authorities in relation to such lending transactions between related parties.

Prepayments for Acquisition of Property, Plant and Equipment

Our prepayments acquisition of property, plant and equipment represent our prepayments for our construction projects and the procurement of production equipment, which increased from nil as of December 31, 2022 to RMB11.2 million as of December 31, 2023, and further increased by 137.9% to RMB26.6 million as of December 31, 2024, primarily due to the ongoing construction of our Fengzhen production base, our investment in metabolic disorder production lines, and repairs and improvements of our existing production facilities.

Inventories

Our inventories primarily comprised raw materials and finished good. The following table sets forth our inventories as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	725	58,278	78,476
Finished goods	31,759	26,856	41,095
	32,484	**85,134**	**119,571**

Our inventories increased by 162.1% from RMB32.5 million as of December 31, 2022 to RMB85.1 million as of December 31, 2023, and by 40.5% to RMB119.6 million as of December 31, 2024. The significant increase of our raw materials in 2023 was primarily due to change in our production model. As our Company was established by Shengyuan Group to focus on the development, production and sale of FSMP products, Shengyuan Group has gradually consolidated all its FSMP business operations under our Group. We obtained the relevant FSMP production permit in July 2023, and officially completed the transition of our production model. Prior to this, we collaborated with Shengyuan Group in production, with Shengyuan Group responsible for procurement of raw materials and our Group providing production facilities and equipment. After the transition, we produced products on our own at our Qingdao production base and procured raw materials for such purposes, which led to a significant increase of our raw materials. The increase of raw materials as of December 31, 2024 was primarily due to change of cooperation arrangement with the OEM Supplier in 2024. Previously, we procured finished goods from the OEM Supplier and the OEM Supplier was responsible to procure raw materials for production purposes; since January 2024, we procured raw materials for production by the OEM Supplier. The increase in the balance of our finished goods is generally in line with the growth of our sales.

We calculate the inventory turnover days using the average of the opening and ending inventory balances for the period, divided by cost of sales for the relevant period, multiplied by the number of days in the relevant period (i.e. 365 days for each of the years ended December 31, 2022, 2023 and 2024). The following table sets forth the number of our inventory turnover days for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Inventory turnover days	54	113	155

Our inventory turnover days increased from 54 days in 2022 to 113 days in 2023, primarily due to the change in our production model. Our inventory turnover days increased from 113 days in 2023 to 155 days in 2024, primarily due to our increased procurement in 2024 in anticipation of market demand in late 2024 and early 2025.

The following table sets forth an aging analysis of our inventories for the periods indicated:

	As of December 31,											
	2022				2023				2024			
	(RMB'000)											
	0-180 days	181 days to 1 year	Above 1 year	Total	0-180 days	181 days to 1 year	Above 1 year	Total	0-180 days	181 days to 1 year	Above 1 year	Total
Raw materials	446	187	92	725	47,362	9,772	1,144	58,278	56,927	19,578	1,971	78,476
Finished goods	31,759	–	–	31,759	25,088	947	821	26,856	33,738	3,521	3,836	41,095
	32,205	**187**	**92**	**32,484**	**72,450**	**10,719**	**1,965**	**85,134**	**90,665**	**23,099**	**5,807**	**119,571**

Our raw materials generally have a shelf life of 1 to 3 years, and our finished goods generally have a shelf life of 2 years. We dispose of inventories when they expire, and record the relevant cost under our cost of sales. During the Track Record Period, we did not have material disposals of expired inventories. Our raw materials above 1 year was RMB2.0 million as of December 31, 2024, primarily consisting of extensively hydrolyzed protein, with a shelf life of 2 years, and whey protein isolate, with a shelf life of 3 years, which were produced in 2023 and procured by us in 2024. Our finished goods above 1 year was RMB3.8 million as of December 31, 2024, primarily consisting of our last batch of infants' calcium magnesium zinc formula produced in November 2023.

We attach great importance to our inventory health, assigning dedicated staff to provide management with regular reports on the status of inventory. We take inventory level into consideration when formulating procurement plans. For details, see "Business — Inventory Management."

As of March 31, 2025, RMB89.8 million, or 75.1%, of our inventories as of December 31, 2024, had been subsequently used, consumed or sold.

Trade and Other Receivables

Our trade receivables primarily include amounts due from customers for goods sold through e-commerce platforms, which represented the payments from end consumers to the e-commerce platforms to be remitted to us twice a month or at the end of each month. We generally require offline customers to settle before or upon delivery of our products in respect of our sales to customers and may grant credit terms to certain customers on a case-by-case basis.

The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	23,405	18,414	14,745
Less: Loss allowance for trade receivables	(13)	–	(29)
	23,392	**18,414**	**14,716**

The balance of our trade receivables as of year end represents trade receivables accrued from sales on cross-border e-commerce platforms during the last half-month of a year. As such, our year-end trade receivable balances did not show any particular pattern.

We perform an impairment analysis at the end of each reporting period using a provision matrix to measure ECLs for trade receivables. For details of the ECL model, see "— Material Accounting Policies and Estimates — Financial Instruments — Financial Assets — Impairment of Financial Assets." We recorded provision for impairment of trade receivables of RMB0.01 million, nil and RMB0.03 million as of December 31, 2022, 2023 and 2024, respectively.

Based on the revenue recognition date, all of our trade receivables, net of loss allowance, as of December 31, 2022, 2023 and 2024 aged within one year.

We calculate the trade receivables turnover days using the average of the opening and ending trade receivables balances for the period, divided by revenue for the relevant period, multiplied by the number of days in the relevant period (i.e. 365 days for each of the years ended December 31, 2022, 2023 and 2024). The following table sets forth the number of our trade receivables turnover days for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Trade receivables turnover days	10	12	7

Our trade receivables generally turn over on a fast basis. Our trade receivable turnover days was 10, 12 and 7 in 2022, 2023 and 2024, respectively, which was largely affected by our trade receivables accrued from sales on cross-border e-commerce platforms during the last half-month of a year.

As of March 31, 2025, RMB14.5 million, or approximately 98.7% of our trade receivables as of December 31, 2024 were subsequently settled.

Our other receivables include (i) value-added tax recoverable, primarily representing prepaid value-added tax related to sales incentives paid to distributors, (ii) prepaid income tax and (iii) others, which primarily include deposits paid to e-commerce platforms, petty cash advances to employees for business purposes and penalties payable by non-compliant distributors. The following table sets forth our other receivables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Other receivables			
Value-added tax recoverable	7,045	8,066	7,259
Prepaid income tax	2,245	5,152	–
Others	607	807	1,074
	9,897	**14,025**	**8,333**

Trade and Other Payables

Our trade payables primarily represented outstanding amounts due to our suppliers of raw materials and packaging materials. We are normally granted credit terms of around 0 to 60 days by our suppliers.

The following table sets forth our trade payables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	11,308	45,052	31,032

Our trade payables increased significantly from RMB11.3 million as of December 31, 2022 to RMB45.1 million as of December 31, 2023, primarily due to procurement of raw materials as a result of our change in production model. See "— Discussion of Certain Key Items from Consolidated Statements of Financial Position — Inventories." Our trade payables decreased to RMB31.0 million as of December 31, 2024, primarily as we procured a substantial amount of inventories toward the year end in 2023, the trade payables for which had not been settled as of December 31, 2023.

Based on the invoice date, all of our trade payables, as of December 31, 2022, 2023 and 2024 aged within one year.

We calculate the trade payables turnover days using the average of the opening and ending trade payables balances for the period, divided by cost of sales for the relevant period, multiplied by the number of days in the relevant period (i.e. 365 days for each of the years ended December 31, 2022, 2023 and 2024). The following table sets forth the number of our trade payables turnover days for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Trade payables turnover days	25	54	57

Our trade payables turnover days increased from 25 days in 2022 to 54 days in 2023, primarily due to change in our production model which resulted in an increase of raw material procurement. Our trade payables turnover days was relatively stable in 2023 and 2024.

As of March 31, 2025, RMB24.5 million, or approximately 78.8% of our trade payables as of December 31, 2024 were subsequently settled.

Our other payables primarily include (i) deposits from customers representing required deposit payable by distributors, (ii) payroll payables, representing payables to employees including salaries, bonuses, insurances and housing provident funds (iii) other tax payables primarily including VAT payable arising from sales (iv) payables for acquisition of property, plant and equipment, (v) accrued expenses, which represent amounts provided for promotional events such as lucky draw, advertising expenses, and travel expenses for our employees and (vi) others, including payables of travel expenses and miscellaneous supplies such as office equipment. The following table sets forth our other payables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Other payables			
Deposits from customers	11,994	9,140	9,117
Payroll payables	10,115	10,899	12,773
Other tax payables	5,096	5,796	13,357
Payables for acquisition of property, plant and equipment	–	–	1,021
Accrued expenses	2,564	6,354	6,435
Others	1,699	2,886	1,297
	31,468	**35,075**	**44,000**

Our deposit from customer decreased from RMB12.0 million as of December 31, 2022 to RMB9.1 million as of December 31, 2023, primarily due to a change of our policy. Before 2023, some distributors undertook training for consumers and paid deposits to us for training materials and guidance, while starting from 2023, we have terminated the distributor training program and started to provide consumer training on our own. Our deposit from customer remained relatively stable as of December 31, 2024 as compared to that as of December 31, 2023. Our payroll payables increased steadily during the Track Record Period, primarily due to increases in headcount and average salary, which is in line with our business expansion. Other tax payables increased significantly from RMB5.8 million as of December 31, 2023 to RMB13.4 million as of December 31, 2024, primarily due to a withholding tax that arose from transfer of equity interest in 2024. See "History and Corporate Structure — Our Corporate Developments — Establishment and Major Shareholding Changes of our Company — 5. Equity Transfers in December 2023 and March 2024". We recorded payables for acquisition of property, plant and equipment of RMB1.0 million as of December 31, 2024, primarily arising from construction of our Fengzhen production facility and upgrade of our Qingdao production facility. Accrued expenses increased significantly from RMB2.6 million as of December 31, 2022 to RMB6.4 million as of December 31, 2023, primarily due to the commencement of our lucky draw initiative in 2023 for the purposes of product promotion.

Contract Liabilities

Our contract liabilities during the Track Record Period consisted of (i) advances from customers for sales of goods and (ii) deferred income, which represents sales incentives payable to distributors. As of December 31, 2022, 2023 and 2024, we had contract liabilities of RMB42.2 million, RMB18.2 million and RMB20.3 million, respectively. The following table sets forth our contract liabilities as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Advance from customers	31,611	7,830	13,657
Deferred income	10,607	10,397	6,675
	42,218	**18,227**	**20,332**

Our contract liabilities decreased by 56.8% from RMB42.2 million as of December 31, 2022 to RMB18.2 million as of December 31, 2023, and increased by 11.5% to RMB20.3 million as of December 31, 2024. The decrease from 2022 to 2023 was primarily due to a decrease in advance from customers as a result of the prepayment from customers we collected at the end of 2022 for their orders to be delivered around the spring festival which was in January 2023. The increase from 2023 to 2024 was a result of increased advance from customers, partially offset by a decrease in deferred income due to the settlement of sales incentives to distributors.

Amount Due to Related Parties

Our amounts due to related parties refer to OEM processing fees payable to Jintao, which is wholly-owned by our Controlling Shareholders, and procurement costs in the ordinary course of business, which are all trade nature. As of December 31, 2022, 2023 and 2024, we had amount due to related parties of RMB2.5 million, RMB18.5 million and RMB2.5 million, respectively.

The significant increase in our amounts due to related parties as of December 31, 2023 as compared to December 31, 2022 was primarily due to an increase in our sales volume in 2023, which resulted in an increase in procurement costs and OEM processing fees. The significant decrease in our amounts due to related parties as of December 31, 2024 as compared to December 31, 2023 was primarily as we procured a larger proportion of raw materials on our own for processing by Jintao in 2024, as compared to 2023 during which Jintao procured a larger portion of raw materials which resulted in larger payables by us.

Tax Payables

Our tax payables refers to the corporate income tax payable, which decreased by 12.5% from RMB4.7 million as of December 31, 2022 to RMB4.1 million as of December 31, 2023, and increased significantly to RMB12.4 million as of December 31, 2024. The increase of our tax payables from 2023 to 2024 was a result of the postponement of our tax prepayment and the increase of our taxable income in 2024.

Financial Liabilities at FVTPL

Our financial liabilities at FVTPL refers to our unconditional obligations in relation to preferential rights conferred to minority shareholders. Such preferential rights have been terminated in January 2025. For details, see "— Material Accounting Policies and Estimates — Financial Instruments — Financial Liabilities and Equity," "— Consolidated Statements of Profit or Loss and Other Comprehensive Income — Loss on Fair Value Change of Financial Liabilities at Fair Value through Profit or Loss" and Note 24 of the Accountants' Report set out in Appendix I to this document.

Lease Liabilities

Our lease liabilities arise from the leases office buildings and land for production facilities. We recorded lease liabilities of RMB4.3 million as of December 31, 2024, primarily due to the entering of new long-term lease for our office building in Beijing.

Dividend Payables

Our dividends payables refers to the dividends to be paid to our shareholders, which increased from nil as of December 31, 2022 and as of December 31, 2023 to RMB23.2 million as of December 31, 2024. This is primarily due to our dividend declared in November 2024 that had not been paid as of December 31, 2024.

NET CURRENT ASSETS/(LIABILITIES)

The table below sets forth our current assets, current liabilities and net current liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Inventories	32,484	85,134	119,571	110,954
Trade and other receivables	33,289	32,439	23,049	32,909
Prepayments	5,207	2,357	6,020	12,010
Amounts due from related parties	95,259	10,242	101	828
Cash and cash equivalents	47,387	229,555	162,639	210,575
	213,626	359,727	311,380	367,276
Current liabilities				
Trade and other payables	42,776	80,127	75,032	78,138
Contract liabilities	42,218	18,227	20,332	20,718
Amounts due to related parties	2,492	18,471	2,523	2,934
Bank borrowings	–	–	–	30,000
Tax payables	4,651	4,071	12,399	18,394
Financial liabilities at FVTPL	291,501	476,021	581,280	–
Lease liabilities	–	–	1,156	1,167
Dividend payables	–	–	23,185	132,985
	383,638	596,917	715,907	284,336
Net current assets/(liabilities)	**(170,012)**	**(237,190)**	**(404,527)**	**82,940**

Our net current liabilities increased from RMB170.0 million as of December 31, 2022 to RMB237.2 million as of December 31, 2023, primarily due to (i) an increase in financial liabilities at FVTPL, an increase in amount due to related parties, an increase in trade and other payables and a decrease in amounts due from related parties, partially offset by (ii) an increase in inventories, an increase in cash and cash equivalents and a decrease in contract liabilities.

Our net current liabilities increased from RMB237.2 million as of December 31, 2023 to RMB404.5 million as of December 31, 2024, primarily due to (i) an increase in financial liabilities at FVTPL and a decrease in cash and cash equivalents, partially offset by (ii) an increase in inventories.

We recorded net current assets of RMB82.9 million as of March 31, 2025, primarily due to the termination of preferential rights granted to minority Shareholders in January 2025.

LIQUIDITY AND CAPITAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including cash and cash equivalents as well as other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations. As of December 31, 2022, 2023 and 2024, we had cash and cash equivalents of RMB47.4 million, RMB229.6 million and RMB162.6 million, respectively.

Cash Flows

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

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax	122,116	184,297	132,041
Adjustments for:			
Finance costs	–	–	115
Bank interest income	(648)	(272)	(412)
Interest income from loans to related parties	(3,478)	(8,386)	(3,619)
Depreciation of property, plant and equipment	963	1,066	2,624
Depreciation of right-of-use assets	670	670	1,584
Impairment losses under ECL model, net of reversal	12	(13)	29
Loss on fair value change of financial liabilities at FVTPL	36,824	4,520	105,259
Net foreign exchange gain	(3,165)	(1,029)	(1)
Net loss on disposal of property, plant and equipment	–	–	69

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Operating cash flows before movements in working capital	153,294	180,853	237,689
Increase in inventories	(22,110)	(50,942)	(32,520)
(Increase) decrease in trade and other receivables	(26,058)	3,771	4,197
(Increase) decrease in prepayments	(3,857)	2,850	(3,663)
Increase (decrease) in trade and other payables	2,920	37,351	(6,116)
(Increase) decrease in amounts due from related parties – trade related	–	(3,159)	3,058
Increase (decrease) in amounts due to related parties – trade related	1,750	15,979	(15,948)
Increase (decrease) in contract liabilities	24,501	(23,991)	2,105
Cash generated from operations	130,440	162,712	188,802
Income taxes paid	(22,174)	(27,295)	(33,108)
Interest received	648	272	412
NET CASH GENERATED FROM OPERATING ACTIVITIES	108,914	135,689	156,106
INVESTING ACTIVITIES			
Purchase of and prepayments for acquisition of property, plant and equipment	(2,084)	(14,988)	(47,558)
Upfront payments for right-of-use assets	–	–	(8,041)
Loans to related parties	(152,583)	(144,394)	(382,031)
Repayments from related parties	34,505	343,807	303,127
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(120,162)	184,425	(134,503)
FINANCING ACTIVITIES			
Payments of lease liabilities	–	–	(323)
Dividends paid to shareholders	(17,000)	(138,855)	(88,209)
NET CASH USED IN FINANCING ACTIVITIES	(17,000)	(138,855)	(88,532)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(28,248)	181,259	(66,929)
Cash and cash equivalents at beginning of the year	75,635	47,387	229,555
Effect of foreign exchange rate changes	–	909	13
Total cash and cash equivalents at end of the year	47,387	229,555	162,639

Operating Activities

Cash flows from operating activities consist of profit or loss before income tax adjusted for certain non-cash or non-operating activities related items, primarily including Interest income arising from loan to related parties and Loss on fair value change of financial liabilities at FVTPL. We derive our cash inflow mainly from operating activities through sales of FSMP products. Cash outflow from operating activities primarily consisted of payments for procuring inventories and other operating expenses incurred during our daily operations. We recorded net operating cash inflow throughout the Track Record Period.

Our cash inflow from operating activities increased by 24.6% from RMB108.9 million in 2022 to RMB135.7 million in 2023, and further increased by 15.0% to RMB156.1 million in 2024.

Our net cash from operating activities was RMB156.1 million in 2024. This net cash inflow was attributable to (i) profit before tax of RMB132.0 million, as adjusted to reflect non-cash or non-operating items, which primarily consisted of (i) finance cost of RMB0.1 million; (ii) bank interest income of RMB0.4 million; (iii) interest income arising from loan to related parties of RMB3.6 million; (iv) depreciation of property, plant and equipment of RMB2.6 million; (v) depreciation of right-of-use assets of RMB1.6 million; (vi) impairment losses under expected credit loss model, net of reversal of RMB29,000; (vii) loss of fair value change of financial liabilities at FVTPL of RMB105.3 million; (viii) net foreign exchange gain of RMB1,000; and (ix) net loss on disposal of property, plant, and equipment of RMB69,000. This is further offset by (i) increase in inventories of RMB32.5 million; (ii) decrease in trade and other receivables of RMB4.2 million; (iii) increase in prepayments of RMB3.7 million; (iv) decrease in trade and other payables of RMB6.1 million; (v) increase in amounts due from related parties — trade related of RMB3.1 million; (vi) decrease in amounts due to related parties — trade related of RMB15.9 million and (vii) increase in contract liabilities of RMB2.1 million.

Our net cash from operating activities was RMB135.7 million in 2023. This net cash inflow was attributable to (i) profit before tax of RMB184.3 million, as adjusted to reflect non-cash or non-operating items, which primarily consisted of (i) finance cost of nil; (ii) bank interest income of RMB0.3 million; (iii) interest income arising from loan to related parties of RMB8.4 million; (iv) depreciation of property, plant and equipment of RMB1.1 million; (v) depreciation of right-of-use assets of RMB0.7 million; (vi) impairment losses under expected credit loss model, net of reversal of RMB13,000; (vii) loss of fair value change of financial liabilities at FVTPL of RMB4.5 million; (viii) net foreign exchange gain of RMB1.0 million; and (ix) net loss on disposal of property, plant, and equipment of nil. This is further offset by (i) increase in inventories of RMB50.9 million; (ii) decrease in trade and other receivables of RMB3.8 million; (iii) decrease in prepayments of RMB2.9 million; (iv) increase in trade and other payables of RMB37.4 million; (v) decrease in amounts due from related parties — trade related of RMB3.2 million; (vi) increase in amounts due to related parties — trade related of RMB16.0 million and (vii) decrease in contract liabilities of RMB24.0 million.

Our net cash from operating activities was RMB108.9 million in 2022. This net cash inflow was attributable to (i) profit before tax of RMB122.1 million, as adjusted to reflect non-cash or non-operating items, which primarily consisted of (i) finance cost of nil; (ii) bank interest income of RMB0.6 million; (iii) interest income arising from loan to related parties of RMB3.5 million; (iv) depreciation of property, plant and equipment of RMB1.0 million; (v) depreciation of right-of-use assets of RMB0.7 million; (vi) impairment losses under expected credit loss model, net of reversal of RMB12,000; (vii) loss of fair value change of financial liabilities at FVTPL of RMB36.8 million; (viii) net foreign exchange gain of RMB3.2 million; and (ix) net loss on disposal of property, plant, and equipment of nil. This is further offset by (i) increase in inventories of RMB22.1 million; (ii) increase in trade and other receivables of RMB26.1 million; (iii) increase in prepayments of RMB3.9 million; (iv) increase in trade and other payables of RMB2.9 million; (v) increase in amounts due from related parties — trade related of nil; (vi) decrease in amounts due to related parties — trade related of RMB1.8 million and (vii) increase in contract liabilities of RMB24.5 million.

Investing Activities

Our cash used in investing activities mainly consisted cash used in purchases of and prepayments for acquisition property, plant and equipment, upfront payments for right-of-use assets and our loans to related parties. Our cash generated from investing activities mainly consisted of repayments from related parties.

Our cash flow from investing activities changed from a cash outflow of RMB120.2 million in 2022 to a cash inflow of RMB184.4 million in 2023, which further changed to a cash outflow of RMB134.5 million.

Our net cash used in investing activities was RMB134.5 million in 2024. This net cash outflow was primarily due to (i) purchases of property, plant and equipment of RMB47.6 million; (ii) loans to related parties of RMB382.0 million; (iii) repayments from related parties of RMB303.1 million and (iv) upfront payments for right-of-use assets of RMB8.0 million.

Our net cash generated from investing activities was RMB184.4 million in 2023. This net cash inflow was primarily due to (i) purchases of property, plant and equipment of RMB15.0 million; (ii) loans to related parties of RMB144.4 million; and (iii) repayments from related parties of RMB343.8 million.

Our net cash used in investing activities was RMB120.2 million in 2022. This net cash outflow was primarily due to (i) purchases of property, plant and equipment of RMB2.1 million; (ii) loans to related parties of RMB152.6 million; and (iii) repayments from related parties of RMB34.5 million.

Financing Activities

Our cash used in financing activities mainly consisted of payments of lease liabilities and dividends paid to shareholders.

Our cash outflow from financing activities increased significantly from RMB17.0 million in 2022 to RMB138.9 million in 2023, and decreased by 36.2% to RMB88.5 million in 2024.

Our net cash used in financing activities was RMB88.5 million in 2024. This net cash outflow was primarily due to (i) payments of lease liabilities of RMB0.3 million; (ii) dividends paid to shareholders of RMB88.2 million.

Our net cash used in financing activities was RMB138.9 million in 2023. This net cash outflow was primarily due to (i) payments of lease liabilities of nil; (ii) dividends paid to shareholders of RMB138.9 million.

Our net cash used in financing activities was RMB17.0 million in 2022. This net cash outflow was primarily due to (i) payments of lease liabilities of nil; (ii) dividends paid to shareholders of RMB17.0 million.

WORKING CAPITAL SUFFICIENCY

During the Track Record Period, we met our working capital requirements mainly from cash generated from operations.

Taking into account the financial resources available to us, including cash flow from operating activities and the estimated [**REDACTED**] from the [**REDACTED**], our Directors are of the view that we have sufficient working capital to meet our present requirements and for the next 12 months from the date of this document.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Lease Liabilities

Our lease liabilities mainly represent the amount to be paid by us as the lessee for the leases of our office buildings. As of December 31, 2022, 2023 and 2024 and March 31, 2025, we had lease liabilities of nil, nil, RMB4.3 million and RMB4.0 million (unaudited), respectively.

Bank Borrowings

As of March 31, 2025, we had bank borrowings of RMB30.0 million (unaudited). Such borrowings are guaranteed by our Controlling Shareholders and their close associates. We plan to fully repay such borrowings prior to [**REDACTED**]. See "Relationship with Our Controlling Shareholders."

Contingent Liabilities

As of March 31, 2025, we did not have any material outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES AND CONTRACTUAL COMMITMENTS

Capital Expenditures

Our capital expenditures during the Track Record Period consisted of expenditure for acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information. As of December 31, 2022, 2023 and 2024, our capital expenditure was 2.1 million, 3.8 million and RMB45.6 million.

We expect to incur further capital expenditure in the year ending December 31, 2025, primarily related to our construction in progress and procurement of production machinery and equipment. We intend to fund our planned capital expenditures through a combination of the [**REDACTED**] from the [**REDACTED**] as well as cash generated from operating activities.

Our actual capital expenditures may differ from the amounts set forth above due to various factors, including our future cash flows, results of operations and financial condition, economic conditions in the market, the availability of financing on terms acceptable to us and development in the regulatory environment. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business in the future.

Capital Commitment

As of December 31, 2024, we had capital commitment of RMB80.0 million for acquisition of property, plant and equipment.

OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not our related parties and the [**REDACTED**] during the relevant period. Upon the completion of this [**REDACTED**], we will comply with the relevant Listing Rules and adopt a more prudent approach when reviewing and engaging related party transactions.

Transactions with Related Parties

During the Track Record Period, our transactions with related parties mainly consisted of (i) purchase of goods and services; and (ii) rent of properties. See Note 31 to the Accountants' Report in Appendix I to this document for details of transactions carried out with our related parties during the Track Record Period.

During the Track Record Period, we provided guarantee to certain bank loans incurred by Shengyuan Nutritional. Such loans had been fully repaid by Shengyuan Nutritional as of December 31, 2023, and the guarantee provided by us had been fully released accordingly. See Note 31 to the Accountants' Report in Appendix I to this document for details

It is the view of our Directors that each of the related party transactions set out in Note 31 of the Accountants' Report in Appendix I to this document (i) were conducted on normal commercial terms and/or on terms not less favorable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of our Shareholders as a whole; and (ii) do not distort our Track Record Period results or make our historical results not reflective of future performance. Certain related party transactions will continue after [**REDACTED**]. For details, see "Connected Transactions."

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended December 31,		
	2022	2023	2024
Profitability ratios			
Gross profit margin *(%)*[(1)]	71.8	71.0	71.0
Net profit margin *(%)*[(2)]	17.1	26.1	11.3
Adjusted net profit margin (%)[(3)]	24.6	26.7	23.9
Return on equity *(%)*[(4)]	N/A	N/A	N/A
Adjusted return on equity (%)[(5)]	68.2	70.9	75.5
Return on assets *(%)*[(6)]	29.7	44.3	22.7
Adjusted return on assets (%)[(7)]	42.8	45.5	48.0

	As of December 31,		
	2022	2023	2024
Liquidity ratios			
Current ratio *(times)*[(8)]	0.6	0.6	0.4
Adjusted current ratio *(times)*[(9)]	2.3	3.0	2.3
Quick ratio *(times)*[(10)]	0.5	0.5	0.3
Adjusted quick ratio *(times)*[(11)]	2.0	2.3	1.4
Capital adequacy ratio			
Gearing ratio *(%)*[(12)]	N/A	N/A	N/A
Adjusted gearing ratio *(%)*[(13)]	–	–	1.6

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

(2) Net profit margin is calculated based on profit and total comprehensive income for the year divided by revenue and multiplied by 100%.

(3) Adjusted net profit margin is calculated based on adjusted profit and total comprehensive income for the year (non-IFRS measure) divided by revenue and multiplied by 100%.

(4) Return on equity is calculated based on profit and total comprehensive income for the year divided by the arithmetic mean of the opening and closing balances of total equity and multiplied by 100%. Given that we had total deficit during the Track Record Period, this ratio is not meaningful.

(5) Adjusted return on equity is calculated based on adjusted profit and total comprehensive income for the year (non-IFRS measure) divided by the arithmetic mean of the opening and closing balances of total equity (excluding the impact of the recognition of financial liabilities at FVTPL) and multiplied by 100%.

(6) Return on assets is calculated based on profit and total comprehensive income for the year divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(7) Adjusted return on assets is calculated based on adjusted profit and total comprehensive income for the year (non-IFRS measure) divided by the arithmetic mean of the opening and closing balances of total assets and multiplied by 100%.

(8) Current ratio is calculated based on total current assets divided by total current liabilities.

(9) Adjusted current ratio is calculated based on total current assets divided by total current liabilities (excluding the impact of the recognition of financial liabilities at FVTPL).

(10) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(11) Adjusted quick ratio is calculated based on total current assets less inventories divided by total current liabilities (excluding the impact of the recognition of financial liabilities at FVTPL).

(12) Gearing ratio is calculated based on total borrowings (including bank borrowings and lease liabilities) divided by total equity multiplied by 100%. Given that we had total deficit, this ratio as of December 31, 2022, 2023 and 2024 is not meaningful.

(13) Adjusted gearing ratio is calculated based on total borrowings (including bank borrowings and lease liabilities) divided by total equity (excluding the impact of the recognition of financial liabilities at FVTPL) multiplied by 100%.

Gross Profit Margin

See "— Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin" for detailed discussions.

Net Profit Margin

Our net profit margin increased from 17.1% in 2022 to 26.1% in 2023, and decreased to 11.3% in 2024. Such fluctuations were primarily the result of fluctuations of our net profit, which was in turn affected by our loss on fair value change of financial liabilities at FVTPL.

Adjusted Net Profit Margin

Our adjusted net profit margin was relatively stable at 24.6%, 26.7% and 23.9% in 2022, 2023 and 2024, respectively.

Adjusted Return on Equity

Our adjusted return on equity increased from 68.2% in 2022 to 70.9% in 2023, and further increased to 75.5% in 2024 primarily due to increases in our adjusted profit and total comprehensive income for the year.

Return on Assets

Our return on assets increased from 29.7% in 2022 to 44.3% in 2023, and decreased to 22.7% in 2024 primarily due to fluctuations of our loss on fair value change of financial liabilities at FVTPL.

Adjusted Return on Assets

Our adjusted return on assets remained relatively stable at 42.8% in 2022, 45.5% in 2023 and 48.0% in 2024.

Current Ratio

Our current ratio remained relatively stable at 0.6 in 2022, 0.6 in 2023, and 0.4 in 2024. Our current ratio was relatively low during the Track Record Period primarily due to the recognition of financial liabilities at FVTPL.

Adjusted Current Ratio

Our adjusted current ratio was 2.3, 3.0 and 2.3 as of December 31, 2022, 2023 and 2024, respectively. Our adjusted current ratio was relatively higher as of December 31, 2023, primarily due to a higher balance of cash and cash equivalents.

Quick Ratio

Our quick ratio remained fairly stable at 0.5 in 2022, 0.5 in 2023 and 0.3 in 2024. Our quick ratio was relatively low during the Track Record Period primarily due to the recognition of financial liabilities at FVTPL.

Adjusted Quick Ratio

Our adjusted quick ratio was 2.0, 2.3 and 1.4 as of December 31, 2022, 2023 and 2024, respectively. Our adjusted quick ratio was relatively lower as of December 31, 2024, primarily due to an increase in our inventories.

Adjusted Gearing Ratio

Our adjusted gearing ratio increased from nil as of December 31, 2022 and 2023 to 1.6 as of December 31, 2024 due to our incurrence of lease liabilities related to our office building in Beijing.

FINANCIAL RISKS

Our major financial instruments include trade and other receivables, amounts due from/to related parties, cash and cash equivalents, trade and other payables, dividend payables and financial liabilities at FVTPL.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The carrying amounts of our monetary assets which are denominated in a currency other than the functional currency of the relevant group entities at the end of each reporting period are as follows:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Assets			
USD	66,178	116,074	1,170
EUR	26,351	–	–
HKD	–	127	444

We do not have a foreign currency hedging policy, but our Directors monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

We are exposed to fair value interest rate risk in relation to lease liabilities. We currently do not have formal interest rate hedging policies. Our management monitors our exposures on an on-going basis and will consider hedging interest rate risk should the need arise.

We are also exposed to cash flow interest rate risk in relation to cash and cash equivalents.

Credit risk and impairment assessment

Credit risk refers to the risk that our counterparties default on their contractual obligations resulting in financial losses to us. Our and the Company's credit risk exposures are primarily attributable to its trade and other receivables, amounts due from related parties and cash and cash equivalents.

Our carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position at the end of each reporting period represent our maximum exposure to credit risk without taking into account any collateral or other credit enhancement, which will cause a financial loss to us due to failure to discharge the obligation by counterparties.

We also consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, we compare the risk of default occurring on an asset as of the end of each reporting period with the risk of default as of the date of initial recognition. It considers available reasonable and supportive forward-looking information, especially the actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligation.

Cash and cash equivalents, other receivables and amounts due from related parties are determined to have low credit risk at the end of each year because the counterparties are reputable and the risk of inability to pay or redeem at the due date is low.

In order to minimize credit risk, we have developed and maintained our credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and our own historical repayment records to rate its major customers and other debtors. Our exposure and the credit ratings of its counterparties are continuously monitored and reviewed at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amount.

Liquidity risk

Our Directors monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

Taking into account the termination of the obligations arising from preferential rights and the cash from the operating activities, the directors consider that we have sufficient working capital to meet in full its financial obligations as they fall due for at least the next twelve months from the end of each reporting period and accordingly the Historical Financial Information has been prepared on a going concern basis.

DIVIDEND AND DIVIDEND POLICY

We are incorporated under the laws of the PRC. Any dividends we pay will be at the proposal of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors which our Directors consider relevant. Our shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board.

Under the applicable PRC laws and regulations, a PRC incorporated company is required to set aside at least 10% of its after-tax profits each year, after making up previous years' accumulated losses, if any, to contribute to certain statutory reserve funds until the aggregate amount contributed to such funds reaches 50% of its registered capital. The company may pay dividends out of after-tax profits after making up for accumulated losses and contributing to statutory reserve funds as mentioned above.

No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our Directors have the absolute discretion to recommend any dividend subject to our constitutional documents and the relevant laws. We cannot assure you that our Company will be able to declare dividends of any amount each year or in any year.

We declared dividends amounting to RMB17.0 million, RMB138.9 million and RMB201.0 million in years ended December 31, 2022, 2023 and 2024, respectively. Subsequent to the Track Record Period, we declared a special dividend in an amount of RMB109.8 million in March 2025. As of the Latest Practicable Date, our dividends declared in 2022 and 2023 had been fully paid and a total of RMB2.4 million dividends declared in 2024 and 2025 remained payable, which we will settle with our internal funds.

Subject to our constitutional documents and the applicable laws and regulations and on the condition that we are able to operate normally and sustainably, we have adopted a general annual dividend policy, according to which we expect to pay out dividend at a ratio of not less than 50% of our annual distributable profit realized in each year after [**REDACTED**]. The actual dividend plan shall be determined by our Board of Directors, after considering factors such as our operation conditions, business development plan and cash flow for the relevant year, and the actual dividend amount shall be such amount as approved by our Shareholders. Our future declarations of dividends may or may not reflect our historical declarations of dividends. In addition, our Directors may reassess our dividend policy in the future.

INVESTMENT PROPERTIES AND VALUATION OF INVESTMENT PROPERTIES

AVISTA Valuation Advisory Limited, an independent third party and a licensed property valuator, valued our property interests in Qingdao, the PRC (the "**Property**") as of March 31, 2025 at RMB71.4 million, respectively. Details of the valuation are summarized in Appendix III to this document.

As required under Rule 5.07 of the Listing Rules, a reconciliation between the net book value of the Property as of December 31, 2024 as extracted from the Accountants' Report set out in Appendix I to this document and the Property valuation report set out in Appendix III to this document is set out below:

	RMB'000
Net book value of the Property as of December 31, 2024	36,308
Net valuation surplus	35,072
Valuation of the Property as of March 31, 2025 as set out in the property valuation report set out in Appendix III to this document	71,380

DISTRIBUTABLE RESERVES

As of December 31, 2024, our Company had accumulated loss of RMB138.6 million, and therefore we did not have any distributable reserve.

[REDACTED] EXPENSES

Our [**REDACTED**] expenses mainly include [**REDACTED**], professional fees paid to legal advisors, the Reporting Accountants and other professional parties for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**].

Based on the mid-point [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] and assuming the [**REDACTED**] is not exercised, the total estimated [**REDACTED**] expenses in relation to the [**REDACTED**] are RMB[**REDACTED**] million (HK$[**REDACTED**] million), accounting for approximately [**REDACTED**]% of the gross [**REDACTED**]. Our total [**REDACTED**] expenses consist of (i) [**REDACTED**] expenses and fees (including [**REDACTED**], Stock Exchange trading fee, SFC and AFRC transaction levy) of RMB[**REDACTED**] million (HK$[**REDACTED**] million); and (ii) [**REDACTED**] expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million), including (a) fees payable to legal advisors and Reporting Accountants of RMB[**REDACTED**] million (HK$[**REDACTED**] million) and (b) sponsor fee and other fees and expenses of RMB[**REDACTED**] million (HK$[**REDACTED**] million). During the Track Record Period, we did not incur any [**REDACTED**] expenses. Approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) is expected to be charged to profit or loss for the year ending December 31, 2025, and approximately RMB[**REDACTED**] million (HK$[**REDACTED**] million) directly attributable to the issue of the Shares is expected to be deducted from equity upon the completion of the [**REDACTED**].

Our Directors do not expect that such expenses will have a material adverse effect on our results of operations for the year ending December 31, 2025.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

See "Appendix II — Unaudited [**REDACTED**] Financial Information."

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this document, (i) there had been no material adverse change in our business, the industry where we operate, or market or regulatory environment to which we are subject; (ii) there has been no material adverse change in our financial or [**REDACTED**] position or prospects since December 31, 2024, being the date of the latest audited consolidated financial position of our Group as set out in the Accountants' Report in Appendix I to this document; or (iii) there has been no event since December 31, 2024 that would materially affect the information shown in the Accountants' Report set forth in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [**REDACTED**] of the Shares on the Stock Exchange.

FUTURE PLANS

See "Business — Business Strategies" for a detailed description of our future plans.

[REDACTED]

We estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] stated in this document), after deducting the [**REDACTED**] and estimated expenses paid or payable by us in connection with the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised.

In line with our strategies, we intend to apply the [**REDACTED**] from the [**REDACTED**], in the next few years, for the following purposes and in the amounts set forth below:

- **Approximately [REDACTED]%, or HK$[REDACTED] million, will be used to continuously enhance our R&D capabilities and develop new products, including:**

  (i) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to fund the R&D of our non-infant FSMP products. For details of our new main non-infant FSMP product candidates, see "Business — Overview — Our Products";

  (ii) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to fund the R&D of our infant FSMP products. For details of our new main infant FSMP product candidates, see "Business — Overview — Our Products";

  (iii) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to fund the post-commercialization real-world studies of our marketed FSMP products;

- **Approximately [REDACTED]%, or HK$[REDACTED] million, will be used for brand building and expansion of sales network, including:**

  (i) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to conduct multiple kinds of sales and marketing activities, such as academic marketing, brand advertising and channel development;

  (ii) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to expand our sales network of non-infant FSMP products and to hire additional sales staff to support our sales team;

  (iii) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to enhance the training of distributors and maternal-child specialty stores in respect of sales and customer service;

(iv) Approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used to strengthen our online sales network through multiple ways, such as promotion on e-commerce platforms, collaboration with e-commerce platforms to operate online stores, and livestream promotion;

- **Approximately [REDACTED]%, or HK$[REDACTED] million, will be used to expand and enhance our production capacity, including** upgrading the production lines in our existing production plant in Qingdao, installing new production lines, and regular repair and maintenance of our equipment; and

- **Approximately [REDACTED]%, or HK$[REDACTED] million, will be used for working capital and general corporate purposes.**

In the event that the [**REDACTED**] is set at the high-end or low-end of the proposed [**REDACTED**] and the [**REDACTED**] is not exercised, the [**REDACTED**] to be received by us will be increased or decreased by approximately HK$[**REDACTED**] million, respectively. To the extent our [**REDACTED**] are either more or less than expected, we will adjust our allocation of the [**REDACTED**] for the above purposes on a pro rata basis.

If the [**REDACTED**] is fully exercised, we will receive additional [**REDACTED**] of approximately HK$[**REDACTED**] million (assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] stated in this document). In the event that the [**REDACTED**] is exercised, we intend to apply the additional [**REDACTED**] to the above purposes on a pro rata basis.

If any part of our plan does not proceed as planned for reasons such as changes in government policies that would render any of our plans not viable, or the occurrence of force majeure events, our Directors will carefully evaluate the situation and may reallocate the [**REDACTED**] from the [**REDACTED**]. We will issue an appropriate announcement if there is any material change to the above proposed [**REDACTED**].

To the extent that the [**REDACTED**] of the [**REDACTED**] are not immediately used for the purposes described above, and to the extent permitted by the relevant laws and regulations, we intend to deposit the [**REDACTED**] in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under SFO or applicable laws and regulations in the other jurisdictions).

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

THIS DOCUMENT IS IN DRAFT FORM, INCOMPLETE AND SUBJECT TO CHANGE AND THAT THE INFORMATION MUST BE READ IN CONJUNCTION WITH THE SECTION HEADED "WARNING" ON THE COVER OF THIS DOCUMENT.

[**REDACTED**]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

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[**REDACTED**]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

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[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-53 received from the Company's reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SAINTE NUTRITIONAL INC. AND CITIC SECURITIES (HONG KONG) LIMITED

Introduction

We report on the historical financial information of Sainte Nutritional Inc.* (聖桐特醫(青島)營養健康科技股份公司) (previously known as Qingdao Shengtong Nutritional Food Co., Ltd.* (青島聖桐營養食品有限公司)) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-3 to I-53, which comprises the consolidated statements of financial position of the Group as at December 31, 2022, 2023 and 2024, the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2024 (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-3 to I-53 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the initial [**REDACTED**] of H shares of the Company 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 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.

* English name is for identification purpose only

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' 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, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation 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 entity'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 Group's and the Company's financial positions as at December 31, 2022, 2023 and 2024, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on 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-3 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[●] 2025

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Audit and Assurance Standards Board (the "IAASB") ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31, 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*6*	491,223	654,244	834,096
Cost of sales		(138,722)	(189,866)	(241,690)
Gross profit		352,501	464,378	592,406
Other income	*7*	9,905	13,927	7,493
Other gains and losses	*8*	3,623	2,772	1,321
Impairment losses under expected credit loss ("ECL") model, net of reversal		(12)	13	(29)
Loss on fair value change of financial liabilities at fair value through profit or loss ("FVTPL")	*24*	(36,824)	(4,520)	(105,259)
Marketing and distribution expenses		(191,724)	(267,384)	(328,624)
General and administrative expenses		(8,842)	(14,077)	(21,822)
Research and development expenses	*10*	(6,511)	(10,812)	(13,330)
Finance costs	*9*	–	–	(115)
Profit before tax	*10*	122,116	184,297	132,041
Income tax expenses	*11*	(38,230)	(13,854)	(37,897)
Profit and total comprehensive income for the year		83,886	170,443	94,144
Earnings per share	*14*			
– Basic (RMB)		1.68	3.41	2.10
– Diluted (RMB)		1.58	3.05	2.10

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at December 31,		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*15*	18,726	19,747	48,281
Right-of-use assets	*16*	19,380	18,710	29,626
Deferred tax assets	*17*	2,655	3,323	1,571
Amounts due from related parties	*20*	102,732	–	–
Prepayments for acquisition of property, plant and equipment		–	11,193	26,628
		143,493	52,973	106,106
Current assets				
Inventories	*18*	32,484	85,134	119,571
Trade and other receivables	*19*	33,289	32,439	23,049
Prepayments		5,207	2,357	6,020
Amounts due from related parties	*20*	95,259	10,242	101
Cash and cash equivalents	*21*	47,387	229,555	162,639
		213,626	359,727	311,380
Current liabilities				
Trade and other payables	*22*	42,776	80,127	75,032
Contract liabilities	*23*	42,218	18,227	20,332
Amounts due to related parties	*20*	2,492	18,471	2,523
Tax payables		4,651	4,071	12,399
Financial liabilities at FVTPL	*24*	291,501	476,021	581,280
Lease liabilities	*25*	–	–	1,156
Dividend payables		–	–	23,185
		383,638	596,917	715,907
Net current liabilities		(170,012)	(237,190)	(404,527)
Total assets less current liabilities		(26,519)	(184,217)	(298,421)
Capital and reserves				
Paid-in capital	*26*	60,000	60,000	60,000
Reserves		(122,642)	(271,054)	(377,910)
Total deficit		(62,642)	(211,054)	(317,910)
Non-current liabilities				
Lease liabilities	*25*	–	–	3,095
Deferred tax liabilities	*17*	36,123	26,837	16,394
		36,123	26,837	19,489
		(26,519)	(184,217)	(298,421)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at December 31,		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*15*	18,655	19,747	48,281
Right-of-use assets	*16*	19,380	18,710	29,626
Investments in subsidiaries	*33*	20,071	20,071	20,071
Deferred tax assets	*17*	23	224	1,571
Prepayments for acquisition of property, plant and equipment		–	11,193	26,628
		58,129	69,945	126,177
Current assets				
Inventories	*18*	14,135	55,898	52,325
Trade and other receivables	*19*	6,146	8,098	11,180
Prepayments		4,001	2,204	5,636
Amounts due from related parties	*20*	95,259	3,159	101
Cash and cash equivalents	*21*	32,083	65,497	99,912
		151,624	134,856	169,154
Current liabilities				
Trade and other payables	*22*	18,111	62,221	69,677
Contract liabilities	*23*	105	1,982	14,640
Amounts due to related parties	*20*	85,008	55,702	76,003
Tax payables		4,278	2,906	9,464
Financial liabilities at FVTPL	*24*	291,501	476,021	581,280
Lease liabilities	*25*	–	–	1,156
Dividend payables		–	–	23,185
		399,003	598,832	775,405
Net current liabilities		(247,379)	(463,976)	(606,251)
Total assets less current liabilities		(189,250)	(394,031)	(480,074)
Capital and reserves				
Paid-in capital	*26*	60,000	60,000	60,000
Reserves	*33*	(249,250)	(454,031)	(543,169)
Total deficit		(189,250)	(394,031)	(483,169)
Non-current liability				
Lease liabilities	*25*	–	–	3,095
		(189,250)	(394,031)	(480,074)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Other reserve *(Note b)*	Statutory reserve *(Note a)*	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022	60,000	(343,306)	2,840	57,632	(222,834)
Profit and total comprehensive income for the year	–	–	–	83,886	83,886
Transferred to statutory reserve	–	–	38	(38)	–
Settlement of financial liabilities at FVTPL arising from performance target compensation by a shareholder *(Note 24)*	–	93,306	–	–	93,306
Dividend recognised as distribution *(Note 13)*	–	–	–	(17,000)	(17,000)
As at December 31, 2022	60,000	(250,000)	2,878	124,480	(62,642)
Profit and total comprehensive income for the year	–	–	–	170,443	170,443
Transferred to statutory reserve	–	–	11,407	(11,407)	–
Obligations arising from preferential rights granted to the 2023 Investors *(as defined and detailed under Note 24)*	–	(180,000)	–	–	(180,000)
Dividend recognised as distribution *(Note 13)*	–	–	–	(138,855)	(138,855)
As at December 31, 2023	60,000	(430,000)	14,285	144,661	(211,054)
Profit and total comprehensive income for the year	–	–	–	94,144	94,144
Transferred to statutory reserve	–	–	11,186	(11,186)	–
Dividend recognised as distribution *(Note 13)*	–	–	–	(201,000)	(201,000)
As at December 31, 2024	60,000	(430,000)	25,471	26,619	(317,910)

Notes:

(a) According to the People's Republic of China ("PRC") Company Law and the Articles of Association of the PRC entities, the Company is required to transfer 10% of its respective profit after tax, calculated in accordance with the relevant accounting principles and financial regulations applicable to entities established in the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of the Company, provided that such fund is maintained at a minimum of 25% of the registered capital.

(b) Other reserve represented the balance of the Company's obligations arising from the preferential rights granted to the Investors and the Group's performance target compensation committed to the Investors as defined and detailed in Note 24.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax	122,116	184,297	132,041
Adjustments for:			
Finance costs	–	–	115
Bank interest income	(648)	(272)	(412)
Interest income from loans to related parties	(3,478)	(8,386)	(3,619)
Depreciation of property, plant and equipment	963	1,066	2,624
Depreciation of right-of-use assets	670	670	1,584
Impairment losses under ECL model, net of reversal	12	(13)	29
Loss on fair value change of financial liabilities at FVTPL	36,824	4,520	105,259
Net foreign exchange gain	(3,165)	(1,029)	(1)
Net loss on disposal of property, plant and equipment	–	–	69
Operating cash flows before movements in working capital	153,294	180,853	237,689
Increase in inventories	(22,110)	(50,942)	(32,520)
(Increase) decrease in trade and other receivables	(26,058)	3,771	4,197
(Increase) decrease in prepayments	(3,857)	2,850	(3,663)
Increase (decrease) in trade and other payables	2,920	37,351	(6,116)
(Increase) decrease in amounts due from related parties – trade related	–	(3,159)	3,058
Increase (decrease) in amounts due to related parties – trade related	1,750	15,979	(15,948)
Increase (decrease) in contract liabilities	24,501	(23,991)	2,105
Cash generated from operations	130,440	162,712	188,802
Income taxes paid	(22,174)	(27,295)	(33,108)
Interest received	648	272	412
NET CASH GENERATED FROM OPERATING ACTIVITIES	108,914	135,689	156,106

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Purchase of and prepayments for acquisition of property, plant and equipment	(2,084)	(14,988)	(47,558)
Upfront payments for right-of-use assets	–	–	(8,041)
Loans to related parties	(152,583)	(144,394)	(382,031)
Repayments from related parties	34,505	343,807	303,127
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(120,162)	184,425	(134,503)
FINANCING ACTIVITIES			
Payments of lease liabilities	–	–	(323)
Dividends paid to shareholders	(17,000)	(138,855)	(88,209)
NET CASH USED IN FINANCING ACTIVITIES	(17,000)	(138,855)	(88,532)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(28,248)	181,259	(66,929)
Cash and cash equivalents at beginning of the year	75,635	47,387	229,555
Effect of foreign exchange rate changes	–	909	13
Total cash and cash equivalents at end of the year	47,387	229,555	162,639

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated and registered in the PRC on December 6, 2019 as a limited liability company and previously known as Qingdao Shengtong Nutritional Food Co., Ltd.* (青島聖桐營養食品有限公司). On May 12, 2025, the Company was converted into a joint stock company with limited liability under the Company Laws of the PRC and change the name to Sainte Nutritional Inc.* (聖桐特醫(青島)營養健康科技股份公司). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the Document. The parent company of the Company is Shengyuan Nutritions (HongKong) Co., Limited (聖元營養(香港)有限公司) ("Shengyuan HK"). Shengyuan HK is a company wholly-owned by Shengyuan International Company Limited (聖元國際有限公司), which in turn is wholly-owned by Beams Power Investment Limited ("Beams Power"), a company wholly-owned by Ms. Meng Xiuqing ("Ms. Meng").

Pursuant to the agreement entered into between Ms. Meng and Mr. Zhang Liang ("Mr. Zhang") on May 28, 2025, Ms. Meng agreed and confirmed that since the date of incorporation of Beams Power, by virtue of their spousal relationship, they have been and would continue consulting with each other and reach a consensus between themselves before making decisions and exercising the voting rights in Beams Power or through Beams Power at the shareholders' meetings of its invested companies. Accordingly, Ms. Meng and Mr. Zhang constitute a group of the Ultimate Controlling Shareholders of the Company during the Track Record Period.

The Group is principally engaged in providing foods for special medical purpose ("FSMP").

The presentation currency of the Historical Financial Information is Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with IFRS Accounting Standards issued by the IASB.

No audited statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdictions where there are no statutory audit requirements of the Company.

As at December 31, 2024, the Group's net current liabilities amounted to RMB404,527,000 and net deficit amounted to RMB317,910,000. In the opinion of the directors of the Company, the Group have subsequently terminated the obligations arising from preferential rights on January 27, 2025, the Group's and the Company's financial liabilities at FVTPL amounted to RMB581,280,000 was derecognised and credited to other reserve and the Group will have sufficient funds available from the operating activities to meet in full its financial obligations as they fall due for at least the next twelve months from the date of the Historical Financial Information. The Historical Financial Information has been prepared on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

Application of new and amendments to IFRS Accounting Standards

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the IFRS Accounting Standards, which are effective for the accounting period beginning on January 1, 2024 throughout the Track Record Period.

New and amendments to IFRS Accounting Standards in issue but not yet effective

At the date of this report, the following new and amendments to IFRS Accounting Standards have been issued which are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

* English name is for identification purpose only.

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after January 1, 2025.

[3] Effective for annual periods beginning on or after January 1, 2026.

[4] Effective for annual periods beginning on or after January 1, 2027.

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all the amendments to IFRS Accounting Standards will have no material impact on the Group's consolidated financial statements in foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after January 1, 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRS Accounting Standards. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

Information about the Group's accounting policies relating to revenue from contracts with customers is provided in Notes 6 and 23.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, 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 the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments).

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans including state-managed retirement benefit schemes in the PRC are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statements of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

In testing a CGU for impairment, corporate assets are allocated to relevant CGU when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units ("CGUs") for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the CGU or group of CGUs to which the corporate asset belongs, and is compared with the carrying amount of the relevant CGU or group of CGUs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a CGU, the Group compares the carrying amount of a group of CGUs, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of CGUs, with the recoverable amount of the group of CGUs. In allocating the impairment loss, the impairment loss is allocated on a pro-rata basis based on the carrying amount of each asset in the unit or the group of CGUs. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of CGUs. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU or a group of CGUs) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU or a group of CGUs) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amounts due from related parties and cash and cash equivalents). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as 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 when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt 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 regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when 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).

Irrespective of the above, 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.

Credit-impaired financial assets

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 policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and amounts due from related parties where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as financial liabilities at FVTPL, when the financial liabilities are designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term;

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, amounts due to related parties and dividend payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Fair value measurement of financial liabilities at FVTPL

As at December 31, 2022, 2023 and 2024, the financial liabilities at FVTPL amounting to RMB291,501,000, RMB476,021,000 and RMB581,280,000 are measured at fair value being determined based on unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant inputs thereof. Changes in assumptions relating to these factors may result in the material adjustments to the fair value of the financial liabilities at FVTPL. See Notes 24 and 29 (c) for further disclosures.

Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual value and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions and expected changes in the operating environment. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

As at December 31, 2022, 2023 and 2024, the Group's carrying amount of property, plant and equipment amount to RMB18,726,000, RMB19,747,000 and RMB48,281,000, respectively. As at December 31, 2022, 2023 and 2024, the Company's carrying amount of property, plant and equipment amount to RMB18,655,000, RMB19,747,000 and RMB48,281,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable from the sale of goods, net of sales related taxes, during the Track Record Period.

(i) Disaggregation of revenue from contract with customers

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Sales to distributors, recognised at a point in time	211,341	295,255	414,262
Sales to end users, recognised at a point in time	279,882	358,989	419,834
	491,223	654,244	834,096

(ii) Performance obligations for contracts with customers and revenue recognition policies

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods underlying the particular performance obligation is transferred to the customer.

Revenue from sales of goods is recognised at a point in time when the goods are delivered and accepted by the customers since only by that time the Group passes control of the goods to the customers. The Group does not allow customers to return goods unless the goods have defective packaging prior to the customers' confirmation of acceptance. Transportation and handling activities that occur before customers obtain control of the goods are considered as fulfilment activities.

Sales to distributors

The Group typically requires full payment before goods delivery, and contract liabilities are recognised when consideration is received in which revenue has yet been recognised.

The Group provides additional incentives to distributors at an pre-determined percentage of the actual sales based on the actual achievement rate of the sales targets. The distributors can then redeem such incentives for free goods and such incentives provide a material right to distributors. The consideration received or receivable from the goods sold is allocated to the incentives earned by distributors on a relative stand-alone selling prices which reflect the discount that distributors would obtain when redeeming the incentives, and deferred with contract liabilities recognised. Such contract liabilities are recognised as revenue until the incentives are redeemed when the Group fulfils its obligations to supply goods.

Sales to end users

The Group directly sells goods to end users through certain independent third party e-commerce platforms. Payments from end users are generally made to the e-commerce platforms before goods delivery and will be remitted to the Group twice a month or at the end of each month.

(iii) Transaction price allocated to the remaining performance obligations for contracts with customers

The Group applies the practical expedient of not disclosing the transaction price allocated to performance obligations that were unsatisfied as the Group's contract has an original expected duration of less than one year.

(iv) Segment information

For the purpose of resource allocation and assessment of segment performance, the executive director of the Company, being the chief operating decision maker, focuses and reviews on the overall results and financial position of the Group as a whole which are prepared based on the same accounting policies set out above. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Entity-wide disclosures

Geographical information

As at December 31, 2022, 2023 and 2024, substantially all of the Group's non-current assets were located in the PRC. The geographical information of the Group's revenue, determined based on geographical location of the customers, during the Track Record Period is as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	486,037	647,892	804,888
Hong Kong	5,186	6,352	29,208
	491,223	654,244	834,096

Information about major customers

No single customer contributed 10% or more of the total revenue of the Group during the Track Record Period.

7. OTHER INCOME

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Government grants *(note)*	3,125	3,399	637
Interest income from loans to related parties	3,478	8,386	3,619
Bank interest income	648	272	412
Rental income	1,144	1,134	1,518
Distributor penalty income	1,419	638	1,051
Others	91	98	256
	9,905	13,927	7,493

Note: The amount represents unconditional government grants received from local government in connection with the operating activities of the Group during the Track Record Period.

8. OTHER GAINS AND LOSSES

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net foreign exchange gain	3,623	2,772	1,390
Net loss on disposal of property, plant and equipment	–	–	(69)
	3,623	2,772	1,321

9. FINANCE COSTS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	–	–	115

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	2,591	2,774	4,541
Depreciation of right-of-use assets	670	670	1,584
	3,261	3,444	6,125
Capitalised in inventories	(1,628)	(1,708)	(1,917)
Total depreciation charge to profit or loss	1,633	1,736	4,208
Directors' remuneration *(Note 12)*	1,314	1,363	1,962
Other staff costs:			
– salaries and other benefits	37,055	46,142	58,718
– retirement benefit scheme contributions	5,431	6,925	8,628
	42,486	53,067	67,346
	43,800	54,430	69,308
Capitalised in inventories	(4,820)	(5,036)	(5,883)
Total staff costs charge to profit or loss	38,980	49,394	63,425
Auditor's remuneration	29	37	44
Cost of inventories recognised in cost of sales	129,647	178,249	226,726
Research and development expenses:			
Staff costs	3,108	3,522	4,310
Clinical trial fees	1,247	3,690	4,719
Laboratory expenses	1,730	2,715	3,119
Others	426	885	1,182
	6,511	10,812	13,330

11. INCOME TAX EXPENSES

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC Enterprise Income Tax ("EIT")	16,024	12,533	16,987
Hong Kong	325	775	2,601
	16,349	13,308	19,588
Deferred tax charge *(Note 17)*	21,881	546	18,309
	38,230	13,854	37,897

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the PRC Law on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the tax rate for the PRC subsidiary is 25% during the Track Record Period. The Company is subjected to 25% PRC EIT rate for the year ended December 31, 2022, while the Company obtained the High and New Technology Enterprise certification on November 29, 2023, and is therefore entitled to a preferential tax rate of 15% for a period from the year ended December 31, 2023 to the year ended December 31, 2025.

Income tax expenses for the Track Record Period can be reconciled to profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	122,116	184,297	132,041
Tax at the applicable PRC tax rate of 25%	30,529	46,074	33,010
Tax effect of expenses not deductible for tax purposes	9,302	1,296	26,683
Tax effect attributable to the additional qualified tax deduction relating to research and development expenses *(note i)*	(1,601)	(1,348)	(1,802)
Decrease in deferred tax liabilities resulting from a decrease in applicable tax rate	–	(14,440)	–
Effect of preferential tax rate	–	(17,728)	(19,994)
Income tax expenses	38,230	13,854	37,897

Note:

(i) Pursuant to the relevant laws and regulations in the PRC, the Company enjoyed a super deduction of 100% on qualified research and development expenditures for the years ended December 31, 2022, 2023 and 2024.

12. DIRECTORS', SUPERVISOR'S, CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors', supervisor's and the chief executive's emoluments

Details of the emoluments paid or payable to the individuals who were appointed as the directors, supervisor and the chief executive of the Company, during the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance are as follows:

	Date of appointment	Directors' fee	Salaries and other benefits	Performance-based bonuses	Retirement benefit scheme contributions	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2022						
Executive director:						
Mr. Zha Feng (查峰) (chief executive of the Company)	June 5, 2020	–	900	300	114	1,314
Non-executive directors:						
Ms. Cai Ning (蔡寧)	June 5, 2020	–	–	–	–	–
Mr. Zhao Shouming (趙守明)	November 19, 2021	–	–	–	–	–
Mr. Wu Jin (吳進)	June 5, 2020	–	–	–	–	–
Supervisor:						
Mr. Xu Fusen (徐福森)	June 5, 2020	–	–	–	–	–
		–	900	300	114	1,314

	Date of appointment	Directors' fee	Salaries and other benefits	Performance-based bonuses	Retirement benefit scheme contributions	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2023						
Executive director:						
Mr. Zha Feng (查峰)	June 5, 2020	–	960	300	103	1,363
Non-executive directors:						
Ms. Cai Ning (蔡寧)	June 5, 2020	–	–	–	–	–
Mr. Zhao Shouming (趙守明)	November 19, 2021	–	–	–	–	–
Mr. Wu Jin (吳進)	June 5, 2020	–	–	–	–	–
Ms. Yi Lin (易琳)	December 22, 2023	–	–	–	–	–
Supervisor:						
Mr. Xu Fusen (徐福森)	June 5, 2020	–	–	–	–	–
		–	960	300	103	1,363

	Date of appointment	Directors' fee	Salaries and other benefits	Performance-based bonuses	Retirement benefit scheme contributions	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2024						
Executive director:						
Mr. Zha Feng (查峰)	June 5, 2020	–	973	989	–	1,962
Non-executive directors:						
Ms. Cai Ning (蔡寧)	June 5, 2020	–	–	–	–	–
Mr. Zhao Shouming (趙守明)	November 19, 2021	–	–	–	–	–
Mr. Wu Jin (吳進)	June 5, 2020	–	–	–	–	–
Ms. Yi Lin (易琳)	December 22, 2023	–	–	–	–	–
Supervisor:						
Mr. Xu Fusen (徐福森)	June 5, 2020	–	–	–	–	–
		–	973	989	–	1,962

Note:

(i) The emoluments of Ms. Cai Ning, Mr. Zhao Shouming, Mr. Wu Jin, Ms. Yi Lin and Mr. Xu Fusen in relation to their services rendered for the Group were borne by an entity controlled by the Ultimate Controlling shareholders of the Company and not allocated to the Group as management of the Company considers there is no reasonable basis for such allocation during the Track Record Period.

The executive director's and chief executive's emoluments shown above were paid for his services in connection with the management of the affairs of the Company and the Group during the Track Record Period.

The non-executive directors' and supervisor's emoluments were for their services as directors and supervisor of the Company during the Track Record Period.

There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities. Also, there are no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the years ended December 31, 2022, 2023 and 2024 or at any time during the Track Record Period.

Five highest paid employees

For the years ended December 31, 2022, 2023 and 2024, the five highest paid employees of the Group included 1, 1 and 1 director of the Company, respectively, details of whose emoluments are set out above. Details of the remuneration of the remaining 4, 4 and 4 individuals, respectively, for the years ended December 31, 2022, 2023 and 2024, are as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	1,982	1,920	2,186
Performance-related bonuses	4,162	5,525	5,525
Retirement benefit scheme contributions	439	392	325
	6,583	7,837	8,036

Performance-based bonus is determined based on their duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The numbers of the five highest paid individuals (including directors of the Company) are within the following bands (presented in Hong Kong Dollar ("HK$")):

	Year ended December 31,		
	2022	2023	2024
HK$1,000,001 to HK$1,500,000	4	–	1
HK$1,500,001 to HK$2,000,000	1	4	3
HK$2,000,001 to HK$2,500,000	–	1	1
	5	5	5

During the Track Record Period, no emoluments were paid by the Group to the directors and supervisor of the Company or the five highest paid employees of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors and supervisor of the Company or the five highest paid employees of the Group has waived or agreed to waive any emoluments during the Track Record Period.

13. DIVIDENDS

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Dividends to shareholders of the Company	17,000	138,855	201,000

During the years ended December 31, 2022, 2023 and 2024, the Company declared dividends of RMB0.28, RMB2.31 and RMB3.35 per registered capital, in aggregate of RMB17,000,000, RMB138,855,000 and RMB201,000,000, respectively, to the shareholders of the Company.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Year ended December 31,		
	2022	2023	2024
Earnings (RMB'000):			
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	83,886	170,443	94,144
Effect of diluted potential ordinary shares:			
Adjustment to fair value change of financial liabilities at FVTPL (net of income tax)	36,824	4,520	–
Earnings for the purpose of diluted earnings per share	120,710	174,963	94,144
Number of shares ('000):			
Weighted average number of ordinary shares for the purpose of basic earnings per share	50,000	49,957	44,732
Effect of diluted potential ordinary shares:			
Financial liabilities at FVTPL	26,603	7,425	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	76,603	57,382	44,732

As set out in Note 34, the Company converted from a limited liability company into a joint stock company with limited liability on May 12, 2025. With reference to the Company's net assets value of RMB214,739,000 on January 31, 2025 and deducting the dividend declared to the shareholders of the Company of RMB109,800,000 on March 31, 2025, the Company converted net assets value of RMB104,939,000 into 60,000,000 ordinary shares with a par value of RMB1 each. For the purpose of determining basic earnings per share, the number of shares in issue before the Company's conversion into a joint stock limited liability company were deemed to be the weighted average number of ordinary shares as if the above conversion had occurred on January 1, 2022 at the conversion ratio according to the resolutions of the shareholders on April 12, 2025.

The Investors' shares, which are recorded as financial liabilities at FVTPL in Note 24, are not treated as outstanding shares and thus are excluded in the calculation of basic earnings per share until the preferential rights were legally terminated on January 27, 2025.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume incremental shares that would have to be issued to satisfy the obligations arising from preferential rights based on the average fair value of the shares over the period. For the years ended December 31, 2022, 2023 and 2024, the Company had the shares of the Investors (as defined and detailed under Note 24) which are potential ordinary shares. The potential ordinary shares were not included in the calculation of diluted earnings per share as their inclusion would be anti-dilutive for the year ended December 31, 2024. Accordingly, diluted earnings per share for the year ended December 31, 2024 is the same as basic earnings per share for the year.

15. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery	Inspection equipment	Electronic devices, furniture and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST								
As at January 1, 2022	17,685	3,270	2,163	324	–	–	–	23,442
Additions	–	648	1,390	46	–	–	–	2,084
As at December 31, 2022	17,685	3,918	3,553	370	–	–	–	25,526
Additions	–	2,566	949	158	122	–	–	3,795
Disposals	–	–	–	(146)	–	–	–	(146)
As at December 31, 2023	17,685	6,484	4,502	382	122	–	–	29,175
Additions	8,731	7,841	5,334	871	228	–	10,139	33,144
Transfers	–	–	–	–	–	1,264	(1,264)	–
Disposals	–	–	(50)	(38)	–	–	–	(88)
As at December 31, 2024	26,416	14,325	9,786	1,215	350	1,264	8,875	62,231
ACCUMULATED DEPRECIATION								
As at January 1, 2022	2,739	739	665	66	–	–	–	4,209
Provided for the year	1,521	526	466	78	–	–	–	2,591
As at December 31, 2022	4,260	1,265	1,131	144	–	–	–	6,800
Provided for the year	1,531	605	497	129	12	–	–	2,774
Eliminated on disposals	–	–	–	(146)	–	–	–	(146)
As at December 31, 2023	5,791	1,870	1,628	127	12	–	–	9,428
Provided for the year	2,357	864	992	159	64	105	–	4,541
Eliminated on disposals	–	–	(4)	(15)	–	–	–	(19)
As at December 31, 2024	8,148	2,734	2,616	271	76	105	–	13,950

	Buildings	Machinery	Inspection equipment	Electronic devices, furniture and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CARRYING VALUES								
As at December 31, 2022	13,425	2,653	2,422	226	–	–	–	18,726
As at December 31, 2023	11,894	4,614	2,874	255	110	–	–	19,747
As at December 31, 2024	18,268	11,591	7,170	944	274	1,159	8,875	48,281

The Company

	Buildings	Machinery	Inspection equipment	Electronic devices, furniture and office equipment	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST								
As at January 1, 2022	17,685	3,270	2,163	178	–	–	–	23,296
Additions	–	648	1,390	46	–	–	–	2,084
As at December 31, 2022	17,685	3,918	3,553	224	–	–	–	25,380
Additions	–	2,566	949	158	122	–	–	3,795
As at December 31, 2023	17,685	6,484	4,502	382	122	–	–	29,175
Additions	8,731	7,841	5,334	871	228	–	10,139	33,144
Transfers	–	–	–	–	–	1,264	(1,264)	–
Disposals	–	–	(50)	(38)	–	–	–	(88)
As at December 31, 2024	26,416	14,325	9,786	1,215	350	1,264	8,875	62,231
ACCUMULATED DEPRECIATION								
As at January 1, 2022	2,739	739	665	25	–	–	–	4,168
Provided for the year	1,521	526	466	44	–	–	–	2,557
As at December 31, 2022	4,260	1,265	1,131	69	–	–	–	6,725
Provided for the year	1,531	605	497	58	12	–	–	2,703
As at December 31, 2023	5,791	1,870	1,628	127	12	–	–	9,428
Provided for the year	2,357	864	992	159	64	105	–	4,541
Eliminated on disposals	–	–	(4)	(15)	–	–	–	(19)
As at December 31, 2024	8,148	2,734	2,616	271	76	105	–	13,950
CARRYING VALUES								
As at December 31, 2022	13,425	2,653	2,422	155	–	–	–	18,655
As at December 31, 2023	11,894	4,614	2,874	255	110	–	–	19,747
As at December 31, 2024	18,268	11,591	7,170	944	274	1,159	8,875	48,281

The above items of property, plant and equipment, except for construction in progress, are depreciated on a straight-line basis over the following estimated useful lives after taking into account their estimated residual values:

	Useful lives	Residual value
Buildings	9-20 years	10%
Machinery	10 years	10%
Inspection equipment	8 years	10%
Electronic devices, furniture and office equipment	3-5 years	0-10%
Motor vehicles	4-5 years	10%
Leasehold improvements	3 years	0%

16. RIGHT-OF-USE ASSETS

The Group and the Company

	Office premises	Leasehold lands	Total
	RMB'000	*RMB'000*	*RMB'000*
COST			
As at January 1, 2022	–	21,335	21,335
Additions	–	–	–
As at December 31, 2022	–	21,335	21,335
Additions	–	–	–
As at December 31, 2023	–	21,335	21,335
Additions	4,459	8,041	12,500
As at December 31, 2024	4,459	29,376	33,835
ACCUMULATED DEPRECIATION			
As at January 1, 2022	–	1,285	1,285
Depreciation charge	–	670	670
As at December 31, 2022	–	1,955	1,955
Depreciation charge	–	670	670
As at December 31, 2023	–	2,625	2,625
Depreciation charge	699	885	1,584
As at December 31, 2024	699	3,510	4,209
CARRYING VALUES			
As at December 31, 2022	–	19,380	19,380
As at December 31, 2023	–	18,710	18,710
As at December 31, 2024	3,760	25,866	29,626

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Expenses relating to short-term leases and low-value assets	144	8	15
Total cash outflow for leases	144	8	8,379

During the year ended December 31, 2024, the Group leases an office building from Shengyuan Nutritional Food Co., Ltd.* (聖元營養食品有限公司) ("Shengyuan Nutritional"), an entity controlled by the Ultimate Controlling Shareholders, for its operations. Lease contracts are entered into for fixed term of 51 months. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. The Group has also made lump sum payments upfront to Inner Mongolia Mengyuan Food Co., Ltd.* (內蒙古蒙原食品有限責任公司) ("Inner Mongolia Mengyuan"), an entity controlled by the Ultimate Controlling Shareholders, for leasehold lands during the year ended December 31, 2024. The Group has obtained the land use right certificates for all such leasehold lands.

Restrictions or covenants on leases

In addition, the Group's and the Company's lease liabilities of nil, nil and RMB4,251,000 are recognised with related right-of-use assets of nil, nil and RMB3,760,000 as at December 31, 2022, 2023 and 2024, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased office premises may not be used as security for borrowing purposes.

17. DEFERRED TAXATION

The Group

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	2,655	3,323	1,571
Deferred tax liabilities	(36,123)	(26,837)	(16,394)
	(33,468)	(23,514)	(14,823)

The following are the deferred tax balances recognised and movements thereon during the Track Record Period:

	Impairment loss allowance on trade and other receivables	Contract liabilities	Accrued expenses and payroll payable	Right-of-use assets	Lease liabilities	Impact of undistributed profits of a Hong Kong subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022	–	3,820	–	–	–	(15,407)	(11,587)
Credit (charge) to profit or loss	3	(1,168)	–	–	–	(20,716)	(21,881)
As at December 31, 2022	3	2,652	–	–	–	(36,123)	(33,468)
Transferred to tax payable upon dividend distribution	–	–	–	–	–	10,500	10,500

* English name is for identification purpose only.

	Impairment loss allowance on trade and other receivables	Contract liabilities	Accrued expenses and payroll payable	Right-of-use assets	Lease liabilities	Impact of undistributed profits of a Hong Kong subsidiary	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Decrease in deferred tax liabilities resulting from a decrease in applicable tax rate . . .	–	–	–	–	–	14,440	14,440
(Charge) credit to profit or loss	(3)	(53)	724	–	–	(15,654)	(14,986)
As at December 31, 2023	–	2,599	724	–	–	(26,837)	(23,514)
Transferred to tax payable upon dividend distribution	–	–	–	–	–	27,000	27,000
Credit (charge) to profit or loss	4	(1,598)	(232)	(564)	638	(16,557)	(18,309)
As at December 31, 2024	4	1,001	492	(564)	638	(16,394)	(14,823)

The Company

The following are the deferred tax balances recognised and movements thereon during the Track Record Period:

	Impairment loss allowance on trade and other receivables	Contract liabilities	Accrued expenses and payroll payable	Right-of-use assets	Lease Liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022	–	–	–	–	–	–
Credit to profit or loss	–	23	–	–	–	23
As at December 31, 2022	–	23	–	–	–	23
(Charge) credit to profit or loss . . .	–	(23)	224	–	–	201
As at December 31, 2023	–	–	224	–	–	224
Credit (charge) to profit or loss . . .	4	1,001	268	(564)	638	1,347
As at December 31, 2024	4	1,001	492	(564)	638	1,571

There were no unused tax losses and no other significant unrecognised deductible temporary differences of the Group and the Company at the end of each reporting period.

18. INVENTORIES

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	725	58,278	78,476
Finished goods	31,759	26,856	41,095
	32,484	85,134	119,571

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	725	45,758	43,805
Finished goods	13,410	10,140	8,520
	14,135	55,898	52,325

No inventories are expected to be recovered after more than 12 months as at December 31, 2022, 2023 and 2024.

19. TRADE AND OTHER RECEIVABLES

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(Note i)*	23,405	18,414	14,745
Less: Loss allowance for trade receivables	(13)	–	(29)
	23,392	18,414	14,716
Other receivables			
Value-added tax recoverable	7,045	8,066	7,259
Prepaid income tax	2,245	5,152	–
Others	607	807	1,074
	9,897	14,025	8,333
Total trade and other receivables	33,289	32,439	23,049

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables *(Note i)*	2,828	1,515	3,083
Less: Loss allowance for trade receivables	–	–	(29)
	2,828	1,515	3,054
Other receivables			
Value-added tax recoverable	2,942	5,986	7,259
Others	376	597	867
	3,318	6,583	8,126
Total trade and other receivables	6,146	8,098	11,180

Note:

(i) As at January 1, 2022, the Group's and the Company's trade receivables from contracts with customers amounted to RMB4,364,000 and RMB118,000 (net of loss allowance of RMB1,000 and nil), respectively.

The Group generally required full payment before goods delivery for sales to distributors, so majority of the Group's trade receivables were due from independent third parties across the e-commerce platforms, which represented the payments from end users to the e-commerce platforms and to be remitted to the Group twice a month or at the end of each month.

The following is an aged analysis of trade receivables, net of loss allowance, presented based on the revenue recognition date at the end of each reporting period.

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
0-30 days	23,392	18,414	14,716

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
0-30 days	2,828	1,515	3,054

As at December 31, 2022, 2023 and 2024, the Group and the Company has no trade receivables which are past due.

Movements of impairment loss allowance at lifetime ECL on trade receivables

The Group

	Lifetime ECL not credit impaired
	RMB'000
As at January 1, 2022	(1)
Impairment loss allowance recognised	(12)
As at December 31, 2022	(13)
Impairment loss allowance reversed	13
As at December 31, 2023	–
Impairment loss allowance recognised	(29)
As at December 31, 2024	(29)

The Company

	Lifetime ECL not credit impaired
	RMB'000
As at January 1, 2022, December 31, 2022 and 2023	–
Impairment loss allowance recognised	(29)
As at December 31, 2024	(29)

20. AMOUNTS DUE FROM (TO) RELATED PARTIES

The Group's and the Company's amounts due from (to) related parties are set out below.

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
Trade nature *(Note i)*			
– Shengyuan Nutritional	–	–	101
– Qingdao West Coast Jintao Cross-Border E-Commerce Co., Ltd* (青島西海金淘跨境電子商務有限公司) ("Qingdao West Jintao")	–	3,159	–
	–	3,159	101

* English name is for identification purpose only

	As at January 1,	As at December 31,		
	2022	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-trade nature				
– Shengyuan HK *(Note ii)*	54,846	112,080	7,083	–
– Shengyuan Nutritional *(Note iii)*	18,424	78,898	–	–
– Youbo Co., Limited (優博有限公司) ("Youbo") *(Note iv)*	–	7,013	–	–
	73,270	197,991	7,083	–
	73,270	197,991	10,242	101
Disclosed in the consolidated statements of financial position as:				
– Current assets		95,259	10,242	101
– Non-current assets		102,732	–	–
		197,991	10,242	101

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties			
Trade nature *(Note v)*			
– Shengyuan HK	1,995	–	–
– Shengyuan Nutritional	320	959	–
– Meitek (Qingdao) Co., Ltd.* (美泰科技(青島)股份有限公司) ("Meitek")	145	–	8
– Qingdao West Jintao	32	–	–
– Korea Jintao Co., Ltd. ("Jintao")	–	9,593	1,756
– Inner Mongolia Mengyuan	–	4,222	759
– Youbo	–	3,649	–
– Global Food Trading (Shanghai) Co., Ltd.* (全球食品貿易(上海)有限公司) ("Global Trading")	–	48	–
	2,492	18,471	2,523

	Maximum balance outstanding during the year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
Non-trade nature			
– Shengyuan HK	121,964	197,820	7,083
– Shengyuan Nutritional	83,202	119,202	181,954
– Youbo	7,013	7,013	–

* English name is for identification purpose only.

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from related parties			
Trade nature *(Note i)*			
– Shengyuan Nutritional	–	–	101
– Qingdao West Jintao	–	3,159	–
	–	3,159	101
Non-trade nature			
– Shengyuan HK	16,361	–	–
– Shengyuan Nutritional	78,898	–	–
	95,259	–	–
	95,259	3,159	101

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties			
Trade nature *(Note v)*			
– Shengyuan Nutritional	–	757	–
– Meitek	145	–	8
– Inner Mongolia Mengyuan	–	4,222	759
– Global Trading	–	48	–
	145	5,027	767
Amounts due to subsidiaries *(Note vi)*	84,863	50,675	75,236
	85,008	55,702	76,003

Notes:

(i) As at January 1, 2022, the Group and the Company had no trade nature balances of amounts due from related parties.

The Group normally granted a credit period ranged from 0 to 30 days to related parties and no loss allowance was recognised of the amounts due from related parties as the credit risk of the related parties is low, in the opinion of the directors of the Company.

The following is an aged analysis of trade nature amounts due from related parties, presented based on the revenue recognition date at the end of each reporting period.

The Group and the Company

	As at 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
0-30 days	–	3,159	101

As at December 31, 2022, 2023 and 2024, the Group and the Company has no trade nature amounts due from related parties which are past due.

(ii) As at December 31, 2022 and 2023, the non-trade nature amounts due from Shengyuan HK of RMB95,719,000, and RMB7,083,000 were unsecured, unguaranteed, carrying interest at interest rates ranging from 3.45% to 3.85% and 3.45% to 3.65% per annum and the original maturity period were ranging from 2 to 3 years and within 1 year, respectively. The balance as at December 31, 2022 was early repaid in December 2023. As at December 31, 2022, and 2023, the non-trade nature amounts due from Shengyuan HK of RMB16,361,000 and nil, respectively, were unsecured, unguaranteed, interest free and repayable on demand.

(iii) As at December 31, 2022, the non-trade nature amounts due from Shengyuan Nutritional were unsecured, unguaranteed, carrying interest at interest rates ranging from 3.65% to 3.85% per annum and the maturity period was 1 year.

On November 30, 2024, Shengyuan Nutritional, Shengyuan HK and the Company entered into an offset agreement, pursuant to which the amounts due from Shengyuan Nutritional was offset by the Company's dividend payable to Shengyuan HK of RMB89,606,000.

(iv) As at December 31, 2022, the non-trade nature amounts due from Youbo were unsecured, unguaranteed, carrying interest at interest rates of 3.65% per annum and the originally maturity period was 2 years, which was early repaid in November 2023.

(v) The following is an aged analysis of the trade nature amounts due to related parties, presented based on the invoice date, at the end of each reporting period:

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within one year	2,492	18,471	2,523

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within one year	145	5,027	767

(vi) The amounts due to subsidiaries were non-trade nature, which were unsecured, unguaranteed, interest free and repayable on demand as at December 31, 2022, 2023 and 2024.

21. CASH AND CASH EQUIVALENTS

The Group

The Group's bank balances carry interest at market rates ranging from 0.25% to 1.90%, 0.05% to 1.90%, and 0.05% to 1.15% per annum as at December 31, 2022, 2023 and 2024, respectively.

The Group's cash and cash equivalents that were denominated in currencies other than functional currency of the relevant group entities are set at below:

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Denominated in USD	6	108,981	1,160
Denominated in HKD	–	84	419

The Company

The Company's bank balances carry interest at market rates 0.25% to 1.90%, 0.05% to 1.90%, and 0.05% to 1.15% per annum as at December 31, 2022, 2023 and 2024, respectively.

The Company's cash and cash equivalent that were denominated in currencies other than its functional currency are set out below:

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Denominated in USD	–	24,080	1

22. TRADE AND OTHER PAYABLES

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	11,308	45,052	31,032
Other payables			
Deposits from customers	11,994	9,140	9,117
Payroll payables	10,115	10,899	12,773
Other tax payables	5,096	5,796	13,357
Payables for acquisition of property, plant and equipment	–	–	1,021
Accrued expenses	2,564	6,354	6,435
Others	1,699	2,886	1,297
	31,468	35,075	44,000
	42,776	80,127	75,032

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	11,308	44,686	26,198
Other payables			
Deposits from customers	250	590	8,657
Payroll payables	3,905	5,888	12,720
Other tax payables	686	4,234	13,350
Payables for acquisition of property, plant and equipment	–	–	1,021
Accrued expenses	1,209	5,490	6,435
Others	753	1,333	1,296
	6,803	17,535	43,479
	18,111	62,221	69,677

The suppliers generally allow the credit period ranged from 0 to 60 days to the Group.

The following is an aged analysis of the trade payables, presented based on the invoice date, at the end of each reporting period:

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within one year	11,308	45,052	31,032

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Within one year	11,308	44,686	26,198

23. CONTRACT LIABILITIES

The Group

	As at January 1,	As at December 31,		
	2022	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from distributors	2,437	31,611	7,830	13,657
Deferred sales incentives	15,280	10,607	10,397	6,675
	17,717	42,218	18,227	20,332

The Company

	As at January 1,	As at December 31,		
	2022	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advance from distributors	534	14	1,982	7,965
Deferred sales incentives	–	91	–	6,675
	534	105	1,982	14,640

Contract liabilities that were expected to be settled with in the Group's and the Company's normal operating cycle are classified as current liabilities.

During the years ended December 31, 2022, 2023 and 2024, the Group's revenue recognised related to carried-forward contract liabilities amounted to RMB17,717,000, RMB42,218,000 and RMB18,227,000, and the Company's revenue recognised related to carried-forward contract liabilities amounted to RMB534,000, RMB105,000 and RMB1,982,000, respectively.

The significant increase in contract liabilities in respect of advance from distributors of the Group in the year ended December 31, 2022 was mainly due to the increase of the order amount in January of the following year and the significant increase in contract liabilities in respect of advance from distributors and deferred sales incentives of the Company in the year ended December 31, 2024 was mainly due to the business of sales to distributors transferred to the Company from one of the subsidiaries.

24. FINANCIAL LIABILITIES AT FVTPL

Shengyuan HK entered into several share transfer agreements (collectively, the "Agreements") with independent investors in 2020 (the "2020 Investor") and 2023 (the "2023 Investors") (collectively, the "Investors"), pursuant to which Shengyuan HK transferred certain equity interests of the Company to the Investors as follows:

Date of transfer	Total registered capital transferred	Subscription price per registered capital	Total subscription price
		RMB	*RMB'000*
July 2, 2020	10,000,000	25.00	250,000
December 29, 2023	5,268,293	34.17	180,000

Shareholders agreement was entered in 2020 (the "2020 Shareholders Agreement") simultaneously with the share transfer agreement in 2020, which was replaced by the shareholders agreement entered in 2023 (the "2023 Shareholders Agreement") simultaneously with the share transfer agreements in 2023. Below preferential rights were granted to the Investors according to these shareholders agreements, under which the obligations of the Group were subsequently terminated on January 27, 2025.

(i) Liquidation preferences

In the event of any liquidation, the Investors shall be entitled to receive the liquidation preference amount, prior and in preference to any distribution of the proceeds of such liquidation event to Shengyuan HK. The liquidation preference amount was calculated as 110% of the original investment from the Investors less dividends received by the Investors, as well as performance compensation (as detailed below) received by the 2020 Investor as further supplemented in the 2023 Shareholders Agreement. All of the remaining proceeds available for distribution to shareholders shall be distributed pro rata among all shareholders of the Company. If the amount of distributable proceeds was less than the total liquidation preference amount, the Investors shall be entitled the amount based on the percentage of each investor's share in the Company.

In a sale event as defined below, all proceeds received by the Group or its shareholders as a result of the sale event shall also be distributed in accordance with the above scheme:

- Merger, reorganisation, share purchase or acquisition of the Group resulting in a change in control of the Group;
- Sales, transfer or dispose of all or substantially all of the Group's assets or business;
- Sales, licensing out, transfer or dispose of all or substantially all of the Group's intellectual property rights or use rights of intellectual property rights.

(ii) Redemption

The shares hold by the Investors shall be redeemed jointly by the founders of the Company, Shengyuan HK and the Company, at the option of the Investors, upon the occurrence of certain contingent events, mainly including:

- the Company's failure to file a qualified [**REDACTED**] submission before June 30, 2025 or complete the qualified sale before June 30, 2027. A qualified [**REDACTED**] refers to the [**REDACTED**] in Shanghai Stock Exchange, Shenzhen Stock Exchange, or other international stock exchange agreed by all the Investors with pre-issuance valuation of the Group not less than RMB4,500,000,000. A qualified sale refers to the sale of the Group in the form of merger, reorganization, transfer of assets or equity, or other similar transactions, based on the valuation of not less than RMB4,500,000,000;
- material violations of laws by Beams Power and the subsidiaries of Beams Power (excluding the Group) (collectively referred to as the "Shengyuan Group"), the Group, founders or key management of the Group, which have material negative impact to the business operation of the Group;

- material violations of transaction documents by Shengyuan Group, the Group, founders or key management of the Group;
- the founders' loss of control over Shengyuan Group or the Group;
- failure to obtain the required qualification, certificate and license for the business operation of the Group, and failure to remedy such acts within three months;
- failure to extend the certificate or license.

The repurchase price is the original investment from the Investors plus a yield at 10% or 15% per annum upon occurrence of different contingent events mentioned above, less dividends received by the Investors, as well as performance compensation (as detailed below) received by the 2020 Investor as further supplemented in the 2023 Shareholders Agreement.

(iii) Drag-along right

In the event the Company fails to file a qualified [**REDACTED**] submission or complete a qualified [**REDACTED**] as mentioned above, and one or more potential buyers offer to acquire 100% equity interests of the Group in the form of merger, reorganisation, transfer of assets or equity or other similar transaction, and:

- Certain of the Investors approved such acquisition, where the underlying valuation of the Group is no less than 15 times, but less than 20 times of the net profit of the Group for the latest fiscal year. The founders shall either agree on such acquisition, or repurchase the equity interests hold by the Investors at the same price under redemption clause, pursuant to which Shengyuan HK and the Company shall be jointly and severally liable for the repurchase obligation.
- Certain of the Investors approved such acquisition, where the underlying valuation of the Group is no less than 20 times of the net profit of the Group for the latest fiscal year. All shareholders of the Group shall agree on such acquisition.

In addition, performance target regarding the Group's net profit was set for the years ended December 31, 2020, 2021 and 2022 by the 2020 Investor and the year ended December 31, 2023 by all the Investors. In the event of the Group's failure to meet the performance target for the years ended December 31, 2020 and 2021, the 2020 Investor has the right to be compensated in cash by the founders, Shengyuan HK or the Company; in the event of the Group's failure to meet the performance target for the years ended December 31, 2022 and 2023, the eligible investors have the right to request the founders, Shengyuan HK or the Company to repurchase their equity interests in the Company. The Group failed to meet the performance target for the years ended December 31, 2020 and 2021 (the "2020 and 2021 Performance Target"), and Shengyuan HK and Shengyuan Nutritional made the compensation payments to the 2020 Investor during the year ended December 31, 2022, while the Group achieved the performance target for the years ended December 31, 2022 and 2023.

The directors of Company designated the Company's obligations as stated above as financial liabilities at FVTPL on initial recognition, and are measured at fair value with any changes in fair value arising on remeasurement recognised in the profit or loss.

The fair value of the abovementioned financial liabilities were assessed by the management of the Group with reference to an independent valuation carried out by Avista Business Consulting (Shanghai) Co., Ltd with registered address of Unit C, 23/F, Phase II, Sino-Ocean Tower, No. 618 East Yan An Road, Huangpu District, Shanghai, PRC, 200001, which has appropriate qualifications and experiences in valuation of similar instruments.

The Company used the discounted cash flow model ("DCF Model") to determine the underlying equity value of the Company as at December 31, 2022 and used the back-solve method to determine the underlying equity value of the Company as at December 31, 2023 and 2024 and performed an equity allocation based on an option pricing method ("OPM Model") to arrive at the fair value of the financial liabilities as at December 31, 2022, 2023 and 2024. Key valuation assumptions are set out as follows:

	As at December 31,		
	2022	2023	2024
Volatility	40.10%	37.82%	36.60%
Discount rate	14.00%	N/A	N/A
Weighted average discount for lack of marketability	24.00%	N/A	N/A
Possibility under stock conversion scenario	40.00%	55.00%	55.00%
Possibility under redemption scenario	50.00%	40.00%	40.00%
Possibility under liquidation scenario	10.00%	5.00%	5.00%
Time to expiration	2.50	3.50	2.50

Volatility was determined by reference to the comparable companies in the industry.

The movements of the Group's and the Company's financial liabilities at FVTPL are set out below:

The Group and the Company	Financial liabilities at FVTPL
	RMB'000
As at January 1, 2022	347,983
Settlement of compensation by Shengyuan HK regarding failure to meet the 2020 and 2021 Performance Target	(93,306)
Changes in fair value	36,824
As at December 31, 2022	291,501
Obligation arising from preferential rights granted to the 2023 Investors	180,000
Changes in fair value	4,520
As at December 31, 2023	476,021
Changes in fair value	105,259
As at December 31, 2024	581,280

25. LEASE LIABILITIES

The Group and the Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable:			
Within one year	–	–	1,156
Within a period of more than one year but not exceeding two years	–	–	1,201
Within a period of more than two years but not exceeding five years	–	–	1,894
	–	–	4,251
Less: Amount due for settlement within one year shown under current liabilities	–	–	(1,156)
Amount shown under non-current liabilities	–	–	3,095

The Group's incremental borrowing rates applied to lease liabilities is at 3.95% per annum for the year ended December 31, 2024.

The lease liabilities represented the lease of an office building for the Group's operations from Shengyuan Nutritional as at December 31, 2024.

26. PAID-IN CAPITAL

Paid-in capital from shareholders are classified as equity. A summary of movements in the Company's paid-in capital is as follows:

	Shown in Historical Financial Information as
	RMB'000
As at January 1, 2022, December 31, 2022, 2023 and 2024	60,000

27. CAPITAL COMMITMENTS

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Information	–	–	80,006

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividend payables	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2022	–	–	–
Net financing cash flows	(17,000)	–	(17,000)
Non-cash change			
Dividend recognised as distribution	17,000	–	17,000
As at December 31, 2022	–	–	–
Net financing cash flows	(138,855)	–	(138,855)
Non-cash change			
Dividend recognised as distribution	138,855	–	138,855
As at December 31, 2023	–	–	–
Net financing cash flows	(88,209)	(323)	(88,532)
Non-cash changes			
New leases entered	–	4,459	4,459
Finance costs	–	115	115
Offsetting of the amounts due from a related party and the dividend payable to a shareholder *(Note 20(iii))*	(89,606)	–	(89,606)
Dividend recognised as distribution	201,000	–	201,000
As at December 31, 2024	23,185	4,251	27,436

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
At amortised cost	269,377	259,018	178,530
Financial liabilities			
At amortised cost	27,493	75,549	68,175
At FVTPL	291,501	476,021	581,280
	318,994	551,570	649,455

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
At amortised cost	130,546	70,768	103,934
Financial liabilities			
At amortised cost	97,319	102,311	136,360
At FVTPL	291,501	476,021	581,280
	388,820	578,332	717,640

b. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, amounts due from/to related parties, cash and cash equivalents, trade and other payables, dividend payables and financial liabilities at FVTPL. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below.

The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The carrying amounts of the Group's and the Company's monetary assets which are denominated in a currency other than the functional currency of the relevant group entities at the end of each reporting period are as follows:

The Group

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Assets			
USD	66,178	116,074	1,170
EUR	26,351	–	–
HKD	–	127	444

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Assets			
USD	–	24,080	1

The Group and the Company currently does not have a foreign currency hedging policy, but the directors of the Company monitor foreign exchange exposure by closely monitoring the foreign exchange risk profile and will consider hedging significant foreign currency exposure should the need arise.

No sensitivity analysis on currency risk is presented as the management of the Group considered that there would not be a significant change of prevailing exchange rate and the exposure of currency rate risk of the Group and the Company is insignificant.

Interest rate risk

The Group and the Company is exposed to fair value interest rate risk in relation to lease liabilities (details are set out in Note 25). The Group currently does not have formal interest rate hedging policies. The management of the Group monitors the Group's exposures on an on-going basis and will consider hedging interest rate risk should the need arises.

The Group is also exposed to cash flow interest rate risk in relation to cash and cash equivalents (details are set out in Note 21).

No sensitivity analysis is presented since the management of the Group consider the exposure of cash flow interest rate risk arising from cash and cash equivalents is insignificant.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's and the Company's counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group's and the Company's credit risk exposures are primarily attributable to its trade and other receivables, amounts due from related parties and cash and cash equivalents.

The Group's and the Company's carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position at the end of each reporting period represent the Group's and the Company's maximum exposure to credit risk without taking into account any collateral or other credit enhancement, which will cause a financial loss to the Group and the Company due to failure to discharge the obligation by counterparties.

The Group and the Company also considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there is a significant increase in credit risk, the Group and the Company compares the risk of default occurring on an asset as at the end of each reporting period with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information, especially the actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparties' ability to meet its obligation.

Cash and cash equivalents, other receivables and amounts due from related parties are determined to have low credit risk at the end of each year because the counterparties are reputable and the risk of inability to pay or redeem at the due date is low.

In order to minimize credit risk, the Group and the Company has developed and maintained the Group's and the Company's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's and the Company's own historical repayment records to rate its major customers and other debtors. The Group's and the Company's exposure and the credit ratings of its counterparties are continuously monitored and reviewed at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amount.

The Group's and the Company's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's and the Company's financial assets which are subject to ECL assessment:

The Group

	Internal credit rating	12m or lifetime ECL	Gross carrying amount As at December 31, 2022	2023	2024
			RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost					
Cash and cash equivalents	Low risk	12m ECL	47,387	229,555	162,639
Other receivables	Low risk	12m ECL	607	807	1,074
Trade receivables	*Note i*	Lifetime ECL (collective assessment) – not-credit -impaired	23,405	18,414	14,745
Amounts due from related parties	Low risk	12m ECL	197,991	10,242	101

The Company

	Internal credit rating	12m or lifetime ECL	Gross carrying amount As at December 31, 2022	2023	2024
			RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortised cost					
Cash and cash equivalents	Low risk	12m ECL	32,083	65,497	99,912
Other receivables	Low risk	12m ECL	376	597	867
Trade receivables	*Note i*	Lifetime ECL (collective assessment) – not-credit -impaired	2,828	1,515	3,083
Amounts due from related parties	Low risk	12m ECL	95,259	3,159	101

Note:

(i) For trade receivables, the Group determines the ECL on collective basis by aging, based on the financial quality of debtors and their historical credit loss experience according to the past due status adjusted, as appropriate, to reflect estimates of future economic conditions. The Group determines the ECL based on their historical credit loss experience to reflect current conditions and estimates of future economic conditions. Majority of trade receivables of the Group were receivables from independent third parties across the e-commerce platforms. The management of the Group has assessed that trade receivables from independent third parties across the e-commerce platforms have not had a significant increase in credit risk since initial recognition and risk of default is insignificant.

Liquidity risk

The directors of the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

In the opinion of the directors of the Company, the Group have subsequently terminated the obligations arising from preferential rights on January 27, 2025, and the Group will have sufficient funds available from the operating activities to meet in full its financial obligations as they fall due for at least the next twelve months from the date of the Historical Financial Information and accordingly the Historical Financial Information has been prepared on a going concern basis.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate at the end of each reporting period.

The Group

	Weighted average interest rate	On demand or less than 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Total carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As December 31, 2022						
Trade and other payables	–	25,001	–	–	25,001	25,001
Amounts due to related parties	–	2,492	–	–	2,492	2,492
Financial liabilities at FVTPL	15.00	326,950	–	–	326,950	291,501
		354,443	–	–	354,443	318,994
As December 31, 2023						
Trade and other payables	–	57,078	–	–	57,078	57,078
Amounts due to related parties	–	18,471	–	–	18,471	18,471
Financial liabilities at FVTPL	15.00	463,713	–	–	463,713	476,021
		539,262	–	–	539,262	551,570
As December 31, 2024						
Trade and other payables	–	42,467	–	–	42,467	42,467
Amounts due to related parties	–	2,523	–	–	2,523	2,523
Dividend payables	–	23,185	–	–	23,185	23,185
Financial liabilities at FVTPL	15.00	488,225	–	–	488,225	581,280
Lease liabilities	3.95	1,296	1,296	1,946	4,538	4,251
		557,696	1,296	1,946	560,938	653,706

The Company

	Weighted average interest rate	On demand or less than 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Total carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As December 31, 2022						
Trade and other payables	–	12,311	–	–	12,311	12,311
Amounts due to other related parties.	–	85,008	–	–	85,008	85,008
Financial liabilities at FVTPL	15.00	326,950	–	–	326,950	291,501
		424,269	–	–	424,269	388,820
As December 31, 2023						
Trade and other payables	–	46,609	–	–	46,609	46,609
Amounts due to other related parties.	–	55,702	–	–	55,702	55,702
Financial liabilities at FVTPL	15.00	463,713	–	–	463,713	476,021
		566,024	–	–	566,024	578,332
As December 31, 2024						
Trade and other payables	–	37,172	–	–	37,172	37,172
Amounts due to other related parties.	–	76,003	–	–	76,003	76,003
Dividend payables	–	23,185	–	–	23,185	23,185
Financial liabilities at FVTPL	15.00	488,225	–	–	488,225	581,280
Lease liabilities	3.95	1,296	1,296	1,946	4,538	4,251
		625,881	1,296	1,946	629,123	721,891

c. Fair value measurements of financial instruments

The management of the Group have closely monitored and determined the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of financial instruments, the Group and the Company uses market-observable data to the extent it is available. For instruments with significant unobservable inputs under level 3, the Group and the Company establish the appropriate valuation techniques and inputs to the model.

The financial liabilities at FVTPL held by the Group and the Company measured through fair value in the Historical Financial Information are disclosed in Note 24.

The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Fair value as at	Fair value hierarchy	Valuation techniques and key inputs
Financial liabilities at FVTPL . .	December 31, 2022: RMB291,501,000 December 31, 2023: RMB476,021,000 December 31, 2024: RMB581,280,000	Level 3	DCF model, back-solve method and OPM model: Key inputs: volatility, discount rate, weighted average discount for lack of marketability, probability of stock conversion, redemption and liquidation and time to expiration *(Note (i))*

Note:

(i) As the sensitivity analyses on unobservable inputs are not significant, no sensitivity analysis is presented.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their corresponding fair values.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes financial liabilities at FVTPL and lease liabilities disclosed in Notes 24 and 25, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising paid-in capital, retained earnings and reserves.

The directors of the Company review the capital structure on a regular basis and considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, new share issues and raise of new loan borrowings.

31. RELATED PARTY TRANSACTIONS

(A) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated statements of financial position and in Notes 20 and 25.

(B) Related party transactions

Saved as disclosed in Notes 16 and 20 and elsewhere in the Historical Financial Information, the Group also has the following significant related party transactions.

Name of related parties	Relationship with the Group	For the year ended December 31, 2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Purchase of goods and service				
Jintao	Entity controlled by the Ultimate Controlling Shareholders	62,485	65,978	28,160
Shengyuan Nutritional	Entity controlled by the Ultimate Controlling Shareholders	25,548	51,185	24
Shengyuan HK	Entity controlled by the Ultimate Controlling Shareholders	2,407	–	–
Meitek	Entity controlled by the Ultimate Controlling Shareholders	166	4,516	1,360
Youbo	Entity controlled by the Ultimate Controlling Shareholders	–	3,649	–
Inner Mongolia Mengyuan	Entity controlled by the Ultimate Controlling Shareholders	–	3,925	5,391
Global Trading	Entity controlled by the Ultimate Controlling Shareholders	–	43	42
Qingdao West Jintao	Entity controlled by the Ultimate Controlling Shareholders	99	420	–
Purchase of right-of-use assets				
Inner Mongolia Mengyuan	Entity controlled by the Ultimate Controlling Shareholders	–	–	8,041
Shengyuan Nutritional	Entity controlled by the Ultimate Controlling Shareholders	–	–	4,459
Rental income				
Shengyuan Nutritional	Entity controlled by the Ultimate Controlling Shareholders	1,144	1,134	1,518
Interest income				
Shengyuan Nutritional	Entity controlled by the Ultimate Controlling Shareholders	1,496	3,137	3,619
Shengyuan HK	Entity controlled by the Ultimate Controlling Shareholders	1,934	5,037	–
Youbo	Entity controlled by the Ultimate Controlling Shareholders	48	212	–
Interest on lease liabilities				
Shengyuan Nutritional	Entity controlled by the Ultimate Controlling Shareholders	–	–	115

The Company, Inner Mongolia Mengyuan, Mr. Zhang and an independent third party had provided joint guarantee to a bank loan of Shengyuan Nutritional of RMB108,750,000, effective from June 6, 2022 to June 6, 2023. Such loan was repaid as at December 31, 2022 and the guarantee was released correspondingly.

The Company, Inner Mongolia Mengyuan and an independent third party had provided joint guarantee to bank loans of Shengyuan Nutritional of RMB70,000,000 and RMB20,000,000, effective from June 10, 2022 to June 9, 2023 and July 21, 2022 to July 12, 2023, respectively. As at December 31, 2022, the maximum amounts for financial guarantee were amounted to RMB90,000,000 which the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Such loans were repaid by Shengyuan Nutritional as at December 31, 2023, and the guarantee was released correspondingly.

(C) Compensation of key management personnel

The remuneration of directors and other members of key management of the Group during the Track Record Period were as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other benefits	2,184	2,704	2,899
Performance-based bonuses	1,318	1,197	2,036
Retirement benefit scheme contributions	488	551	515
	3,990	4,452	5,450

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at the date of this report, the Company has direct equity interests in the following subsidiaries:

Name of subsidiaries	Places of incorporate and operation	Dates of incorporation/ establishment	Paid-in share capital/ registered capital	Equity interest attributable to the Group directly			At the date of this report	Principal activity	Notes
				2022	2023	2024			
Qingdao Shengtong Shangmao Co., Ltd.* (青島聖桐商貿有限責任公司)	Qingdao, the PRC	February 21, 2019	RMB20,000,000	100%	100%	100%	100%	Trading of FSMP products	*(i)*
ShengTong Nutritionals HK Limited ("Shengtong HK")	Hong Kong	April 24, 2020	USD10,000	100%	100%	100%	100%	Sales of products through cross-border e-commerce platform	*(ii)*

Notes:

(i) No audited statutory financial statements were prepared for the entity for the year ended December 31, 2022, 2023 and 2024 as there are no statutory audit requirements.

(ii) The financial statements of Shengtong HK for each of the years ended December 31, 2022, 2023 [and 2024] were prepared in accordance with the HKFRS Accounting Standards for Private Entities and the Hong Kong Companies Ordinance and were audited by YCA Partners CPA Limited, a certified public accountant registered in Hong Kong.

* English name is for identification purpose only

33. FINANCIAL INFORMATION OF THE COMPANY

(A) Investments in subsidiaries

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cost of investments in subsidiaries	20,071	20,071	20,071

(B) Movement of the Company's reserves

	Other reserve	Statutory reserve	Retained earnings (accumulated losses)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022	(343,306)	2,840	14,530	(325,936)
Profit and total comprehensive income for the year	–	–	380	380
Transferred to statutory reserve	–	38	(38)	–
Settlement of financial liabilities at FVTPL arising from performance target compensation by a shareholder *(Note 24)*	93,306	–	–	93,306
Dividend recognised as distribution *(Note 13)*	–	–	(17,000)	(17,000)
As at December 31, 2022	(250,000)	2,878	(2,128)	(249,250)
Profit and total comprehensive income for the year	–	–	114,074	114,074
Transferred to statutory reserve	–	11,407	(11,407)	–
Obligations arising from preferential rights granted to the new Investors *(Note 24)*	(180,000)	–	–	(180,000)
Dividend recognised as distribution *(Note 13)*	–	–	(138,855)	(138,855)
As at December 31, 2023	(430,000)	14,285	(38,316)	(454,031)
Profit and total comprehensive income for the year	–	–	111,862	111,862
Transferred to statutory reserve	–	11,186	(11,186)	–
Dividend recognised as distribution *(Note 13)*	–	–	(201,000)	(201,000)
As at December 31, 2024	(430,000)	25,471	(138,640)	(543,169)

34. EVENTS AFTER THE REPORTING PERIOD

Saved as disclosed at Note 24 of the Historical Financial Information, the Group has carried out the following events after the reporting period:

(i) Pursuant to the shareholders' resolution on April 12, 2025, the shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company as at the conversion base date, which is January 31, 2025, including paid-in capital, other reserve, statutory reserve and retained earnings, after deducting the dividend declared to the shareholders of the Company of RMB109,800,000 on March 31, 2025, were converted into 60,000,000 ordinary shares with a par value of RMB1 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium. On May 12, 2025, the Company was converted into a joint stock company with limited liability under the Company Laws of the PRC. Among the dividend amounted to RMB109,800,000 declared on March 31, 2025, RMB108,193,000 was paid subsequently in May 2025.

(ii) Pursuant to the shareholder resolution on May 12, 2025, the Company's share capital increased to RMB60,600,000 and Shengyuan HK agreed to subscribe the increased share capital of RMB600,000 at a consideration of RMB600,000. Such consideration were fully settled as at the date of this report.

(iii) Pursuant to the written resolutions of the shareholders of the Company passed on May 30, 2025, and the option grant agreement dated May 30, 2025 entered into among the Company, Mr. Zhang and Shengyuan HK, options to subscribe for an aggregate of 2,400,000 shares were granted to Mr. Zhang. The exercise price was RMB1 per share. Any exercise of the option is conditional upon the successful [**REDACTED**] on the Main Board of the Stock Exchange with pre-issuance valuation of the Group not less than RMB[**REDACTED**] (referred to as the "Qualified [**REDACTED**]"). All of the options will be vested to Mr. Zhang or his designated entity (Shengyuan HK or other designated entity wholly owned by Mr. Zhang) upon the completion of the Qualified [**REDACTED**]. Mr. Zhang or his designated entity may exercise the options within ten years after the vesting of such options.

35. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2024 and up to the date of this report.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this document received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at [31 March 2025] of the property interests held by the Company.

AVISTA Valuation Advisory
艾 華 迪 評 估 諮 詢

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[REDACTED]

The Board of Directors
Sainte Nutritional Inc. (聖桐特醫(青島)營養健康科技股份公司)
No. 167, Zhaizishan Road
Huangdao District
Qingdao, Shandong
PRC

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of Sainte Nutritional Inc. (聖桐特醫(青島)營養健康科技股份公司) (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") for us to carry out the valuation of the property interests (the "Property") located in the People's Republic of China (the "PRC") held by the Company, 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 2025] (the "Valuation Date").

BASIS OF VALUATION AND VALUATION STANDARDS

Our valuation is carried out on a market value basis, which is defined by the Royal Institution of Chartered Surveyors 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*".

In valuing the Property, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the RICS Valuation — Global Standards 2024 published by the Royal Institution of Chartered Surveyors ("RICS") and the International Valuation Standards published from time to time by the International Valuation Standards Council.

VALUATION ASSUMPTIONS

Our valuation of the Property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the Property valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In the course of our valuation of the Property in the PRC, we have relied on the information provided by the Group and have considered the advice given to the Group by the their legal advisor, being King & Wood Mallesons (北京市金杜律師事務所) (the "PRC Legal Advisors"), regarding the titles to the Property.

In valuing the Property, we have made reference to a legal opinion regarding the Property provided by the PRC Legal Advisors dated [●] (the "PRC Legal Opinion"). Unless otherwise stated, the Group has legally obtained the land use rights of the Property.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed.

VALUATION METHODOLOGY

In valuing the Property, due to the nature of the buildings and structures of the subject property, there are no market sales comparables readily available. We have valued the property interests on the basis of their depreciated replacement cost. Depreciated replacement cost is defined as "*the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimization*". It is based on an estimation of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the building, including the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the Property in the PRC. Where possible, we have examined the original documents to verify the existing title to the Property in the PRC and any material encumbrance that might be attached to the Property or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have made reference to the PRC Legal Opinion given by the PRC Legal Advisors, concerning the validity of the title of the Property in the PRC.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the subject property. The site inspection was carried out between 25 March 2025 and 27 March 2025 by Ryman He (Manager). He is a public valuer with more than 5 years' experience in valuation of properties in the PRC.

In the course of our inspection, we did not note any serious defects. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon, nor have we conducted structural surveys to ascertain whether the subject property is free of rot, infestation, or any other structural defects. Additionally, no tests have been carried out on any of the utility services. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Group on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of the property, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuation certificate is attached below.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Vincent C B Pang
MRICS CFA FCPA FCPA Australia
RICS Registered Valuer
Managing Partner

Note: Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in valuation of properties including Hong Kong, the PRC, the U.S., and East and Southeast Asia.

VALUATION CERTIFICATE

Property interests held for owner occupation by the Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at [31 March 2025]
				RMB
1.	No. 167 Zhaizishan Road, Huangdao District, Qingdao City, Shandong Province, the PRC (中國山東省青島市黄島區寨子山路167號)	The property comprises three 1- to 2-storey industrial buildings with a total gross floor area of approximately 31,754.69 sq.m. The property was held for owner occupation as at the Valuation Date. As advised by the Group, the property was completed in January 2017. The property is located at the junction of Zhaizishan Road and Shengyuan Road in Huangdao District of Qingdao City, with approximately 1.8 km to Century Avenue Station of Qingdao Metro and 12.2 km to Qingdao West Railway Station. The land use rights of the property have been granted for a term expiring on 29 November 2051 for industrial use.	The property was occupied by the Group as at the Valuation Date for production and logistics purposes.	[71,380,000] (100% interest attributable to the Company: [71,380,000])

Notes:

1. Pursuant to a Real Estate Ownership Certificate — Lu (2024) Qing Dao Shi Huang Dao Qu Bu Dong Chan Quan Di No. 0566241 issued by the [Qingdao Municipal Bureau of Natural Resources] (青島市黄島區自然資源局), the land use rights of the property with a total site area of approximately 47,209.70 sq.m. for a term expiring on 29 November 2051 for industrial use and the building ownership of the property with a total gross floor area of approximately 31,754.69 sq.m. for office use have been vested in Qingdao Shengtong Nutrition Food Co., Ltd. (青島聖桐營養食品有限公司, "Qingdao Shengtong"), which is now renamed to Sainte Nutritional Inc. (聖桐特醫(青島)營養健康科技股份公司, the "Company").

2. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following: -

   a. Qingdao Shengtong has legally obtained the land use rights and the building ownership of the property under the terms of the Real Estate Ownership Certificate;

   b. The property has not been subjected to any encumbrances; and

c. There are certain legal deficiencies as the Company has not applied for the construction work commencement permit, as-built acceptance filings (竣工驗收備案), and fire protection acceptance filings (消防驗收備案) for a completed renovation project of the property. Relevant government authorities may order the Company to correct and impose fines. However, due to the following:

i. According to relevant regulations or confirmations from government authorities during interviews, construction and municipal infrastructure projects in Qingdao City can be exempted from applying the construction work commencement permit if the project investment amount does not exceed 1 million or the gross floor area does not exceed 500 sq.m. since 1 January 2022;

ii. According to written explanations and credit reports of the Company, or confirmations from government authorities during interviews, the Company has no records of investigations, corrections, administrative penalties, serious dishonesty, or violations in the fields of development and reform, natural resources and planning, housing and urban-rural development, and fire safety during the reporting period; and

iii. The Company has not been ordered to correct or subjected to any fines and administrative penalties by governmental authorities.

The deficiencies do not have a significant adverse impact on the production, operations, or this issuance.

3. In the course of our valuation, we assume that the property is transferable without legal impediment.

4. Our valuation has been made on the following basis and analysis:

In our valuation of the land use rights, we have considered and analyzed 4 land sale comparables in the vicinity. The adjusted site values of the land sales range from [RMB490 to RMB680] per sq.m. for industrial buildings. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time and size, etc.

Regarding the building portion, the current replacement cost of the building is assessed by determining the construction cost of a modern substitute building with the same service capacity as the building which is being valued. The adjusted replacement costs range from [RMB1,300 per sq.m. to RMB1,900] per sq.m. for industrial buildings based on our research of the local construction costs. The replacement cost adopted in the valuation is consistent with the findings of our research.

THE PRC TAXATION

Taxation on Dividends

Individual Investors

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》, the "**IIT Law**"), which was promulgated by SCNPC on September 10, 1980 and last amended on August 31, 2018 and came into effect on January 1, 2019, and the Regulations on Implementation of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》the "**IIT Law Implementation Regulations**"), which was promulgated by the State Council on January 28, 1994 and last amended on December 18,2018 and came into effect on January 1, 2019, dividends distributed by the PRC enterprises to individual investors are subject to withholding tax levied at a flat rate of 20%. Unless otherwise provided by the competent financial and taxation authorities under the State Council, the interest, dividend and bonus, obtained from enterprises, institutions, other organizations, and individual residents within China, shall be deemed to be derived from the PRC, regardless of whether the payment place is in the PRC. Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (《關於個人所得稅若干政策問題的通知》) promulgated by the MOF and the State Taxation Administration ("**SAT**") on May 13, 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise Investors

Pursuant to the EIT Law and the EIT Law Implementation Regulations, the enterprise income tax shall be at the rate of 25%. But, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforementioned income tax payable by non-resident enterprises shall be withheld by income sources, with the payer acting as the withholding agent. The tax amount for each payment made or due shall be withheld by the withholding agent from the amount paid or payable.

Notice from the State Administration of Taxation on Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-Share Holders Which Are Overseas Non-resident Enterprises (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the STA on November 6, 2008, further clarifies that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批復》), which was issued by the STA and came into effect on July 24, 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or region, where applicable.

Pursuant to the Arrangement between the Mainland and the HKSAR for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》, the "**Arrangement**"), which was signed on August 21, 2006 and come into effect on December 8, 2006, the PRC Government may levy taxes on the dividends paid by a PRC company to Hong Kong residents (including resident individual and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC company unless a Hong Kong resident directly holds 25% or more of the equity interest in the PRC company, then such tax shall not exceed 5% of the total dividends payable by the PRC company.

The Fifth Protocol to the Arrangement between the Mainland and the HKSAR 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》), which came into effect on December 6, 2019, added a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the STA on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協議股息條款有關問題的通知》).

Tax Treaties

Non-Chinese resident investors residing in countries that have entered into treaties for the avoidance of double taxation with China or residing in Hong Kong or Macau Special Administrative Region are entitled to preferential tax rates on dividends received by such investors from the Chinese companies. China has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau Special Administrative Region, respectively, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. A non-Chinese resident enterprise entitled to a preferential tax rate under a relevant income tax treaty or arrangement may apply to the China tax authorities for a refund of the difference between the amount of tax withheld and the amount of tax calculated according to the treaty rate.

Pursuant to the Administrative Measures on Entitlement of Non-resident Taxpayers to Preferential Treatment under Tax Treaties (《非居民納稅人享受協定待遇管理辦法》), which was promulgated by the SAT on 14 October 2019 and became effective on 1 January 2020, non-resident taxpayers are entitled to preferential treatment under the tax treaties through self-determination, self-declaration and keeping and documenting relevant information for inspection. Where a non-resident taxpayer self-assesses and concludes that it satisfies the criteria for claiming treaty benefits, it may enjoy treaty benefits at the time of tax declaration or at the time of withholding declaration through a withholding agent, simultaneously gather and retain the relevant materials pursuant to the regulations for future inspection, and be subject to subsequent administration by tax authorities.

Taxation on Share Transfer

Individual investor

According to the IIT Law and IIT Law Implementation Regulations, the proceeds from the sale of equity interests in PRC-resident enterprise are subject to income tax at a tax rate of 20%.

According to the Notice Concerning Continuing Temporary Exemption from Individual Income Tax on The Income From Stocks Transfer (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) promulgated by the MOF and the STA and became effective on March 30, 1998, since January 1, 1997, the individual income tax levied on the individual income from transfer of stocks of listed companies will continue to be temporarily exempted. According to the Announcement about the Catalogue of Preferential Individual Income Tax Policies with Continued Effect (《關於繼續有效的個人所得稅優惠政策目錄的公告》) promulgated by the MOF and the SAT on 29 December 2018, the Notice Concerning Continuing Temporary Exemption from Individual Income Tax on The Income From Stocks Transfer will remain effective.

Furthermore, the Notice of the State Administration of Taxation on Issues Concerning the Levy of Individual Income Tax on Incomes from the Transfer of Restricted Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), jointly issued by the MOF, the STA and the CSRC and implemented on December 31, 2009, stipulates that from January 1, 2010, individual income from transfer of non-tradable shares shall be treated as income from transfer of property and subject to the individual income tax at the proportional tax rate of 20%, and the income derived by individuals from transfer of shares of listed companies issued to the public by the listed companies and transfer of shares of listed companies obtained from the market at the Shanghai Stock Exchange and Shenzhen Stock Exchange shall continue to be exempted from individual income tax.

As of the Latest Practicable Date, the aforementioned provisions did not specify whether to impose the individual income tax on the income from the transfer of shares of PRC resident enterprise listed on overseas stock exchanges by non-PRC resident individuals.

Enterprise investors

Pursuant to the EIT Law and the EIT Law Implementation Regulations, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

Tax policies for Shanghai — Hong Kong Stock Connect

According to the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》), which was jointly promulgated by the MOF, the SAT and the CRSC on 31 October 2014 and took into effect on 17 November 2014, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Stock Exchange through Shanghai — Hong Kong Stock Connect is included in their total income and enterprise income tax is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the mainland of China investing in stocks listed on the Stock Exchange through Shanghai — Hong Kong Stock Connect is included in their total income. The enterprise income tax is levied on such income in accordance with the law. Among them, enterprise income tax will be exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that have continuously held H-shares for at least 12 months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be filed and paid by the corporate investors themselves.

For dividends and bonus obtained by individual investors of the Mainland of China investing in H-shares listed on the Stock Exchange through Shanghai — Hong Kong Stock Connect, the H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司, "**CSDCC**") for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China. The H-share companies shall withhold individual income tax at a rate of 20%.

Pursuant to the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen- Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which was jointly promulgated by the MOF, the SAT and the CRSC on 21 August 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect shall be exempted from individual income tax from 5 December 2019 to 31 December 2027.

Tax policies for Shenzhen — Hong Kong Stock Connect

According to the Circular on the Relevant Taxation Policy for the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), which was jointly promulgated by the MOF, the SAT and the CRSC on 5 November 2016 and took into effect on 5 December 2016, the income from the transfer price difference obtained by corporate investors of the mainland of China investing in stocks listed on the Stock Exchange through Shenzhen — Hong Kong Stock Connect is included in their total income. The enterprise income tax is levied on such income in accordance with the law. The income from dividends and bonus obtained by corporate investors of the Mainland of China investing in stocks listed on the Stock Exchange through Shenzhen — Hong Kong Stock Connect is included in their total income. The enterprise income tax is levied on such income in accordance with the law. The enterprise income tax is exempt according to law for income from dividends and bonus obtained by resident enterprises of the Mainland of China that hold H-shares for at least 12 consecutive months. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by corporate investors of the Mainland of China. The tax payable shall be filed and paid by the corporate investors themselves.

For dividends and bonus obtained by individual investors of the Mainland of China investing in the PRC listed on the Stock Exchange through Shenzhen — Hong Kong Stock Connect, the H-share companies shall apply to the CSDCC for provision by the CSDCC to the H-share companies the register of individual investors of the Mainland of China, and the H-share companies shall withhold individual income tax at a rate of 20%.

Pursuant to the Announcement on Extending the Implementation of the Individual Income Tax Policies Concerning the Shanghai-Hong Kong Stock Connect and the Shenzhen- Hong Kong Stock Connect and the Mainland-Hong Kong Mutual Recognition of Funds (《關於延續實施滬港、深港股票市場交易互聯互通機制和內地與香港基金互認有關個人所得稅政策的公告》) which was jointly promulgated by the MOF, the SAT and the CRSC on 21 August 2023 and implemented on the same date, the transfer spread income derived by mainland individual investors from investing in shares listed on the Hong Kong Stock Exchange through Shenzhen — Hong Kong Stock Connect shall be exempted from individual income tax from 5 December 2019 to 31 December 2027.

Stamp Duty

In accordance with the Stamp Tax Law of the PRC (《中華人民共和國印花稅法》) promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, entities and individuals that issue taxable certificates and conduct securities transactions within the territory of PRC, or entities and individuals who issue taxable certificates and conduct securities transactions outside the territory of PRC to be used within the territory of the PRC shall subject to the stamp duty.

Estate duty

As of the Latest Practicable Date, no estate duty was levied within the PRC.

Principal Taxation of Our Group in the PRC

Enterprise Income Tax

Pursuant to the EIT Law and the EIT Law Implementation Regulations, the enterprise income tax shall be at the rate of 25%. The enterprise income tax for high-tech enterprises supported by the State shall be at a reduced tax rate of 15%.

Value-Added Tax

According to the Interim Value-Added Tax Regulations and the Implementation Rules for the Interim Value-Added Tax Regulations, entities and individuals who sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the PRC are taxpayers of value-added tax, and shall pay the value-added tax. Unless otherwise stipulated, the tax rate shall be 17%.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) issued on April 4, 2018 and effective as of May 1, 2018, the tax rates of 17% and 11% applicable to any taxpayer's Value-added Tax taxable sale or import of goods shall be adjusted to 16% and 10%, respectively.

According to the Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on Relevant Policies for Deepening the Value-Added Tax Reform (《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》), issued on March 20, 2019 and effective as of April 1, 2019, the tax rate of 16% applicable to the Value-added Tax taxable sale or import of goods by a general Value-added Tax taxpayer shall be adjusted to 13%; and the tax rate of 10% applicable thereto shall be adjusted to 9%.

On December 25, 2024, the SCNPC promulgated the Value-added Tax Law of the PRC (《中華人民共和國增值稅法》), which will take effect on January 1, 2026 and will replace the Interim Value-added Tax Regulations.

Foreign Exchange Regulations in the PRC

According to the Foreign Exchange Control Regulations of the PRC (《中華人民共和國外匯管理條例》) and the Administrative Regulations on Settlements, Sales and Payments in Foreign Exchange (《結匯、售匯及付匯管理規定》), after financial institutions engaging in conversion and sale of foreign currencies carry out reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments pursuant to the provisions of the foreign exchange control department of the State Council, the RMB is freely convertible for payments of current account items, such as trade- and service-related foreign exchange transactions and dividend payments. However, it is not freely convertible for capital account items, such as direct investment, loans or investments in securities outside China, unless prior approval from the SAFE or its branches is obtained.

According to Decision on Matters Concerning Cancellation and Adjustment to a Batch of Items subject to Administrative Approval (《關於取消和調整一批行政審批項目等事項的決定》) promulgated by the State Council on October 23, 2014 and effective the same day, State Council has decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares.

According to Notice on Issues Relating to Foreign Exchange Control Pertaining to Overseas Listing (《關於境外上市外匯管理有關問題的通知》) issued by the SAFE on 26 December 2014 with effectiveness on the same day, a domestic company shall, within 15 business days from completion of its overseas listing issuance, register the overseas listing with the SAFE's local branch at the place of its incorporation. The funds obtained by a domestic company through an overseas listing can be transferred to a domestic account or deposited overseas. The usage of funds shall be consistent with the relevant contents set out in the document or disclosure documents such as the corporate bonds offering documentation, shareholders' circular and the resolution of the shareholders' general meeting or the board of directors.

According to 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》) promulgated by the SAFE on February 13, 2015, effective on June 1, 2015 and partially abolished on December 30, 2019, the administrative approval for foreign exchange registration under domestic direct investment and overseas direct investment have been canceled and the banks will review and carry out foreign exchange registration under domestic direct investment as well as foreign exchange registration under overseas direct investment, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

According to the Notice on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Account Items (《關於改革和規範資本項目結匯管理政策的通知》) issued by the SAFE on 9 June, 2016 and was amended on 4 December 2023 and effective on the same day, domestic institutions may settle their foreign exchange receipts under the capital account (including foreign exchange capital, foreign debts and repatriated funds raised through overseas listing) entitled to discretionary settlement according to relevant policies with banks as actually needed for business operation. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The SAFE may adjust the above proportion in due course based on international balance of payments.

According to Notice on Further Promoting the Facilitation of Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》) promulgated by the SAFE on October 23, 2019 and effective on the same day, non-investment foreign-invested enterprises are allowed to make the domestic equity investment with their capital funds in accordance with the law on the premise that the existing special administrative measures (negative list) for foreign investment access are not violated and domestic investment projects are true and compliant.

According to the Notice on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) promulgated by the SAFE on April 10, 2020 with effect on the same day, enterprises satisfying the prescribed requirements are allowed to use receipts under the capital accounts such as capital funds, external debts and overseas listings for domestic payment without providing banks with authenticity certification materials on a transaction-by-transaction basis in advance, under the premise that funds are used in a truthful and compliant manner and comply with the existing provisions on the administration of use of receipts under capital accounts. Banks shall, under the principle of prudential business development, manage and control the relevant business risks, and conduct ex post random inspection of the facilitation of receipts and payments under capital accounts according to the relevant requirements.

THE PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, separate rules, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations, separate rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance.

Pursuant to The PRC Constitution (《中華人民共和國憲法》, the "**Constitution**"), which was promulgated on 4 December 1982 and last amended and came into effect on 11 March 2018 and the Legislation Law of the PRC (《中華人民共和國立法法》, the "**Legislation Law**"), which was promulgated on 15 March 2000, last amended on 13 March 2023, and came into effect on 15 March 2023, the National People's Congress ("**NPC**") and the SCNPC exercise the legislative power of the State in accordance with the Constitution. The NPC enacts and amends the basic laws governing criminal offences, civil affairs, the State organs and other matters. The SCNPC enacts and amends laws other than those to be enacted by the NPC. When the National People's Congress is not in session, it may supplement and amend in part the laws enacted by the National People's Congress, which shall not be in contradiction with the basic principle of such laws.

The State Council is the highest administrative organ of the State administration, and enacts administrative regulations under the Constitution and laws.

People's congresses of provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may, in light of the specific conditions and actual needs of their respective administrative areas, formulate local regulations, provided that such regulations do not contradict the Constitution, the laws or the administrative regulations.

The ministries and commissions of the State Council, the People's Bank of China, the National Audit Office, the agencies endowed with administrative functions directly subordinate to the State Council and the organizations prescribed by laws may, in accordance with the laws as well as the administrative regulations, decisions and decrees of the State Council, formulate rules within the scope of their authority.

The people's congresses or the standing committees thereof of the cities divided into districts may, in light of the specific local conditions and actual needs of the cities, formulate local regulations in terms of urban and rural development and management, ecological civilization development, historical and cultural protection, and grassroots governance, provided that they do not contradict the Constitution, the laws, the administrative regulations and the local regulations of their respective provinces or autonomous regions, and where there are other legal provisions on the formulation of local regulations by the cities divided into districts, such provisions shall prevail.

The people's congresses of ethnic autonomous regions have the power to formulate autonomous regulations and separate regulations on the basis of the political, economic and cultural contexts of local ethnic groups. The autonomous regulations and separate regulations of the autonomous regions shall become effective upon approval by the SCNPC. Adaptation may be made to autonomous regulations and separate regulations on the basis of the characteristics of the local ethnic groups, but such adaptation shall not contradict the basic principles of the laws and administrative regulations, nor shall any adaptation be made to the provisions of the Constitution or the Law on Ethnic Autonomous Regions or the provisions in other laws and administrative regulations specially formulated to provide for ethnic autonomous regions.

The people's governments of provinces, autonomous regions, centrally-administered municipalities and cities divided into districts or autonomous prefectures may, in accordance with laws and administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities, formulate rules.

The Constitution, promulgated by the NPC, is the basis of the PRC legal system and has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. Within the PRC legal hierarchy, laws prevail over administrative regulations, local regulations, and rules. Administrative regulations prevail over local regulations and rules. Local regulations prevail over rules of the local governments at or below the corresponding level. Rules enacted by the people's governments of the provinces or autonomous regions prevail over the rules enacted by the people's governments of cities divided into districts and autonomous prefectures within the same administrative jurisdiction.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or separate regulation which has been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government but contravenes the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congress of provinces, autonomous regions or municipalities directly under the central government has the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The standing committee of a local people's congress has the power to revoke any inappropriate rules formulated by the people's government at the corresponding level. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the next lower level.

According to the Constitution, the authority of the interpretation of laws shall be vested to the SCNPC. According to the Decision of the SCNPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on 10 June 1981, interpretation on the application of laws and decrees in court trails and the procuratorial work shall be given by the Supreme People's Court and the Supreme People's Procuratorate, respectively. Interpretation of the laws and decrees unrelated to court trials and procuratorial work shall be given by the State Council and the competent ministries and commissions.

Where the scope of local regulations needs to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of provinces, autonomous regions and municipalities which have enacted these regulations shall provide interpretations or make the stipulations. Interpretation of questions involving the specific application of local regulations shall be provided by the competent departments of the people's governments of provinces, autonomous regions and municipalities.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of the PRC of Organisation of the People's Courts (《中華人民共和國人民法院組織法》) which was last amended on 26 October 2018 and took effect on 1 January 2019, People's courts are divided into the Supreme People's Court, the local people's courts and special people's courts.

Local people's courts at various levels are divided into higher people's courts, intermediate people's courts and primary people's courts. The people's courts at lower levels are subject to the supervision of the people's courts at higher levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts at same or lower levels.

The people's courts adopt a "second instance as final" appellate system in the trail of the cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorates may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorates within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings. If, however, the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers that a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision. For death penalties, except those judged by the Supreme People's Court, requests shall be submitted to the Supreme People's Court for approval.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》, the "**Civil Procedure Law**"), which was enacted on 9 April 1991 and last amended on 1 September 2023 and became effective on 1 January 2024, sets forth the criteria for instituting a civil case, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by the people's court located in the defendant's place of domicile. The litigants of a contract dispute or other property rights dispute may agree in writing on selection of the People's Court at the location of the defendant's place of domicile, place of performance of contract, place of execution of contract, address of the Plaintiff, location of the subject matter, etc. or a venue which has actual connection with the dispute to be the People's Court which has jurisdiction, but shall not violate the provisions hereof on grade jurisdiction and exclusive jurisdiction.

A foreign individual, a stateless person, a foreign enterprise or a foreign organization is given the equal litigation rights and obligations as a citizen, a legal person or other organizations in the PRC when initiating actions or defending against litigations at a PRC court. Should foreign courts impose restrictions on the litigation rights of the citizens, legal persons or other organizations in the PRC, the PRC courts shall impose reciprocal restrictions on the litigation rights of citizens, enterprises and organizations in that country. A foreign individual, a stateless person, a foreign enterprise or a foreign organization must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the PRC is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

With respect to a legally effective judgment or ruling rendered by a People's Court, where the enforcee or its properties is/are not located in the PRC, and the parties concerned request for enforcement, the parties concerned may submit an application directly to a foreign court which has jurisdiction for ratification and enforcement. For a judgment or ruling made by a foreign court which has come into legal effect for which recognition and enforcement are applied or requested, where a people's court concludes, upon examination pursuant to the international treaty concluded or acceded to by the PRC or under the principle of reciprocity, that it does not violate the basic principles of the laws of the PRC and damage the sovereignty, security or public interest, the people's court shall rule on recognition of the validity.

THE COMPANY LAW, THE OVERSEAS LISTING TRIAL MEASURES AND THE GUIDELINES ON THE ARTICLES OF ASSOCIATION

The Company Law which was promulgated on 29 December 1993 by the SCNPC, last amended on 29 December 2023 and came into effect on 1 July 2024 regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders, employees and creditors.

The Trial Administrative Measures for 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**") promulgated by the CSRC on 17 February 2023 with effect from 31 March 2023 are applicable to the overseas securities offering and listing by the PRC domestic companies.

The Guidelines on the Articles of Association for Listed Companies (《上市公司章程指引》, the "**Articles Guidelines**") last amended by the CSRC on March 28, 2025 with effect from the same date provides the guidance for the company's articles of association. Accordingly, the contents as provided in the Articles Guidelines have been included in the Articles of Association of our Company.

Set out below is a summary of the principal provisions of the Company Law, the Overseas Listing Trial Measures and the Articles Guidelines applicable to our Company.

GENERAL

A joint-stock limited liability company ("**company**") refers to a corporate legal person established in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company is limited to the total amount of all assets it owns and the liability of its shareholders is limited to the extent of the shares they subscribe for.

INCORPORATION

A company may be incorporated by promotion or subscription. A company may be incorporated by a minimum of one but no more than 200 promoters, more than half of whom shall have their domiciles within the territory of the PRC. Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are incorporated by subscription, the promoters shall subscribed for not less than 35% of the total shares that shall be issued at the time of the establishment of the company as provided for in the articles of association; however, where laws and administrative regulations provide otherwise, such provisions shall prevail.

The registered capital of the company shall be the total share capital of the issued shares as registered with the company registration authority. Before the capital for the shares subscribed for by the promoters are paid in full, the company may not offer any share to others. Promoters shall fully subscribe for the shares that shall be issued at the time of the establishment of the company as provided for in the articles of association and make full payment for the shares they have subscribed for prior to the establishment of a company. If a promoter makes its capital contributions in non-monetary property, the procedures for the transfer of the property rights therein shall be gone through according to law. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall assume default liabilities in accordance with the covenants set out in the promoters' agreement.

Promoters of a joint stock limited company established by means of stock floatation shall, within 30 days after full payment has been made for the shares to be issued at the time of establishment, hold an establishment meeting of the company. The promoters shall notify each subscriber of the date of the meeting or make a public announcement 15 days before the meeting is held. The establishment meeting may not be held unless the subscribers who hold more than half of the voting rights attend the meeting. Where a joint stock limited company is established by means of promotion, the convening and voting procedures for the establishment meeting shall be prescribed by the articles of association of the company or the agreement of the promoters.

The board of directors shall, within 30 days after the end of the establishment meeting of a company, authorize a representative to file an application for registration of establishment with the company registration authority. The company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued by the relevant registration authority. If a promoter fails to make its capital contributions on schedule and in full amount, it shall, apart from making full amount capital contributions to the company, be liable for compensation for the losses it causes to the company. Where any promoter fails to make payment for the shares subscribed for, or the actual value of the non-monetary property used as capital contributions is obviously lower than the shares subscribed for, other promoters shall bear several and joint liability with such promoter to the extent of the insufficient capital contributions.

If the shares to be issued have not been fully subscribed for at the time of the establishment of a company, or the promoters fail to hold an establishment meeting within 30 days after the full payment has been made for the shares to be issued, subscribers may claim against the promoters for refund of the payment for shares plus the interest on the bank deposits for the same term.

In cases where the company is not established, the legal consequences shall be borne by the shareholders at the time of establishment; if there are two or more shareholders at the time of establishment, they shall have joint and several claims and bear joint and several liabilities.

If a shareholder at the time of establishment causes harm to another person due to performance of their responsibilities for the establishment of the company, the company or other faultless shareholders may seek to recover any resulting compensation liability borne by them from the shareholder at fault.

SHARE CAPITAL

The promoters may make capital contribution in currencies, or non-monetary assets such as in kind, intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation of the assets contributed must be carried out in accordance with the laws or administrative regulations on valuation without any over-valuation or under-valuation.

Shares shall be issued under the principle of fairness and impartiality and each share of the same class shall carry the same rights. Shares of the same class in the same issue shall be issued at the same price and on the same conditions. The same price shall be paid for each share subscribed for by a subscriber.

A PRC domestic company shall file with the CSRC before offering its shares to the public overseas. Pursuant to the Overseas Listing Trial Measures, the target investors for overseas issuance and listing of a domestic company shall be overseas investors, except as in compliance with the Overseas Listing Trial Measures or otherwise provided by the state.

Under the PRC Company Law, a company shall prepare a shareholder register and place it within its premises which sets forth the following matters:

(i) name and domicile of each shareholder;

(ii) class and number of shares subscribed for by each shareholder;

(iii) serial number of shares if the shares are issued in paper form; and

(iv) the date on which each shareholder obtained the shares.

INCREASE OF REGISTERED CAPITAL

According to the Company Law, if a company proposes to issue new shares, its shareholders' meeting shall make a resolution about the following matters:

(i) the class and amount of the new shares;

(ii) the issuing price of the new shares;

(iii) the beginning and ending dates for the issuance of the new shares;

(iv) the class and amount of the new shares to be issued to the original shareholders; and

(v) if any no par value share is issued, the proceeds from the issuance of the new shares shall be included into the registered capital.

Save for the above-mentioned shareholder approval requirement, for a public offering of new shares, the Securities Law of the PRC (《中華人民共和國證券法》, the "**Securities Law**") provides that the company shall:

(i) the company has a sound and well-functioning organization structure;

(ii) the company is a going concern;

(iii) the auditor has issued non-qualified audit reports for the company's financial accounting documents for the past three years;

(iv) the company and its controlling shareholders and de facto controllers have not had any criminal records in the past three years in relation to corruption, bribery, embezzlement, misappropriation of assets and breach of socialist market economic order; and

(v) other requirements as prescribed by the securities regulatory authority of the State Council approved by the State Council.

REDUCTION OF REGISTERED CAPITAL

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

(i) the company shall prepare a balance sheet and an inventory of the assets;

(ii) the reduction of registered capital must be approved by shareholders' meeting;

(iii) the company shall inform its creditors of the reduction in registered capital within 10 days and publish an announcement of the reduction in the newspaper or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within 30 days after the resolution approving the reduction has been passed;

(iv) the creditors shall, within thirty (30) days from the date they receive the written notice, or within forty five (45) days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and

(v) the company must apply to the company registration authority for registration of the reduction in registered capital.

REPURCHASE OF SHARES

A company may not purchase its own shares except under any of the following circumstances:

(i) reducing the registered capital of the company;

(ii) merging with another company that hold shares in the company;

(iii) applying the shares for the staff shareholding scheme or as share incentives;

(iv) shareholders who disagree with the resolutions for the merger and separation of the company made in general meeting may demand the company to purchase their shares;

(v) utilizing the shares for conversion of corporate bonds which are convertible into shares issued by the company;

(vi) it is necessary for a listed company to maintain its company value and its shareholders' interests.

Where the company needs to purchase its own shares under any of the circumstances set out in clauses (i) and (ii) under the preceding article, it shall be subject to a resolution of the general meeting. Where the company needs to purchase its own shares under any of the circumstances set out in clauses (iii), (v) and (vi) under the preceding article, it shall be made as prescribed by the articles or under the authorization by the general meeting and approved by way of a resolution at the board meeting attended by more than two thirds of the directors of the company.

After the company purchases its own shares under the circumstance set out in clauses (i), it shall cancel the purchased shares within 10 days after the purchase; while under either circumstance set out in clauses (ii) or (iv), the company shall transfer them or write them off within six months; while under any of the circumstances set out in clauses (iii), (v) or (vi), the aggregate number of shares of the company held by itself shall not exceed 10% of its total shares in issue and the company shall transfer them or write them off within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure according to the Securities Law. A listed company purchasing its own shares under any of the circumstances set out in clauses (iii), (v) and (vi) shall carry out trading in a public and centralized manner.

A company may not accept its own shares as the subject matter of a pledge.

TRANSFER OF SHARES

The shares of the Company shall be transferred according to the law.

According to the Company Law, a shareholder may transfer its shares on a stock exchange established in accordance with law or by any other means as required by the State Council. Stocks may be transferred by a shareholder in the form of endorsement or by any other means prescribed by the relevant laws or administrative regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders. The register of shareholders shall not be modified within 20 days before any shareholders' meeting is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

According to the Company Law, shares of the company issued prior to the public offering of shares may not be transferred within one year of the date the company are listed and traded on the stock exchange. Where any laws, administrative regulations, or the securities regulatory authority under the State Council have other provisions regarding the transfer of shares of a listed company by its shareholders or actual controllers, those provisions shall prevail.

Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's listing on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management.

SHAREHOLDERS

Under the Company Law and the Articles Guidelines, the shareholders of the company shall have the following rights:

(i) obtaining dividends and other forms of profit distribution according to the numbers of shares held by them;

(ii) requesting to convene, convening, presiding over, and attending in person or by proxy the shareholders' meetings and exercising their corresponding voting rights, according to the law;

(iii) overseeing the operations of the Company and offering recommendations or making inquiries;

(iv) transferring, donating or pledging their shares in accordance with laws, administrative regulations and the articles of association;

(v) consulting and copying the articles of association, register of shareholders, minutes of shareholders' meetings, resolutions adopted at the meetings of the board of directors, and financial accounting reports. Shareholders complying with the provisions may consult the Company's accounting books and accounting vouchers;

(vi) participating in the distribution of residual assets of the company according to the numbers of shares held by them when the company is terminated or liquidated;

(vii) requiring the company to purchase their shares if they are against a combination or division resolution of the shareholders' meeting;

(viii) other rights as set out by laws, administrative regulations, departmental rules, and the articles of association.

The obligations of shareholders include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by them and any other shareholder obligation specified in laws, administrative regulations, regulatory documents and the articles of association.

SHAREHOLDERS' GENERAL MEETING

The general meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law. The general meeting may exercise its powers:

(i) to elect and remove the directors and supervisors and to decide on their remunerations;

(ii) to review and approve the reports of the board of directors;

(iii) to review and approve the reports of the board of supervisors;

(iv) to review and approve the company's profit distribution proposals and loss recovery proposals;

(v) making resolutions on the increase or decrease of the registered capital of the company;

(vi) making resolutions on the issuance of corporate bonds;

(vii) making resolutions on the merger, division, dissolution, liquidation or change of corporate form of the company;

(viii) to amend the company's articles of association; and

(ix) to exercise any other authority stipulated in the articles of association.

The shareholders' meeting may authorize the board of directors to make resolutions regarding the issuance of corporate bonds.

A shareholders' general meeting is required to be held once every year. If any of the following circumstances occurs, an extraordinary shareholders' meeting shall be held within two months:

(i) the number of directors is less than two thirds of the number as provided for by the Company Law or the articles of association;

(ii) the outstanding losses of the company reach one-third of the company's total share capital;

(iii) shareholders individually or in aggregate holding 10% or more of the company's shares request that an extraordinary general meeting shall be convened;

(iv) the board deems it necessary;

(v) the board of supervisors so requests; or

(vi) any other circumstances as provided for in the articles of association.

The shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting.

Where the board of directors is incapable of performing or is not performing its duties to convene the general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. If the board of supervisors fails to convene and preside over such meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over such meeting.

In accordance with the Company Law, a notice of the general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting.

Under the Company Law, a single shareholder who holds, or several shareholders who jointly hold, 1% or more of the shares of the company may submit an interim proposal in writing to the board of directors 10 days before the general meeting is held. The interim proposal shall contain a clear topic for discussion and specific matters for resolution. The board of directors shall, within two days upon receipt of the proposal, notify the other shareholders, and submit the said interim proposal to the general meeting for deliberation, unless the interim proposal is in violation of any law, administrative regulation or the articles of association or fails to fall into the scope of functions of the shareholders' general meeting.

The general meeting shall not make resolutions on matters that are not clearly listed in the notices given to the shareholders.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, except for shareholders of classified shares, save that shares held by the company are not entitled to any voting rights. Resolutions of the general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting. A resolution made at the general meeting on modifying the articles of association, increasing or reducing the registered capital as well as merger, division, dissolution or change of the corporate form shall be adopted by two thirds or more of the voting rights held by the shareholders who attend the meeting.

Where the Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company must be approved by way of resolution of the general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters. An accumulative voting system may be adopted for the election of directors and supervisors at the general meeting pursuant to the provisions of the articles of association or a resolution of the general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Minutes shall be prepared in respect of matters considered at the general meeting and the presider and the directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

BOARD OF DIRECTORS

The board of directors of a company shall consist of three or more members, and may include employee representatives among them. In the case of a company with three hundred or more employees, except when a board of supervisors has been established including a number of employee representatives among its members as required by the law, the company's board of directors shall include employee representatives among its members. An employee representative on the board of directors shall be elected by the company's employees through the employee representative assembly, employee assembly, or other forms of democratic elections.

The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may serve consecutive terms if re-elected. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of directors results in the number of directors being less than the quorum.

Under the Company Law, the board of directors may exercise the following functions and powers:

(i) to convene shareholders' general meetings and report its work to the shareholders' general meetings;

(ii) to implement the resolution of the shareholders' general meeting;

(iii) to decide on the company's operational plans and investment proposals;

(iv) to formulate the company's profit distribution proposals and loss recovery proposals;

(v) to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;

(vi) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(vii) to decide on the setup of the company's internal management organs;

(viii) to decide on the appointment or dismissal of the general manager of the company and the remuneration thereof, and, according to the nomination of the general manager, to decide on hiring or dismissing deputy general managers and financial officer of the company as well as their remuneration;

(ix) to formulate the company's basic management system; and

(x) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

The board of directors shall convene at least two meetings every year. Each meeting shall be notified to all directors and supervisors 10 days before it is held. Interim board meetings may be proposed to be convened by shareholders representing more than 10% or more of the voting rights, more than one-third of the directors or the supervisory board. The chairman of the board of directors shall, within 10 days upon receipt of such a proposal, convene and preside over the board meetings. If the board of directors holds an interim meeting, it may separately decide the method and time limit for the notification on convening the board meetings. The board meetings shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. For voting on a resolution of the board of directors, each director shall have one vote. The directors shall attend the meeting of the board of directors in person. Where any director is unable to attend the meeting for any reason, he/she may, by issuing a written power of attorney, entrust another director to attend the meeting on his/her behalf. The power of attorney shall indicate the scope of authorization. The board of directors shall prepare minutes regarding the decisions on the matters discussed at the meetings, which shall be signed by the directors present.

The directors shall be responsible for the resolutions made by the board of directors. Where a resolution of the board of directors is in violation of any law, administrative regulation, article of association or resolution of the shareholders' meeting and causes any serious loss to the company, the directors who participate in voting on such resolution shall be liable for compensation to the company. If a director is proved to have expressed his/her objection to the voting on such resolution and such objection has been recorded in the minutes, such director may be exempted from liability.

Under the Company Law, the following persons may not serve as a director of a company:

(i) a person who has no capacity for civil conduct or has limited capacity for civil conduct;

(ii) a person who has been subjected to criminal punishment for corruption, bribery, embezzlement or misappropriation of property, or disruption of the economic order of the socialist market, or who has ever been deprived of political rights due to a criminal conviction, and five years have not elapsed since the term of punishment was completed, or in the case of a suspended sentence, two years have not elapsed since the probation period was completed;

(iii) a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into in solvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

(iv) Any former legal representative of a company or enterprise which has had its business license revoked or been ordered to shut down due to any violation of the law, and where the individual was personally responsible for the situation, and three years have not elapsed since the date of revocation of business license or shutdown order; and

(v) a person identified as a subject of enforcement for breach of trust by the people's court for failure to repay a significant amount of overdue debts.

Where the election or appointment of any director is in violation of the preceding paragraph, it shall be invalidated.

Under the Company Law, the board of directors shall have one chairman and may have vice chairmen. The chairman and the vice chairmen shall be elected by more than half of all the directors. The chairman shall convene and preside over the board meetings and review the implementation of the resolution of the board of directors. The vice chairmen shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

A company may, as stipulated in its articles of association, establish an audit committee composed of directors in the board of directors to exercise the functions and powers prescribed for the board of supervisors by the Company Law, without establishing a board of supervisor or supervisors.

SUPERVISORY BOARD

A company shall have a supervisory board composed of three or more members. The supervisory board consists of shareholders' representatives and an appropriate proportion of employees' representatives of the company, among which the proportion of the employees' representatives shall not be lower than one third, and the actual proportion shall be determined in the articles of association. Employees' representatives at the supervisory board shall be elected by the company's employees through the employee representative assembly, employee assembly, or other forms of democratic elections. Directors and senior management shall not act concurrently as supervisors. The supervisory board shall appoint a chairman and may have vice chairmen. The chairman and the vice chairmen of the supervisory board shall be elected by more than half of the supervisors.

The chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the chairman of the supervisory board is incapable of performing or is not performing his/her duties, the vice chairman of the supervisory board shall convene and preside over supervisory board meetings. Where the vice chairman of the supervisory board is incapable of performing or is not performing his/her duties, a supervisor nominated by more than half of the supervisors shall convene and preside over supervisory board meetings.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. If a supervisor fails to be reelected timely upon expiration of the term of office, or the resignation of a supervisor during term of office results in the number of the members of supervisory board being less than the quorum, the original supervisor shall, before a newly elected supervisor takes office, continue to exercise the duties of the supervisor according to the law, administrative regulations and the articles of association.

The supervisory board may exercise the following functions and powers:

(i) to review the company's financial affairs;

(ii) to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated any laws, regulations, the articles of association or the resolutions of the shareholders' meeting;

(iii) when the acts of directors or senior managements are detrimental to the company's interests, to require the directors and senior managements to correct such acts;

(iv) to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meetings under the Company Law;

(v) to submit proposals to the shareholders' general meetings;

(vi) to bring actions against directors and senior managements pursuant to the relevant provisions of the Company Law; and

(vii) other functions and powers stipulated in the articles of association.

Supervisors may attend the board meetings and raise inquiries or suggestions in respect of the resolutions of the board of directors. The supervisory board may investigate any irregularities identified in the operations of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

GENERAL MANAGER AND SENIOR MANAGEMENT

A company shall have a general manager who shall be appointed or removed by the board of directors. The general manager shall be responsible to the board of directors and exercise his/her functions and powers according to the articles of association or the authorization of the board of directors.

The general manager shall be present at meetings of the board of directors.

According to the Company Law, senior management refers to the general manager, deputy general manager, financial officer, secretary to the board of a listed company, and other persons as stipulated in the articles of association.

DUTIES OF DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENTS

Directors, supervisors, and senior managements are required under the Company Law to comply with the relevant laws, regulations and the articles of association. Directors, supervisors, and senior managements shall assume the obligation of loyalty to the company and take measures to avoid the conflict between their own interests and those of the company and may not seek any improper interests by taking advantage of their powers. Directors, supervisors, and senior managements shall assume the duty of diligence to the company. When performing their duties, they shall, for the best interests of the company, exercise the reasonable care that shall be generally possessed by a manager.

Directors, supervisors, and senior managements are prohibited from:

(i) embezzling company property or misappropriating company funds;

(ii) depositing company funds into accounts under their own names or the names of other individuals;

(iii) giving bribes or accepting any other illegal proceeds by taking advantage of their power;

(iv) personally accepting commissions on transactions to which the company is a party;

(v) unauthorized divulgence of confidential information of the company; and

(vi) other acts in violation of their duty of loyalty to the company.

Income generated by directors, supervisors, and senior managements in violation of aforementioned provisions shall be returned to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior management is required to attend a shareholders' general meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall truthfully provide relevant information and materials to the supervisory board, or if a limited liability company has no supervisory board, supervisors, without impeding the discharge of duties by the supervisory board or supervisors.

Where a director or senior management contravenes law, administrative regulation or the articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate more than 1% of the company's shares consecutively for over 180 days may request in writing that the supervisory board institute litigation at a people's court on its behalf. Where the supervisor violates the laws or administrative regulations or the articles of association in the discharge of its duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institutes litigation at a people's court on its behalf.

If the supervisory board or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit.

For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above.

Where a director or senior management contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court.

FINANCE AND ACCOUNTING

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the provisions of the financial department of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the provisions of the financial department of the State Council.

The company's financial and accounting reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial and accounting reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Profits distributed to shareholders by a resolution of a shareholders' general meeting or the board of directors in violation of the Company Law must be returned to the company. The company shall not be entitled to any distribution of profits in respect of shares held by it.

The premium received from the issuance of shares by the company at a price exceeding the face value of the shares, the amount of capital obtained from the issuance of non-par value shares that is not included in the registered capital, and other items stipulated by financial department of the State Council to be included in the capital reserve, shall be included in the capital reserve. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its registered capital. When using a company's reserves to cover its losses, any discretionary reserve and statutory reserve balances shall first be used to cover such losses; if there is still a shortfall, the capital reserve may be used in accordance with regulations. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's funds shall not be deposited in any account opened under the name of any individual.

APPOINTMENT AND DISMISSAL OF AUDITORS

Pursuant to the Company Law, the appointment or dismissal of an accounting firm responsible for the company's auditing shall be determined by shareholders' general meeting, the board of directors or supervisory board in accordance with the articles of association. The accounting firm should be allowed to make representations when shareholders' general meeting, the board of directors or supervisory board conducts a vote on the dismissal of the accounting firm on their respective meetings. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

PROFIT DISTRIBUTION

According to the Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to the Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by more than two-thirds of the voting rights held by shareholders attending the meeting.

DISSOLUTION AND LIQUIDATION

Pursuant to the Company Law, a company shall be dissolved for any of the following reasons:

(i) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(ii) dissolution by a resolution of shareholders' general meeting;

(iii) dissolution due to the merger or division of the company;

(iv) the business license of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws; or

(v) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operations and management of the company have suffered serious difficulties that cannot be resolved through other means, rendering on-going existence of the company a cause for significant losses to the shareholders.

In cases where a company falls under the circumstances specified in subparagraph (i) or (ii) above and has not yet distributed its assets to shareholders, it may continue its existence by amending its articles of association or by resolution of the shareholders' meeting. The amendments to the articles of association or the resolution of the shareholders' meeting in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved under the circumstances set forth in paragraph (i), (ii), (iv) or (v) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall establish a liquidation committee to carry out liquidation within 15 days of the date on which the dissolution matter occurs. The liquidation group shall be composed of the directors, unless it is otherwise provided for in the company's articles of association or it is otherwise elected by the shareholders' general meeting. If a liquidation committee is not established within the prescribed period, any interested party may file an application with a people's court and request the court to appoint relevant persons to form a liquidation committee to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation committee may exercise following functions and powers during the liquidation:

(i) to dispose of the company's assets and to prepare a balance sheet and an inventory of assets, respectively;

(ii) to notify the company's creditors or publish announcements;

(iii) to deal with any outstanding business related to the liquidation;

(iv) to pay any overdue tax together with any tax arising during the liquidation process;

(v) to settle the company's financial claims and liabilities;

(vi) to distribute the company's remaining assets after its debts have been paid off; and

(vii) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he/she has not received any notification. A creditor shall, in making the claim, state all matters relevant to his/her creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the balance sheet and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining assets of the company, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to the shares held by them. The company shall continue to exist during the liquidation period, although it cannot engage in operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before settlements are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required balance sheet and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a declaration of bankruptcy in accordance with the laws. Following such declaration by the people's court, the liquidation committee shall hand over the administration of the liquidation to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for confirmation. Following such confirmation, the report shall be submitted to the company registration authority to apply for the company's registration. Members of the liquidation committee are required to perform their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation committee neglects to fulfill his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation group who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Liquidation of a company declaring bankruptcy according to laws shall be processed in accordance with the laws on corporate bankruptcy.

OVERSEAS LISTING

Pursuant to the Overseas Listing Trial Measures, if a PRC domestic company submits an initial public offering application to an overseas regulatory authority or an overseas stock exchange, the issuer shall file with the CSRC within three business days after submitting the application.

LOSS OF SHARE CERTIFICATES

If the share certificate(s) is either stolen, lost or destroyed, a shareholder may, in accordance with the public notice procedures set out in the Civil Procedure Law, apply to a people's court for a declaration that such certificate(s) will no longer be valid. After such declaration has been obtained, the shareholder may apply to the company for the issue of a replacement certificate(s).

SUSPENSION AND TERMINATION OF LISTING

The Company Law has deleted provisions governing suspension and termination of listing. The Securities Law has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Pursuant to the Overseas Listing Trial Measures, in the case of voluntary or mandatory termination of listing, the issuer shall report the specific situation to the CSRC within three business days from the date of the occurrence and public disclosure of the relevant event.

MERGER AND DIVISION

Pursuant to the Company Law, a merger agreement shall be signed by the merging companies and the involved companies shall prepare their respective balance sheets and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspaper or on the National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he/she has not received the notification, demand the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a balance sheet and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in the newspaper or the National Enterprise Credit Information Publicity System within 30 days. Unless an agreement in writing is reached with creditors in respect of the settlement of debts, the liabilities of the company which have accrued prior to such division shall be jointly borne by the separated companies.

THE SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issuance and trading of our shares and disclosure of information. In October 1992, the State Council established the Securities Committee (國務院證券委員會) and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities- related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions governing securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the aforementioned two departments and reformed the CSRC.

The Provisional Regulations Concerning the Issuance and Trading of Shares (《股票發行與交易管理暫行條例》) were promulgated by the State Council on 22 April 1993 to govern the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, settling and transfer of listed equity securities, as well as the disclosure of information, investigation, penalties and dispute resolutions with respect to a listed company.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issuance, subscription, trading and declaration of dividends of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law took effect on 1 July 1999 and was revised as of 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 2019, respectively. It was the first national securities law in the PRC, and is divided into 14 chapters and 226 articles regulating, among other matters, the issuance and trading of securities, takeovers of listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the Securities Law provides that domestic enterprises must comply with the relevant regulations of the State Council to, directly or indirectly, issue securities or lists its securities to be traded outside the PRC. Currently, the issuance and trading of foreign issued shares (including H share) are principally governed by the rules and regulations promulgated by the State Council and the CSRC.

The CSRC promulgated the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (《H股公司境內未上市股份申請"全流通"業務指引》) on 14 November 2019, with latest amendments issued on 10 August 2023 and effective on the same day. This provision is to regulate the listing and circulation ("**Full Circulation**") of unlisted domestic shares of H-share companies listed on the Hong Kong Stock Exchange (including unlisted domestic shares held by domestic shareholders before overseas listing, unlisted domestic shares issued in China after overseas listing and unlisted shares held by foreign shareholders). Subject to compliance with relevant laws and regulations, as well as the policy requirements of state-owned assets management, foreign investment and industry regulation, the holders of unlisted domestic shares may independently determine the number and proportion of shares for which an application will be filed for circulation, and entrust H-share companies to file with the CSRC. Unlisted domestic joint-stock limited companies may file with the CSRC for "Full Circulation" simultaneously at the time of its overseas initial public offering and listing.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the PRC (《中華人民共和國仲裁法》the "**Arbitration Law**") was passed on 31 August 1994, became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017, and came into effect on 1 August 2018. It is applicable to contract disputes and other property disputes between citizens, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association (中國仲裁協會) of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case, unless the arbitration agreement is null and void.

Under the Arbitration Law and the Civil Procedure Law, an arbitral award made by the arbitration body shall be the final. Where an arbitration award has been made and a party reapplies for arbitration or requests a hearing before the People's Court upon the same matter, the arbitration commission or People's Court shall not deal with the matter. If a party fails to comply with the award, the other party to the award may apply to the people's court for enforcement under the Civil Procedure Law. The people's court shall enforce the arbitral award upon receipt of the application. A people's court may refuse to enforce an arbitral award made by an arbitration tribunal after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to the jurisdiction of the arbitration commission, the making of an award on matters beyond the scope of the arbitration agreement or irregularity in the composition of the arbitration tribunal or arbitration proceedings,).

A party seeking to enforce an arbitral award of PRC Arbitration Tribunal against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or participated in by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the “**New York Convention**”) adopted on 10 June 1958 pursuant to a resolution passed by the SCNPC on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the arbitration for enforcement is made. At the time of the PRC’s accession to the New York Convention, the SCNPC declared that (i) the PRC applies the New York Convention only on the basis of reciprocity for the recognition and enforcement of arbitral awards made in the territory of any State party; and (ii) the PRC applies the New York Convention only for disputes arising out of the contractual and non-contractual commercial legal relationship identifies by the PRC law.

According to the Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的安排》) promulgated by the Supreme People’s Court on 24 January 2000 and became effective on 1 February 2000, and the Supplementary Arrangement of the Supreme People’s Court on Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) (Articles 1 and 4 became effective on 27 November 2020, and Articles 2 and 3 became effective on 19 May 2021) promulgated on 26 November 2020, the courts of the Hong Kong Special Administrative Region (the “**HKSAR**”) agree to enforce the awards made pursuant to the Arbitration Law by the arbitral authorities in the Mainland (the list to be supplied by the Legislative Affairs Office of the State Council (國務院法制辦公室) through the Hong Kong and Macao Affairs Office of the State Council (國務院港澳事務辦公室) and the people’s courts of the Mainland agree to enforce the awards made in the HKSAR pursuant to the Arbitration Ordinance of the HKSAR. If the people’s courts of the Mainland find that the enforcement of awards made by the HKSAR arbitral bodies in the Mainland will be against public interests of the Mainland, or the courts of the HKSAR decide that the enforcement of the arbitral awards in the HKSAR will be against public policies of the HKSAR, the awards may not be enforced.

JUDICIAL JUDGMENT AND ENFORCEMENT

According to the Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) promulgated by the Supreme People's Court on 3 July 2008 and implemented on 1 August 2008, where any people's court of the Mainland or any court of the HKSAR has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to the written jurisdiction agreement, any party concerned may apply to a people's court of the Mainland or a court of the HKSAR for recognition and enforcement of the judgment. "Written jurisdiction agreement" refers to a written agreement between the parties concerned giving the exclusive jurisdiction of either the people's court of the Mainland or the court of the HKSAR in order to resolve dispute relating to particular legal relation occurred or likely to occur. Therefore, the party concerned may apply to the court of the Mainland or the court of the HKSAR to recognize and enforce the final judgment made in the Mainland or the HKSAR that meet certain conditions of the aforementioned regulations. On 18 January 2019, the Supreme People's Court and the HKSAR government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**"), which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between the HKSAR and the Mainland. The New Arrangement discontinued the requirement for a written jurisdiction agreement for bilateral recognition and enforcement. The New Arrangement came into effect on 29 January 2024, after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the HKSAR. The New Arrangement supersedes the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administration Region Pursuant to Agreed Jurisdiction Agreements by Parties Concerned.

This Appendix mainly provides investors with a summary of the Articles of Association.

The following information is only a summary and may not include all the materials that may be important to potential investors.

INSURANCE OF SHARES

The Company's shares are in the form of stock.

The issuance of the Company's shares follows the principles of openness, fairness, and justice. Each share of the same class shall have equal rights.

Shares of the same class issued at the same time shall be issued under the same condition and at the same price. Shares subscribed by any entity or individual shall be paid for at the same consideration.

INCREASE, REDUCTION AND REPURCHASE OF SHARES

Increase and Reduction of Shares

The Company may increase its capital by the following methods in accordance with the needs of its operation and development, in compliance with laws, regulations and the Listing Rules, and upon resolutions passed by the Shareholders' meeting:

(i) Issuing shares to non-specific objects;

(ii) Issuing shares to specific objects;

(iii) Distributing bonus shares to existing shareholders;

(iv) Converting capital reserve into share capital;

(v) Other methods approved by laws, administrative regulations, the Listing Rules and those stipulated in the regulatory authorities of the place where the Company's shares are [**REDACTED**].

The Company may decrease its registered capital. The decrease of the Company's registered capital shall be carried out in accordance with the procedures stipulated in the Company Law, other relevant regulations and the Articles of Association.

Repurchase of Shares

The Company shall not repurchase its shares. However, subject to the laws, regulations and the Listing Rules and the Articles of Association, except in the following circumstances:

(i) To reduce the Company's registered capital;

(ii) To merge with another company holding the Company's shares;

(iii) To use the shares for employee stock ownership plans or equity incentives;

(iv) To repurchase shares from shareholders who object to the resolutions on the Company's merger or division made by the Shareholders' meeting;

(v) To use the shares for converting corporate bonds issued by the Company into shares;

(vi) As necessary to safeguard the Company's value and the rights and interests of shareholders;

(vii) Other circumstances permitted by laws, administrative regulations, the Listing Rules and the securities regulatory rules of the place where the company's shares are [**REDACTED**].

The Company shall repurchase its own shares upon a resolution of the Shareholders' meeting under the circumstances specified in items (i) and (ii) above. The Company shall repurchase its own shares upon a resolution of the Board of Directors with the attendance of more than two-thirds of the Directors under the circumstances specified in items (iii), (v), and (vi) above, provided that it complies with the Articles of Association or as authorized by the Shareholders' Meeting.

Where the Company acquires its shares pursuant to the preceding provision, subject to the Listing Rules and the securities regulatory rules of the place where the company's shares are [**REDACTED**], in the case of items i, such shares shall be canceled within 10 days from the date of acquisition; in the case of items ii, items iv, such shares shall be transferred or canceled within 6 months; and in the case of items iii, items v, items vi, the aggregate number of the Company's shares held by the Company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or canceled within 3 years.

If laws, administrative regulations, the Listing Rules and the securities regulatory rules of the place where the company's shares are [**REDACTED**] provide additional provisions regarding matters related to the share repurchase, those provisions shall prevail.

Transfer of Shares

Shares issued by the Company prior to its [**REDACTED**] shall not be transferred within 1 year as of the date on which the shares are [**REDACTED**] and traded in a stock exchange.

Directors, Supervisors and senior management members of the Company shall report to the Company the shares they hold in the Company and any changes therein. During their term of office, they shall not transfer more than 25% of the total number of shares they hold in the

Company each year; the shares they hold in the Company shall not be transferred within 1 year from the date the Company's shares are [**REDACTED**] and traded. The above personnel shall not transfer the shares they hold in the Company within six months after leaving their positions.

If the securities regulatory rules of the place where the company's shares are [**REDACTED**] provide additional provisions regarding matters related to the share transfer, those provisions shall prevail.

Shareholders, Directors, Supervisors and senior management members who hold more than 5% of the Company's shares shall not sell the Company's shares or other equity securities they hold within 6 months after purchase, or purchase the Company's shares or other equity securities within 6 months after sale. Any profits obtained from such transactions shall belong to the Company, and the Company's Board of Directors shall recover such profits. However, this provision does not apply to securities companies that hold more than 5% of the Company's shares due to the purchase of remaining shares after [**REDACTED**], or other circumstances stipulated in the regulatory authorities of the place where the Company's shares are [**REDACTED**]. If the securities regulatory rules of the place where the company's shares are [**REDACTED**] provide additional provisions regarding matters related to restrictions on the transfer of H shares, those provisions shall prevail.

The shares or other equity securities held by Directors, Supervisors and senior management members, and natural person shareholders as mentioned in the preceding paragraph include those held by their spouses, parents, children, and those held in other people's accounts.

If the Company's Board of Directors fails to execute the provisions of the first paragraph of this article, shareholders have the right to request the Board of Directors to execute within 30 days. If the Board of Directors fails to execute within the above period, shareholders have the right to directly file a lawsuit with the people's court in the name of the Company for the benefit of the Company.

If the Board of Directors fails to execute the provisions of the first paragraph of this article, the responsible Directors shall bear joint and several liability according to law.

SHAREHOLDERS AND SHAREHOLDERS' MEETING

General Provisions on Shareholders

The Company shall establish a register of shareholders based on the certificates provided by the securities registration institution and the register of members shall be sufficient evidence of the Shareholders' shareholdings in the Company. A Shareholder shall enjoy rights and bear obligations according to the class of his or her Shares. Shareholders holding Shares of the same class shall enjoy the same rights and bear the same obligations.

Shareholders of the Company shall enjoy the following rights:

(i) To receive dividends and other forms of profit distribution according to the proportion of shares they hold;

(ii) To request, convene, preside over, attend, or appoint a shareholder proxy to attend the Shareholders' meeting and exercise corresponding voting rights;

(iii) To supervise the Company's operations and make suggestions or inquiries;

(iv) To transfer, donate, or pledge the shares they hold in accordance with the provisions of laws, administrative regulations, the Listing Rules, the securities regulatory rules of the place where the Company's shares are [**REDACTED**], and the Articles of Association;

(v) To inspect and copy the Articles of Association, register of shareholders, minutes of Shareholders' meetings, resolutions of the Board of Directors, resolutions of the Supervisory Committee, financial reports and accounting books, and vouchers of the Company if they meet the requirements;

(vi) To participate in the distribution of the Company's remaining assets according to the proportion of shares they hold when the Company is terminated or liquidated;

(vii) To request the Company to repurchase their shares if they object to the resolutions on the Company's merger or division made by the Shareholders' meeting, provided that the requirements of the procedure under the Articles of Association, laws, administrative regulations and the Listing Rules;

(viii) Inspect the branch register of members in Hong Kong, but the Company may close the register on terms equivalent to section 632 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

(ix) Other rights stipulated in laws, administrative regulations, departmental rules, the Listing Rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**] or the Articles of Association.

If the content of the resolutions of the Shareholders' meeting or the Board of Directors violates laws or administrative regulations, shareholders have the right to request the people's court to determine the invalidity of the resolutions.

If the procedures for convening the Shareholders' meeting or the Board of Directors or the voting methods violate laws, administrative regulations, or the Articles of Association, or if the content of the resolutions violates the Articles of Association, shareholders have the right to request the people's court to revoke the resolutions within 60 days from the date the resolutions are made. However, if the procedures for convening the Shareholders' meeting or the Board of Directors or the voting methods have only minor defects and do not have a substantial impact on the resolutions, this provision does not apply.

Shareholders of the Company shall bear the following obligations:

(i) To comply with laws, administrative regulations, departmental rules, the Listing Rules, the securities regulatory rules of the place where the Company's shares are [**REDACTED**], and the Articles of Association;

(ii) To pay the share price according to the shares they subscribe for and the method of subscription;

(iii) Not to withdraw their capital except in circumstances stipulated in laws, regulations and the Listing Rules;

(iv) Not to abuse shareholder rights to damage the interests of the Company or other shareholders; not to abuse the Company's independent legal person status and shareholders' limited liability to damage the interests of the Company's creditors;

(v) Other obligations stipulated in laws, administrative regulations, the Listing Rules and the Articles of Association.

Shareholders who abuse their rights and cause losses to the Company or other shareholders shall bear compensation liability according to law. Shareholders who abuse the Company's independent legal person status and shareholders' limited liability to evade debts and seriously damage the interests of the Company's creditors shall bear joint and several liability for the Company's debts.

Controlling Shareholders and Actual Controllers

The Company's Controlling Shareholders and actual controllers shall exercise their rights and fulfill their obligations in accordance with laws, administrative regulations, the Listing Rules, and the regulatory rules of the CSRC and the stock exchange, and shall safeguard the interests of the [**REDACTED**] company.

The Company's Controlling Shareholders and actual controllers shall comply with the following provisions:

(i) To exercise shareholder rights according to law and not to abuse control rights or use affiliated relationships to damage the legitimate rights and interests of the Company or other shareholders;

(ii) To strictly fulfill the public statements and commitments made and not to change or exempt them without authorization;

(iii) To strictly fulfill information disclosure obligations in accordance with relevant regulations, actively cooperate with the Company in information disclosure work, and promptly inform the Company of major events that have occurred or are about to occur;

(iv) Not to occupy the Company's funds in any way;

(v) Not to force, instruct, or require the Company and its relevant personnel to provide guarantees in violation of laws and regulations;

(vi) Not to use the Company's undisclosed major information to seek benefits, not to disclose the Company's undisclosed major information in any way, and not to engage in illegal activities such as insider trading, short-swing trading, and market manipulation;

(vii) Not to damage the legitimate rights and interests of the Company and other shareholders through unfair related party transactions, profit distribution, asset restructuring, external investment, etc.;

(viii) To ensure the Company's asset integrity, personnel independence, financial independence, institutional independence, and business independence, and not to affect the Company's independence in any way;

(ix) Other provisions stipulated in laws, administrative regulations, the regulatory rules of the CSRC and the stock exchange, and the Articles of Association.

If the Company's Controlling Shareholders or actual controllers do not serve as Directors of the Company but actually execute the Company's affairs, the provisions of the Articles of Association on Directors' duties of loyalty and diligence shall apply.

If the Company's Controlling Shareholders or actual controllers instruct Directors or senior management members to engage in activities that damage the interests of the Company or shareholders, they shall bear joint and several liability with such Directors or senior management members.

General Provisions on Shareholders' Meeting

The Shareholders' meeting is the Company's authority and shall exercise the following powers according to law:

(i) To elect and remove Directors and Supervisors, and decide on matters related to their remuneration;

(ii) To examine and approve the report of the Board of Directors;

(iii) To examine and approve the report of the Supervisory Committee;

(iv) To examine and approve the Company's profit distribution plan and loss recovery plan;

(v) To make resolutions on the Company's increase or decrease of registered capital and the issuance of corporate bonds, shares of any class, stock warrant and other similar securities;

(vi) To make resolutions on the issuance of corporate bonds;

(vii) To make resolutions on the Company's division, merger, dissolution, liquidation (including voluntary winding up), or change of corporate form;

(viii) To amend the Articles of Association;

(ix) To make resolutions on the appointment and dismissal of accounting firms undertaking the Company's audit business;

(x) To examine and approve the guarantee matters stipulated in Article 48 of the Articles of Association;

(xi) To examine and approve matters related to the Company's purchase or sale of major assets exceeding 30% of the Company's total assets as of the latest audited financial statements within one year;

(xii) To examine the major transactions, substantial sales, substantial acquisitions and related party transactions which shall be considered and approved by the shareholders' meeting in accordance with the laws, administrative regulations, the Listing Rules, the regulatory rules of the place where the Company's shares are [**REDACTED**], the Decision-Making System for Related Transaction, and the Articles of Association;

(xiii) To examine and approve changes in the use of raised funds;

(xiv) To examine and approve equity incentive plans and employee stock ownership plans;

(xv) To examine and approve other matters that should be decided by the Shareholders' meeting as stipulated in laws, administrative regulations, departmental rules, the Listing Rules, or the Articles of Association.

(xvi) Other matters stipulated in the regulatory rules of the place where the Company's shares are [**REDACTED**].

The Shareholders' meeting may authorize the Board of Directors to make resolutions on the issuance of corporate bonds.

The Shareholders' meeting is divided into annual Shareholders' meetings and extraordinary Shareholders' meetings. The annual Shareholders' meeting shall be held once a year and shall be held within 6 months after the end of the previous fiscal year.

Under any of the following circumstances, the Company shall hold an extraordinary Shareholders' meeting within 2 months from the date of occurrence:

(i) When the number of Directors is less than the number stipulated in the Company Law or two-thirds of the number stipulated in the Articles of Association;

(ii) When the Company's unrecovered losses reach one-third of the total share capital;

(iii) When shareholders who individually or jointly hold more than 10% of the Company's shares request it;

(iv) When the Board of Directors deems it necessary;

(v) When the Supervisory Committee proposes to convene;

(vi) Other circumstances stipulated in laws, administrative regulations, departmental rules, the Listing Rules, or the Articles of Association.

Convening of Shareholders' Meeting

The Board of Directors shall convene the Shareholders' meeting within the prescribed time limit. If the laws, regulations, the Listing Rules, securities regulatory rules of the place where the company's shares are [**REDACTED**] and the Articles of Association provide additional provisions, those provisions shall prevail.

With the consent of more than half of all independent Directors, independent Directors have the right to propose to the Board of Directors to convene an extraordinary Shareholders' meeting. The Board of Directors shall, in accordance with laws, administrative regulations, the Listing Rules, and the Articles of Association, provide written feedback on whether to agree to convene an extraordinary Shareholders' meeting within 10 days of receiving the proposal.

If the Board of Directors agrees to convene an extraordinary Shareholders' meeting, it shall issue a notice of the Shareholders' meeting within 5 days of making the board resolution; if the Board of Directors does not agree to convene an extraordinary Shareholders' meeting, it shall explain the reasons and make an announcement.

The Supervisory Committee has the right to propose to the Board of Directors to convene an extraordinary Shareholders' meeting and shall submit the proposal in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations, the Listing Rules, and the Articles of Association, provide written feedback on whether to agree to convene an extraordinary Shareholders' meeting within ten days of receiving the proposal.

If the Board of Directors agrees to convene an extraordinary Shareholders' meeting, it shall issue a notice of the Shareholders' meeting within 5 days of making the board resolution, and any changes to the original proposal in the notice shall be agreed upon by the Supervisory Committee.

If the Board of Directors does not agree to convene an extraordinary Shareholders' meeting or fails to provide feedback within 10 days of receiving the proposal, it shall be deemed that the Board of Directors is unable or unwilling to perform its duties of convening the Shareholders' meeting, and the Supervisory Committee may convene and preside over the meeting on its own.

Shareholders who individually or jointly hold more than 10% of the Company's total share capital (excluding treasury shares) have the right to request the Board of Directors to convene an extraordinary Shareholders' meeting and shall submit the request in writing to the Board of Directors. The Board of Directors shall, in accordance with laws, administrative regulations, the Listing Rules, and the Articles of Association, provide written feedback within 10 days after receiving the request, indicating whether it agrees or disagrees to convene the extraordinary Shareholders' meeting.

If the Board of Directors agrees to convene an extraordinary Shareholders' meeting, it shall issue a notice of the Shareholders' meeting within 5 days of making the board resolution, and any changes to the original request in the notice shall be agreed upon by the relevant shareholders.

If the Board of Directors does not agree to convene an extraordinary Shareholders' meeting or fails to provide feedback within 10 days of receiving the request, shareholders who individually or jointly hold more than 10% of the Company's total share capital (excluding treasury shares) have the right to propose to the Supervisory Committee to convene an extraordinary Shareholders' meeting and shall submit the request in writing to the Supervisory Committee.

If the Supervisory Committee agrees to convene an extraordinary Shareholders' meeting, it shall issue a notice of the Shareholders' meeting within 5 days of receiving the request, and any changes to the original request in the notice shall be agreed upon by the relevant shareholders.

If the Supervisory Committee fails to issue the notice of the Shareholders' meeting within the prescribed time limit, it shall be deemed that the Supervisory Committee is unable or unwilling to convene and preside over the Shareholders' meeting, and shareholders holding more than 10% of the Company's total share capital (excluding treasury shares) separately or jointly for more than 90 consecutive days may convene and preside over the meeting on their own.

If the Supervisory Committee or shareholders decide to convene the Shareholders' meeting on their own, they shall notify the Board of Directors in writing and complete necessary reports, announcements, or filings in accordance with laws, administrative regulations, the Listing Rules if necessary.

The Supervisory Committee or convening shareholders shall submit relevant proof materials to the regulatory authorities and the Stock Exchange when issuing the notice of the Shareholders' meeting and the announcement of the Shareholders' meeting resolution if necessary.

Before the announcement of the Shareholders' meeting resolution, the shareholding ratio of the convening shareholders shall not be less than 10% of the total share capital (excluding treasury shares).

For Shareholders' meetings convened by the Supervisory Committee or shareholders on their own, the Board of Directors and the board secretary shall cooperate. The Board of Directors shall provide the register of shareholders as of the record date.

The necessary expenses for the Shareholders' meeting convened by the Supervisory Committee or shareholders on their own shall be borne by the Company.

Proposals and Notices of the Shareholders' Meeting

The content of the proposals shall fall within the scope of the Shareholders' meeting's authority, have clear topics and specific resolution matters, and comply with the provisions of laws, administrative regulations, the Listing Rules, and the Articles of Association.

When the Company convenes a shareholders' meeting, the Board of Directors, Supervisory Committee and shareholders individually or jointly holding more than 1% of the Company's total share capital have the right to propose proposals to the Company.

Shareholders holding more than 1% of the Company's total share capital separately or jointly may submit temporary proposals in writing to the convener within the period stipulated in the Listing Rules before the Shareholders' meeting. The convener shall issue a supplementary notice of the Shareholders' meeting within 2 days of receiving the proposal, announce the content of the temporary proposal, and submit the temporary proposal to the Shareholders' meeting for review. However, temporary proposals that violate laws, administrative regulations, the Listing Rules, the securities regulatory rules of the place where the Company's shares are [**REDACTED**], or the Articles of Association, or do not fall within the scope of the Shareholders' meeting's authority, shall be excluded.

Except for the circumstances stipulated in the preceding paragraph, the convener shall not modify the proposals already listed in the notice of the Shareholders' meeting or add new proposals after issuing the notice of the Shareholders' meeting.

Proposals not listed in the notice of the Shareholders' meeting or not in compliance with the Article 59 of the Articles of Association shall not be voted on or resolved at the Shareholders' meeting.

The convener shall notify all shareholders 21 days before the annual Shareholders' meeting and 15 days before the extraordinary Shareholders' meeting.

The notice of the Shareholders' meeting shall include the following content:

(i) The time, place, and duration of the meeting;

(ii) The matters and proposals to be reviewed at the meeting;

(iii) A clear statement that all shareholders are entitled to attend the Shareholders' meeting and may appoint a proxy in writing to attend the meeting and vote, and the proxy does not need to be a shareholder of the Company;

(iv) The record date for shareholders entitled to attend the Shareholders' meeting;

(v) The name and telephone number of the standing contact person for the meeting;

(vi) The time and procedure for voting by network or other means;

(vii) Other requirements stipulated in laws, administrative regulations, the Listing Rules and the securities regulatory rules of the place where the company's shares are [**REDACTED**], and the Articles of Association.

Notices and supplementary notices of general meetings shall adequately and completely disclose the particulars of all proposals.

Convening of the Shareholders' Meeting

All shareholders registered on the record date and other shareholders or their proxies are entitled to attend the Shareholders' meeting. They may attend the meeting in person or appoint a proxy to attend, speak, and vote in accordance with relevant laws, regulations, the Listing Rules, and the Articles of Association, unless individual shareholders are required to waive their voting rights on specific matters in accordance with the Listing Rules, for example, that the shareholder holds a substantial interest in a specific transaction or arrangement being voted on.

Shareholders may attend Shareholders' Meetings in person or appoint a proxy who may not be a Shareholder of the Company to attend and vote on their behalf.

If the Shareholders' meeting requires Directors, Supervisors and senior management members to attend the meeting, the Directors, Supervisors and senior management members shall attend and accept shareholders' inquiries.

The Shareholders' meeting shall be presided over by the chairman of the Board of Directors. If the chairman is unable or unwilling to perform his duties, a Director elected by more than half of the Directors shall preside.

The Shareholders' meeting convened by the Supervisory Committee shall be presided over by the chairman of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or unwilling to perform his duties, a Supervisor elected by more than half of the Supervisors shall preside.

The Shareholders' meeting convened by shareholders shall be presided over by the convener or a representative elected by the convener.

If the meeting chairperson violates the rules of procedure during the Shareholders' meeting, making it impossible to continue the meeting, the Shareholders' meeting may elect a person to act as the meeting chairperson with the consent of more than half of the voting rights held by the shareholders present at the meeting, and continue the meeting.

Voting and Resolutions at the Shareholders' Meeting

Resolutions of the Shareholders' meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution of the Shareholders' meeting shall be passed by more than half of the voting rights held by the shareholders present at the meeting. A special resolution of the Shareholders' meeting shall be passed by more than two-thirds of the voting rights held by the shareholders present at the meeting.

The following matters shall be passed by the Shareholders' meeting as ordinary resolutions:

(i) The work report of the Board of Directors and the Supervisory Committee;

(ii) The profit distribution plan and loss recovery plan proposed by the Board of Directors;

(iii) The appointment and dismissal of members of the Board of Directors and the Supervisory Committee and their remuneration and payment methods;

(iv) Other matters except those that, as stipulated in laws, administrative regulations, the Listing Rules, securities regulatory rules of the place where the company's shares are [**REDACTED**], or the Articles of Association, shall be passed by a special resolution.

The following matters shall be passed by the Shareholders' meeting as special resolutions:

(i) The increase or decrease of the Company's registered capital and the issuance of corporate bonds, shares of any class, stock warrant and other similar securities;

(ii) The division, merger, dissolution, and liquidation (including voluntary winding up) or change of corporate form of the Company;

(iii) Amendments to the Articles of Association and its' attachments;

(iv) The Company's purchase or sale of major assets or provision of guarantees to others exceeding 30% of the Company's total assets as of the latest audited financial statements within one year;

(v) Equity incentive plans;

(vi) Other matters stipulated in laws, administrative regulations, the Listing Rules, the securities regulatory rules of the place where the Company's shares are [**REDACTED**], or the Articles of Association, as well as matters that the Shareholders' meeting deems to have a significant impact on the Company and require a special resolution.

Shareholders shall exercise their voting rights based on the number of voting shares they represent, and each share shall have one vote.

When the Shareholders' meeting reviews major matters affecting the interests of small and medium investors, the votes of small and medium investors shall be counted separately. The results of the separate vote count shall be disclosed in a timely manner.

The Company's own shares held by the Company do not have voting rights, and such shares shall not be counted in the total number of voting shares present at the Shareholders' meeting.

If a shareholder purchases the Company's voting shares in violation of the provisions of Article 63, Paragraphs 1 and 2 of the Securities Law, the shares exceeding the prescribed proportion shall not exercise voting rights within 36 months after purchase and shall not be counted in the total number of voting shares present at the Shareholders' meeting.

The Company's Board of Directors, independent Directors, shareholders holding more than 1% of the voting shares, or investor protection institutions established in accordance with laws, administrative regulations, the Listing Rules, the securities regulatory rules of the CSRC may publicly solicit shareholders' voting rights. The solicitation of shareholders' voting rights shall fully disclose specific voting intentions and other information to the solicited parties. It is prohibited to solicit shareholders' voting rights in a paid or disguised paid manner. Except for conditions stipulated in laws, administrative regulations and the Listing Rules, the Company shall not impose a minimum shareholding ratio restriction on the solicitation of voting rights.

When the Shareholders' meeting reviews related party transactions, related shareholders shall not participate in the voting, and the number of voting shares they represent shall not be counted in the total number of valid votes; the announcement of the Shareholders' meeting resolution shall fully disclose the voting situation of non-related shareholders.

DIRECTORS AND BOARD OF DIRECTORS

General Provisions on Directors

Directors of the Company shall be individuals. A person with any of the following circumstances shall not serve as a Director of the Company:

(i) Having no capacity for civil conduct or limited capacity for civil conduct;

(ii) Having been sentenced to a criminal penalty for embezzlement, bribery, infringement of property, misappropriation of property, or disrupting the socialist market economic order, or having had his/her political rights deprived due to a crime, and less than 5 years have elapsed since the expiration of the execution period, or if on probation, less than 2 years have elapsed since the expiration of the probation period;

(iii) Having served as a director, factory director, or manager of a company or enterprise undergoing bankruptcy liquidation and being personally liable for the bankruptcy of such company or enterprise, and less than 3 years have elapsed since the completion of the bankruptcy liquidation of such company or enterprise;

(iv) Having served as the legal representative of a company or enterprise whose business license has been revoked or has been ordered to close down due to illegal activities and being personally liable, and less than 3 years have elapsed since the revocation of the business license or the order to close down of such company or enterprise;

(v) Having a large-amount debt due but unpaid and being listed as a person subject to enforcement for bad credit by the people's court;

(vi) Having been subject to measures restricting access to the securities market by the CSRC and the time limit has not expired;

(vii) Having been publicly determined by the stock exchange as unfit to serve as a director or the member of senior management of listed companies, with the term yet to be expired;

(viii) Other circumstances stipulated in laws, administrative regulations, departmental rules, the Listing Rules, or the securities regulatory rules of the Company's stock listing place.

Elections or appointments of Directors that violate the provisions of this section shall be invalid. If a Director becomes subject to any of the circumstances listed in this section during their tenure, the Company shall terminate their position.

Directors shall be elected or replaced by the Shareholders' meeting and may be removed from their positions by the Shareholders' meeting before the expiration of their term. The term of office for Directors is 3 years, and upon the expiration of their term, they may be re-elected.

The term of a Director is calculated from the date of assuming office until the expiration of the current Board of Directors' term. If the Directors are not timely re-elected upon the expiration of their term, the original Directors shall continue to perform their duties as Directors in accordance with laws, administrative regulations, departmental rules, the Listing Rules, and the Articles of Association until the newly elected Directors assume office.

A Director may also hold the position of senior management positions, but the total number of Directors who also serve as senior management positions, as well as Directors who are employee representatives, shall not exceed half of the total number of Directors of the Company.

Board of Directors

The Board of Directors shall consist of 9 Directors, including 1 chairman and 3 independent Directors. The chairman shall be elected by more than half of all Directors.

The Board of Directors shall exercise the following powers and duties:

(i) Convening the Shareholders' meeting and reporting to the Shareholders' meeting;

(ii) Implementing the resolutions of the Shareholders' meeting;

(iii) Deciding on the Company's business plans and investment proposals;

(iv) Formulating the Company's profit distribution plans and loss recovery plans;

(v) Formulating plans for the Company's increase or decrease of registered capital, issuance of bonds or other securities, and listing;

(vi) Drafting plans for major acquisitions, repurchases of the Company's shares, mergers, divisions, dissolution, or changes in the Company's form;

(vii) Deciding on matters such as external investments, acquisition or disposal of assets, asset mortgages, external guarantees, entrusted wealth management, related-party transactions, and external donations, within the scope authorized by the Shareholders' meeting;

(viii) Deciding on the establishment of the Company's internal management structure;

(ix) Deciding on the appointment or dismissal of the general manager, secretary of the Board, and determining their remuneration and reward (or punishment); based on the general manager's nomination, deciding on the appointment or dismissal of the executive president, vice presidents, chief financial officer, and other senior management members, and determining their remuneration and reward (or punishment);

(x) Formulating the Company's basic management systems;

(xi) Drafting amendments to the Articles of Association;

(xii) Managing the Company's information disclosure matters;

(xiii) Proposing to the Shareholders' meeting the appointment or replacement of the accounting firm auditing the Company;

(xiv) Listening to the work reports of the general manager and reviewing the general manager's work;

(xv) Other powers and duties granted by laws, administrative regulations, departmental rules, the Listing Rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**], the Articles of Association or the Shareholders' meeting.

Any matters that are beyond the scope of authorization of the shareholders' meeting shall be submitted for consideration at the shareholders' meeting.

The Board of Directors shall determine the authority for the Company's external investments, acquisition or disposal of assets, asset mortgages, external guarantees, entrusted wealth management, related party transactions, and external donations, and establish strict review and decision-making procedures. Major investment projects shall be evaluated by relevant experts and professionals and submitted to the Shareholders' meeting for approval.

The board meetings are divided into regular meetings and extraordinary meetings. The regular meetings shall hold at least four meetings each year (approximately once a quarter), convened by the chairman, with written notice ((including personal delivery, mail, fax, and email) provided to all Directors and Supervisors at least 14 days before the meeting.

Shareholders representing more than one-tenth of the voting rights, one-third of the Directors, or the Supervisory Committee may propose the convening of an extraordinary board meeting. The chairman shall convene and preside over the board meeting within 10 days of receiving such a proposal.

A board meeting shall require the attendance of more than half of the Directors to be valid. Resolutions of the Board of Directors shall require the approval of more than half of all Directors. Each Director shall have one vote in board resolutions.

If a Director has a relationship with the enterprise or individual involved in a board resolution, the Director shall promptly report in writing to the Board of Directors. The Director with such a relationship shall not vote on the resolution or act as a proxy for another Director to vote. The board meeting may proceed with the attendance of more than half of the non-related Directors, and resolutions shall require the approval of more than half of the non-related Directors. If the number of non-related Directors attending the board meeting is less than three, the matter shall be submitted to the Shareholders' meeting for review.

Board meetings shall be attended by Directors in person. If a Director is unable to attend, they may appoint another Director in writing to attend on their behalf. The written appointment shall specify the name of the proxy, the matters to be represented, the scope of authority, and the validity period, and shall be signed or sealed by the appointing Director. The proxy shall exercise the Director's rights within the scope of authority. If a Director does not attend the board meeting and does not appoint a proxy to attend, they shall be deemed to have waived their voting rights at that meeting.

Independent Directors

Independent Directors shall diligently perform their duties in accordance with laws, administrative regulations, the Listing Rules, the regulatory rules of the CSRC, the SFC, the HKEX, and the Articles of Association. They shall play a role in decision-making, supervision, and professional consultation within the Board of Directors, safeguarding the overall interests of the Company and protecting the lawful rights and interests of minority shareholders.

Independent Directors must maintain independence. The following persons shall not serve as independent Directors:

(i) Persons employed by the Company or its affiliated enterprises, as well as their spouses, parents, children, and close relatives;

(ii) Natural persons who directly or indirectly hold more than 1% of the Company's issued shares or are among the top ten shareholders of the Company, as well as their spouses, parents, and children;

(iii) Persons employed by shareholders who directly or indirectly hold more than 5% of the Company's issued shares or are among the top five shareholders of the Company, as well as their spouses, parents, and children;

(iv) Persons employed by affiliated enterprises of the Company's Controlling Shareholders or actual controllers, as well as their spouses, parents, and children;

(v) Persons who have significant business dealings with the Company, its Controlling Shareholders, actual controllers, or their respective subsidiaries, or who are employed by entities that have significant business dealings with the Company, and their controlling shareholders or actual controllers;

(vi) Persons who provide financial, legal, consulting, or underwriting services to the Company, its Controlling Shareholders, actual controllers, or their respective subsidiaries, including but not limited to project team members, reviewers, signatories, partners, Directors, senior management members, and principal responsible persons of intermediary institutions providing such services;

(vii) Persons who have had any of the above-mentioned circumstances within the past 12 months;

(viii) Other persons deemed not independent under laws, administrative regulations, the Listing Rules, the securities regulatory rules of the CSRC and the stock exchange, or the Articles of Association.

Affiliated enterprises of the Company's Controlling Shareholders or actual controllers referred to in items (iv) to (vi) above do not include enterprises controlled by the same state-owned assets management institution as the Company and that do not constitute related parties under relevant regulations.

Independent Directors shall conduct an annual self-assessment of their independence and submit the results to the Board of Directors. The Board of Directors shall annually evaluate the independence of incumbent independent Directors and issue a special opinion, which shall be disclosed together with the annual report.

The Company shall establish a special meeting mechanism composed entirely of independent Directors. Matters such as related party transactions to be reviewed by the Board of Directors shall first be approved by the special meeting of independent Directors.

Special Committees under the Board

The Board of the Company shall establish an Audit Committee, a Nomination Committee and a Remuneration and Appraisal Committee. Such special committees shall be accountable to the Board and shall perform their duties in accordance with the Articles of Association and the authority delegated by the Board, and their proposals shall be submitted to the Board for consideration and approval. The members of the special committees shall be composed entirely of Directors.

The Audit Committee shall consist of 3 members who shall be non-executive Directors, and at least one member shall be the independent Director that has appropriate professional qualification recognized by the Listing Rules or that has appropriate accounting or relevant financial management expertise, and the conveners shall be the independent Directors.

The Nomination Committee shall be chaired by an independent non-executive Director, and the members of the Nomination Committee shall be independent non-executive Directors. The Remuneration and Appraisal Committee shall be chaired by the chairman or the independent non-executive Director, and the members of the Remuneration and Appraisal Committee shall be independent non-executive Directors.

SENIOR MANAGEMENT MEMBERS

The Company shall have 1 general manager and 2 deputy general managers, and all of the above personnel shall be appointed or dismissed by the Board of Directors.

The provisions of the Articles of Association regarding the circumstances under which a person may not serve as a Director and the regulations on departure management shall also apply to senior management. The provisions of the Articles of Association regarding the fiduciary duties and diligence obligations of Directors shall also apply to senior management.

The general manager shall be accountable to the Board of Directors and shall exercise the following powers and duties:

(i) Presiding over the Company's production, operation, and management activities, implementing the resolutions of the Board of Directors, and reporting to the Board of Directors;

(ii) Implementing the Company's annual business plans and investment proposals;

(iii) Drafting proposals for the establishment of the Company's internal management structure;

(iv) Drafting the Company's basic management systems;

(v) Formulating the Company's specific regulations;

(vi) Proposing to the Board of Directors the appointment or dismissal of the deputy general manager and chief financial officer;

(vii) Deciding on the appointment or dismissal of management personnel other than those whose appointment or dismissal is to be decided by the Board of Directors;

(viii) Other powers and duties granted by the Articles of Association or the Board of Directors.

The general manager shall attend meetings of the Board of Directors.

SUPERVISORS AND BOARD OF SUPERVISORS

Supervisors

Each Supervisor shall serve for a term of three years. Upon expiry of the term, the Supervisor may be re-appointed upon re-election.

Supervisors may be in attendance at the Board meetings, and raise questions or suggestions pertaining to Board resolutions.

Supervisors shall comply with laws, administrative regulations, the Listing Rules and the Articles of Association and bear duty of diligence and duty of loyalty towards the Company. They shall not abuse their authority to accept bribes or other illegal income and shall not misappropriate the properties of the Company.

Board of Supervisors

The Company shall have a Supervisory Committee. The Supervisory Committee shall consist of 3 Supervisors, including one chairman. The chairman of the Supervisory Committee shall be elected by a simple majority of all Supervisors. The meetings of Supervisory Committee shall be presided over and chaired by the chairman of the Supervisory Committee. If the chairman of the Supervisory Committee is unable or fails to perform his/her duties, such meeting shall be convened and presided over by a Supervisor nominated by not less than half of the Supervisors.

The Supervisory Committee shall exercise the following functions and powers:

(i) To review the Company's financial position;

(ii) To supervise the Directors and senior management members' acts in performing their duties in the Company, and to propose a removal of any Director or senior management member in violation of any laws, administrative regulations, the Listing Rules, the Articles of Association or resolutions adopted at the shareholders' general meeting;

(iii) To demand any Director or senior management member who acts in a manner which is harmful to the Company's interest to rectify such behaviors;

(iv) To propose to convene an extraordinary general meeting, and to convene and preside over shareholders' general meetings where the Board of Directors fails to perform its duty to do so as required by the Company Law;

(v) To submit proposals to shareholders' general meetings;

(vi) To initiate legal proceedings against any Director or senior management member according to Article 189 of the Company Law;

(vii) To investigate into unusual operation of the Company and if necessary. To engage an accounting firm, a law firm or other professional institutions to assist in its work at the expenses of the Company;

(viii) To examine regular reports prepared by the Board of Directors and propose written examination suggestions;

(ix) Other functions and powers stipulated in laws, administrative regulations, the Listing Rules, the regulatory authorities of the place where the Company's shares are listed, the Articles of Association.

The Supervisory Committee shall meet at least once every six months. A Supervisor may propose an extraordinary meeting of the Supervisory Committee.

Resolutions of the Supervisory Committee shall be passed by a simple majority of all Supervisors.

FINANCIAL AND ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT

Financial and Accounting System

The Company shall establish its financial accounting system in accordance with laws, administrative regulations, the Listing Rules and the provisions of relevant national authorities.

Within 4 months after the end of each fiscal year, the Company shall submit and disclose its annual report to the local office of the CSRC (if necessary) and the stock exchange where the Company's shares are [**REDACTED**]. Within 2 months after the end of the first half of each fiscal year, the Company shall submit and disclose its interim report to the local office of the CSRC (if necessary) and the stock exchange where the Company's shares are [**REDACTED**] and submit and disclose its quarterly reports within the period prescribed by the securities regulatory authorities where the Company is [**REDACTED**]. If the securities regulatory rules of the place where the company's shares are [**REDACTED**] provide additional provisions, those provisions shall prevail.

The Company shall not establish separate accounting books in addition to the statutory accounting books. The Company's assets shall not be stored in accounts opened in the name of any individual.

When distributing the after-tax profits of the current year, the Company shall allocate 10% of the profits to the Company's statutory reserve fund. If the cumulative amount of the Company's statutory reserve fund exceeds 50% of the Company's registered capital, the Company may cease to make further allocations. If the Company's statutory reserve fund is insufficient to cover the losses of previous years, the Company shall use the current year's profits to cover the losses before allocating the statutory reserve fund as stipulated above. After allocating the statutory reserve fund from the after-tax profits, the Company may also allocate a discretionary reserve fund from the after-tax profits upon a resolution of the Shareholders' meeting.

After covering losses and allocating reserve funds, the remaining after-tax profits shall be distributed according to the proportion of shares held by shareholders, unless otherwise stipulated in the Articles of Association. If the Shareholders' meeting violates the Company Law by distributing profits to shareholders, the shareholders must return the profits distributed in violation of the regulations to the Company; if the Company suffers losses as a result, the shareholders and the responsible Directors, Supervisors and senior management shall bear the liability for compensation. The Company's own shares held by the Company shall not participate in the distribution of profits.

The Company shall appoint one or more receiving agents in Hong Kong for H-share shareholders. The receiving agents shall collect and hold dividends and other payable amounts distributed by the Company to H-share shareholders on behalf of the relevant H-share shareholders, pending payment to such H-share shareholders. The receiving agents appointed by the Company shall comply with the requirements of laws, regulations, the Listing Rules and the securities regulatory rules of the place where the Company's shares are [**REDACTED**].

The Company's reserve funds shall be used to cover the Company's losses, expand the Company's production and operation, or convert into additional capital. When using reserve funds to cover the Company's losses, the discretionary reserve fund and the statutory reserve fund shall be used first; if the losses cannot be fully covered, the capital reserve fund may be used in accordance with regulations. When converting the statutory reserve fund into additional registered capital, the remaining statutory reserve fund shall not be less than 25% of the Company's registered capital before the conversion.

Internal Audit

The Company shall implement an internal audit system, specifying the leadership structure, responsibilities and authorities, staffing, funding, application of audit results, and accountability for internal audit work.

The Company's internal audit system shall be implemented after approval by the Board of Directors and shall be disclosed to the public.

Appointment of Accounting Firms

The Company shall engage an accounting firm that complies with the Securities Law to conduct audits of financial statements, verification of net assets, and other related consulting services. The engagement term shall be one year and may be renewed.

The appointment or dismissal of an accounting firm shall be decided by the Shareholders' meeting. The Board of Directors shall not appoint an accounting firm before the decision of the Shareholders' meeting.

The Company shall ensure that the engaged accounting firm is provided with true and complete accounting vouchers, accounting books, financial accounting reports, and other accounting materials, and shall not refuse, conceal, or misreport such materials.

The audit fees of the accounting firm shall be decided by the Shareholders' meeting.

When the Company dismisses or does not renew the engagement of an accounting firm, it shall notify the accounting firm 30 days in advance. When the Shareholders' meeting votes on the dismissal of an accounting firm, the accounting firm shall be allowed to present its opinions.

If the accounting firm resigns, it shall explain to the Shareholders' meeting whether there are any improper circumstances in the Company.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase, and Capital Reduction

The Company's merger can be in the form of an absorption merger or a consolidation merger.

When one company absorbs other companies, it is an absorption merger, and the absorbed companies are dissolved. When two or more companies merge to form a new company, it is a consolidation merger, and all the merging companies are dissolved.

For a company merger, the merging parties shall sign a merger agreement and prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days from the date of adopting the merger resolution and make an announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 30 days. Creditors may, within 30 days from the date of receiving the notice, or within 45 days from the date of the announcement if they have not received the notice, request the Company to pay off its debts or provide corresponding guarantees.

When the Company merges, the credits and debts of the merging parties shall be succeeded by the surviving company after the merger or the newly established company.

When the Company divides, its assets shall be divided accordingly. When the Company divides, it shall prepare a balance sheet and a detailed inventory of assets. The Company shall notify its creditors within 10 days from the date of the division resolution and make an announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 30 days.

The debts of the Company before the division shall be jointly assumed by the companies after the division, unless otherwise agreed in a written agreement between the Company and its creditors before the division.

When the Company needs to reduce its registered capital, it must prepare a balance sheet and a detailed inventory of assets. The Company shall notify its creditors within 10 days from the date of the Shareholders' meeting resolution on the capital reduction and make an announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 30 days. Creditors may request the Company to settle its debts or provide corresponding guarantees within 30 days from the date of receiving the notice or within 45 days from the date of the announcement if they have not received the notice.

If the Company reduces its registered capital, it shall reduce its capital contribution or shares in proportion to the shares held by its shareholders, unless otherwise provided by law or the Articles of Association.

Dissolution and Liquidation

The Company shall be dissolved for the following reasons:

(i) The business term stipulated in the Articles of Association expires or other dissolution reasons stipulated in the Articles of Association arise;

(ii) The Shareholders' meeting resolves to dissolve the Company;

(iii) The Company needs to be dissolved due to a merger or division;

(iv) The Company is legally revoked its business license, ordered to close, or revoked;

(v) The Company's operation and management encounter serious difficulties, and its continued existence would cause significant losses to shareholders' interests, and no other solutions can be found. Shareholders holding 10% or more of the Company's total voting rights may request the people's court to dissolve the Company.

When the Company has the dissolution reasons mentioned above, it shall publicize the dissolution reasons through the National Enterprise Credit Information Publicity System within 10 days.

If the Company has the circumstances mentioned in items (i) and (ii) above and has not yet distributed its assets to shareholders, it may continue to exist by amending its Articles of Association or through a resolution of the Shareholders' meeting. To amend the Articles of Association or pass a resolution of the Shareholders' meeting in accordance with the preceding paragraph, it must be approved by more than two-thirds of the voting rights held by shareholders present at the Shareholders' meeting.

If a company is dissolved due to the circumstances mentioned in items (i), (ii), (iv), and (v) above, it shall be liquidated. The Directors are the liquidation obligors and shall establish a liquidation group within 15 days from the date the dissolution reason arises to commence liquidation. The liquidation group shall consist of Directors, unless otherwise stipulated in the Articles of Association or the Shareholders' meeting resolves to appoint others. If the liquidation obligors fail to perform their liquidation obligations in a timely manner, causing losses to the Company or creditors, they shall bear the liability for compensation.

During the liquidation period, the liquidation group shall exercise the following powers and duties:

(i) Cleaning up the Company's assets and preparing a balance sheet and a detailed inventory of assets;

(ii) Notifying and announcing to creditors;

(iii) Handling the Company's unfinished business related to the liquidation;

(iv) Paying off the taxes owed and the taxes incurred during the liquidation process;

(v) Cleaning up claims and debts;

(vi) Distributing the remaining assets after the Company's debts are settled;

(vii) Representing the Company in civil litigation activities.

The liquidation group shall notify creditors within 10 days from the date of its establishment and make an announcement in the newspaper or on the National Enterprise Credit Information Publicity System within 60 days. Creditors shall declare their claims to the liquidation group within 30 days from the date of receiving the notice or within 45 days from the date of the announcement if they have not received the notice.

When declaring claims, creditors shall explain the relevant matters of the claims and provide supporting materials. The liquidation group shall register the claims.

During the claim declaration period, the liquidation group shall not settle claims with creditors.

After cleaning up the Company's assets and preparing a balance sheet and a detailed inventory of assets, the liquidation group shall formulate a liquidation plan and submit it to the Shareholders' meeting or the people's court for confirmation.

After paying off the liquidation expenses, employees' wages, social insurance fees, and statutory compensation, paying off the taxes owed, and settling the Company's debts, the remaining assets shall be distributed to shareholders according to the proportion of shares held.

During the liquidation period, the Company shall continue to exist but shall not engage in business activities unrelated to the liquidation. The Company's assets shall not be distributed to shareholders before being settled in accordance with the preceding paragraph.

After cleaning up the Company's assets and preparing a balance sheet and a detailed inventory of assets, if the liquidation group finds that the Company's assets are insufficient to settle its debts, it shall apply to the people's court for bankruptcy liquidation in accordance with the law.

After the people's court accepts the bankruptcy application, the liquidation group shall transfer the liquidation affairs to the bankruptcy administrator designated by the people's court.

After the Company's liquidation is completed, the liquidation group shall prepare a liquidation report, submit it to the Shareholders' meeting or the people's court for confirmation, and submit it to the Company registration authority to apply for cancelation of the Company's registration.

If the Company is legally declared bankrupt, it shall implement bankruptcy liquidation in accordance with the relevant enterprise bankruptcy laws.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend the Articles of Association under the following circumstances:

(i) After the Company Law or relevant laws, administrative regulations, the Listing Rules or the securities regulatory rules of the place where the Company's shares are [**REDACTED**] are amended, the provisions of the Articles of Association conflict with the amended laws, administrative regulations, the Listing Rules or securities regulatory rules of the place where the Company's shares are [**REDACTED**];

(ii) The Company's circumstances change and are inconsistent with the matters recorded in the Articles of Association;

(iii) The Shareholders' meeting resolves to amend the Articles of Association.

If the amendment of the Articles of Association passed by a resolution of the Shareholders' meeting requires approval by the competent authority, it shall be submitted to the competent authority for approval; if it involves company registration matters, the change of registration shall be processed in accordance with the law.

The Board of Directors shall amend the Articles of Association in accordance with the resolution of the Shareholders' meeting on the amendment of the Articles of Association and the approval opinions of the competent authority.

If the amendment of the Articles of Association involves information required to be disclosed by laws, regulations, the Listing Rules or the securities regulatory rules of the place where the Company's shares are [**REDACTED**], it shall be announced in accordance with regulations.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of our Company

Our Company was established in the PRC on December 6, 2019 and was converted to a joint stock company with limited liability under the Company Law with effect from May 12, 2025. Our Company has established a principal place of business in Hong Kong at Room No. 1818, 18/F, Beverley Commercial Centre, 87-105 Chatham Road South, Tsim Sha Tsui, Kowloon, Hong Kong and [was] registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [●], 2025. Mr. Chan Sun Kwong (陳晨光), one of our joint company secretaries, has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was established in the PRC, our corporate structure and Articles of Association are subject to the relevant laws and regulations of the PRC. A summary of the relevant provisions of our Articles of Association is set out in "Appendix VI — Summary of the Articles of Association" to this document.

2. Changes in the share capital of our Company

As of the date of the establishment of our Company, our registered capital was RMB20,000,000. On February 24, 2020, the registered capital of our Company was increased to RMB60,000,000. On May 12, 2025, our Company was converted into a joint stock company with limited liability under the PRC Company Law. Upon completion of such conversion, the registered capital of our Company was RMB60,000,000 divided into 60,000,000 [**REDACTED**] Shares with a nominal value of RMB1.00 each.

The following sets out the changes in the share capital of our Company within the two years immediately preceding the date of this document:

On May 13, 2025, our registered capital was increased to RMB60,600,000 divided into 60,600,000 [**REDACTED**] Shares.

Immediately following the completion of the [**REDACTED**] and conversion of [**REDACTED**] Shares into H Shares (without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**] or H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement), the registered share capital of our Company will be increased to RMB[**REDACTED**] divided into [**REDACTED**] H Shares fully paid up or credited as fully paid up. Save as aforesaid and as mentioned in "— 4. Resolutions of our Shareholders passed on May 30, 2025" below, there has been no alteration in our share capital within the two years immediately preceding the date of this document.

3. Restriction of share repurchase

For details of the restrictions on the share repurchase by our Company, see "Appendix VI — Summary of the Articles of Association" to this document.

4. Resolutions of our Shareholders passed on May 30, 2025

At the extraordinary general meeting of our Company held on May 30, 2025, among other things, the following resolutions were passed by our Shareholders:

(a) the issue of H Shares with a nominal value of RMB1.00 each and such H Shares to be listed on the Stock Exchange was approved;

(b) the number of H Shares to be issued shall be no more than [**REDACTED**]% of the total issued share capital of our Company upon completion of the [**REDACTED**], and the grant of the [**REDACTED**] of not more than [**REDACTED**]% of the number of H Shares issued pursuant to the [**REDACTED**];

(c) subject to the completion of the filing procedure with the CSRC, upon completion of the [**REDACTED**], the conversion of [60,600,000] [**REDACTED**] Shares in aggregate into H Shares on a one-for-one basis was approved;

(d) subject to the completion of the [**REDACTED**], the Articles of Association were approved and adopted, which shall become effective on the [**REDACTED**], and our Board has been authorized to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities; and

(e) our Board has been authorized to handle all relevant matters relating to, among other things, the [**REDACTED**], the issue of H Shares and the [**REDACTED**].

5. Particulars of our subsidiaries

Particulars of our subsidiaries are set out in note 32 of the Accountants' Report. Set out below is certain information of our subsidiaries as of the Latest Practicable Date:

No.	Name of subsidiaries	Name of shareholder(s)	Percentage of the equity interests held
1.. .	Shengtong Shangmao	Our Company	100%
2.. .	Shengtong HK	Our Company	100%

6. Change in the share capital or registered capital of our subsidiaries

Our Company's subsidiaries are set out in note 32 of the Accountants' Report. Save as disclosed in "History and Corporate Structure" in this document, there has been no other alteration in the share capital or registered capital of any of our subsidiaries within the two years immediately preceding the date of this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this document that are or may be material:

(a) an equity transfer agreement (股權轉讓協議) dated December 22, 2023 entered into among GL Stone Investment IV L.P., Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司), Mr. Zhang Liang (張亮), Ms. Meng Xiuqing (孟秀清), Qingdao Shengtong Shangmao Co., Ltd. (青島聖桐商貿有限責任公司) and ShengTong Nutritions HK Limited (聖桐營養香港有限公司), pursuant to which Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司) agreed to transfer the registered capital of RMB4,390,243.90, representing 7.3171% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to GL Stone Investment IV L.P. at a consideration of RMB150,000,000 (or equivalent US$);

(b) an equity transfer agreement (股權轉讓協議) dated December 22, 2023 entered into among Shanghai Hongsheng Houde Private Equity Investment Fund Partnership (Limited Partnership) (上海弘盛厚德私募投資基金合夥企業(有限合夥)), Shenzhen Ruihe Xinda Investment Partnership (Limited Partnership) (深圳市瑞和信達投資合夥企業(有限合夥)), Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司), Mr. Zhang Liang (張亮), Ms. Meng Xiuqing (孟秀清), Qingdao Shengtong Shangmao Co., Ltd. (青島聖桐商貿有限責任公司) and ShengTong Nutritions HK Limited (聖桐營養香港有限公司), pursuant to which Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司) agreed to (i) transfer the registered capital of RMB878,048.78, representing 1.4634% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Shanghai Hongsheng Houde Private Equity Investment Fund Partnership (Limited Partnership) (上海弘盛厚德私募投資基金合夥企業(有限合夥)) at a consideration of RMB30,000,000; and (ii) transfer the registered capital of RMB731,707.32, representing 1.2195% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Shenzhen Ruihe Xinda Investment Partnership (Limited Partnership) (深圳市瑞和信達投資合夥企業(有限合夥)) at a consideration of RMB25,000,000;

(c) an equity transfer agreement (股權轉讓協議) dated January 8, 2024 entered into between Shenzhen Ruihe Xinda Investment Partnership (Limited Partnership) (深圳市瑞和信達投資合夥企業(有限合夥)) and Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), pursuant to which Shenzhen Ruihe Xinda Investment Partnership (Limited Partnership) (深圳市瑞和信達投資合夥企業(有限合夥)) agreed to transfer the registered capital of RMB731,707.32, representing 1.2195% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司) at a consideration of RMB25,000,000;

(d) an equity transfer agreement (股權轉讓協議) dated November 25, 2024 entered into among SDF ST INVESTMENT LIMITED, Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司), Mr. Zhang Liang (張亮), Ms. Meng Xiuqing (孟秀清), Qingdao Shengtong Shangmao Co., Ltd. (青島聖桐商貿有限責任公司) and ShengTong Nutritions HK Limited (聖桐營養香港有限公司), pursuant to which Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司) agreed to transfer the registered capital of RMB1,644,784.62, representing 2.7413% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to SDF ST INVESTMENT LIMITED at a consideration of RMB71,274,000 (or equivalent US$);

(e) an equity transfer agreement (股權轉讓協議) dated November 25, 2024 entered into among Ningbo Meishan Bonded Port Area Deyuan Enterprise Management Consulting Partnership (Limited Partnership) (寧波梅山保稅港區德遠企業管理諮詢合夥企業(有限合夥)), Suzhou Gaoling Qirui Healthcare Industry Investment Partnership (Limited Partnership) (蘇州高瓴祈睿醫療健康產業投資合夥企業(有限合夥)), Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司), Mr. Zhang Liang (張亮), Ms. Meng Xiuqing (孟秀清), Qingdao Shengtong Shangmao Co., Ltd. (青島聖桐商貿有限責任公司) and ShengTong Nutritions HK Limited (聖桐營養香港有限公司), pursuant to which Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司) agreed to (i) transfer the registered capital of RMB1,153,846.15, representing 1.9231% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Ningbo Meishan Bonded Port Area Deyuan Enterprise Management Consulting Partnership (Limited Partnership) (寧波梅山保稅港區德遠企業管理諮詢合夥企業(有限合夥)) at a consideration of RMB50,000,000; and (ii) transfer the registered capital of RMB1,153,846.15, representing 1.9231% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Suzhou Gaoling Qirui Healthcare Industry Investment Partnership (Limited Partnership) (蘇州高瓴祈睿醫療健康產業投資合夥企業(有限合夥)) at a consideration of RMB50,000,000;

(f) an equity transfer agreement (股權轉讓協議) dated January 13, 2025 entered into among Suzhou Shenqi Lina Green Equity Investment Partnership (Limited Partnership) (蘇州申祺利納綠色股權投資合夥企業(有限合夥)), Huzhou Huijia Zhinuo Enterprise Management Consulting Partnership (Limited Partnership) (湖州匯佳智諾企業管理諮詢合夥企業(有限合夥)), Qingdao Caitong Huizhi Venture Capital Fund Partnership (Limited Partnership) (青島財通匯智創業投資基金合夥企業(有限合夥)), Ms. Chen Yajuan (陳雅娟), Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司), Mr. Zhang Liang (張亮), Ms. Meng Xiuqing (孟秀清), Qingdao Shengtong Shangmao Co., Ltd. (青島聖桐商貿有限責任公司) and ShengTong Nutritions HK Limited (聖桐營養香港有限公司), pursuant to which Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司) agreed to (i) transfer the registered capital of RMB3,461,538.46, representing 5.7692% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Suzhou Shenqi Lina Green Equity Investment Partnership (Limited Partnership) (蘇州申祺利納綠色股權投資合夥企業(有限合夥)) at a consideration of RMB150,000,000; (ii) transfer the registered capital of RMB761,538.46, representing 1.2692% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Huzhou Huijia Zhinuo Enterprise Management Consulting Partnership (Limited Partnership) (湖州匯佳智諾企業管理諮詢合夥企業(有限合夥)) at a consideration of RMB33,000,000; (iii) transfer the registered capital of RMB669,230.77, representing 1.1154% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Qingdao Caitong Huizhi Venture Capital Fund Partnership (Limited Partnership) (青島財通匯智創業投資基金合夥企業(有限合夥)) at a consideration of RMB29,000,000; and (iv) transfer the registered capital of RMB692,307.69, representing 1.1538% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Ms. Chen Yajuan (陳雅娟);

(g) an equity transfer agreement (股權轉讓協議) dated March 31, 2025 entered into among FNOF OCEAN EAGLE LIMITED, Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司), Mr. Zhang Liang (張亮), Ms. Meng Xiuqing (孟秀清), Qingdao Shengtong Shangmao Co., Ltd. (青島聖桐商貿有限責任公司) and ShengTong Nutritions HK Limited (聖桐營養香港有限公司), pursuant to which Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司) agreed to transfer the registered capital of RMB3,300,000, representing 5.5% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to FNOF OCEAN EAGLE LIMITED at a consideration of RMB143,000,000 (or equivalent US$);

(h) an equity transfer agreement (股權轉讓協議) dated April 25, 2025 entered into among CICC R&G Shenghe (Beijing) Equity Investment Partnership (Limited Partnership) 中金諾思格盛和(北京)股權投資合夥企業(有限合夥)), CICC Ruisheng (Haining) Equity Investment Partnership (Limited Partnership) (中金睿盛(海寧)股權投資合夥企業(有限合夥)), Phoenix Bird HK Limited, Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司), Mr. Zhang Liang (張亮), Ms. Meng Xiuqing (孟秀清), Qingdao Shengtong Shangmao Co., Ltd. (青島聖桐商貿有限責任公司) and ShengTong Nutritions HK Limited (聖桐營養香港有限公司), pursuant to which Phoenix Bird HK Limited agreed to transfer the registered capital of RMB692,308, representing 1.14% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to CICC R&G Shenghe (Beijing) Equity Investment Partnership (Limited Partnership) 中金諾思格盛和(北京)股權投資合夥企業(有限合夥)), CICC Ruisheng (Haining) Equity Investment Partnership (Limited Partnership) (中金睿盛(海寧)股權投資合夥企業(有限合夥)) at a consideration of RMB30,000,000 (or equivalent US$), respectively;

(i) an equity transfer agreement (股權轉讓協議) dated April 25, 2025 entered into among CICC Generation (Suzhou) Equity Investment Fund II (Limited Partner) (中金啟辰貳期(蘇州)新興產業股權投資基金合夥企業(有限合夥)), CICC Generation (Wuxi) Equity Investment Fund II (Limited Partner) (中金啟辰貳期(無錫)新興產業股權投資基金合夥企業(有限合夥)), Phoenix Bird HK Limited, Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司), Mr. Zhang Liang (張亮), Ms. Meng Xiuqing (孟秀清), Qingdao Shengtong Shangmao Co., Ltd. (青島聖桐商貿有限責任公司) and ShengTong Nutritions HK Limited (聖桐營養香港有限公司), pursuant to which Phoenix Bird HK Limited agreed to transfer the registered capital of RMB921,922 and RMB693,462, representing 1.52% and 1.14% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to CICC Generation (Suzhou) Equity Investment Fund II (Limited Partner) (中金啟辰貳期(蘇州)新興產業股權投資基金合夥企業(有限合夥)), CICC Generation (Wuxi) Equity Investment Fund II (Limited Partner) (中金啟辰貳期(無錫)新興產業股權投資基金合夥企業(有限合夥)) at a consideration of RMB39,949,980 and RMB30,050,020 (or equivalent US$), respectively;

(j) an equity transfer agreement (股權轉讓協議) dated April 25, 2025 entered into among Mr. Chen Xiong (陳雄), Phoenix Bird HK Limited, Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司), Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司), Mr. Zhang Liang (張亮), Ms. Meng Xiuqing (孟秀清), Qingdao Shengtong Shangmao Co., Ltd. (青島聖桐商貿有限責任公司) and ShengTong Nutritions HK Limited (聖桐營養香港有限公司), pursuant to which Phoenix Bird HK Limited agreed to transfer the registered capital of RMB923,077, representing 1.52% of the then equity interest in Qingdao Shengtong Nutritional Food Co., Ltd. (青島聖桐營養食品有限公司) to Mr. Chen Xiong (陳雄) at a consideration of RMB40,000,000 (or equivalent US$);

(k) an capital increase agreement (增資協議) dated May 12, 2025 entered into among Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司) and Sainte Nutritional Inc. (聖桐特醫(青島)營養健康科技股份公司), pursuant to which Shengyuan Nutritions (Hongkong) Co., Limited (聖元營養(香港)有限公司) agreed to inject RMB600,000 as the registered capital of Sainte Nutritional Inc. (聖桐特醫(青島)營養健康科技股份公司), to subscribe for 1% of the equity interest in Sainte Nutritional Inc. (聖桐特醫(青島)營養健康科技股份公司);

(l) Deed of Non-competition; and

(m) the [**REDACTED**].

2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group was the registered proprietor of the following trademarks which, in the opinion of our Directors, were material to our business:

No.	Trademark	Class	Name of Registered Proprietor	Place of registration	Registration Number	Date of registration	Date of Expiry
1 . . .	圣桐	29	Our Company	PRC	78815686	January 28, 2025	January 27, 2035
2 . . .	圣桐	30	Our Company	PRC	76732207	July 28, 2024	July 27, 2034
3 . . .	圣桐	32	Our Company	PRC	78912218	December 7, 2024	December 6, 2034
4 . . .	圣桐	5	Our Company	PRC	74581327	June 21, 2024	June 20, 2034
5 . . .	圣桐	29	Our Company	PRC	74574641	June 28, 2024	June 27, 2034
6 . . .	特爱丙佳	5	Our Company	PRC	71173124	October 7, 2023	October 6, 2033
7 . . .	特爱丙佳	29	Our Company	PRC	71194335	October 14, 2023	October 13, 2033
8 . . .	特爱丙佳	30	Our Company	PRC	71194353	October 14, 2023	October 13, 2033

No.	Trademark	Class	Name of Registered Proprietor	Place of registration	Registration Number	Date of registration	Date of Expiry
9 . . .	特爱丙佳	32	Our Company	PRC	71208307	October 14, 2023	October 13, 2033
10 . .	特爱本佳	5	Our Company	PRC	71155648	October 7, 2023	October 6, 2033
11 . .	特爱本佳	29	Our Company	PRC	71167624	October 7, 2023	October 6, 2033
12 . .	特爱本佳	30	Our Company	PRC	71184151	October 14, 2023	October 13, 2033
13 . .	特爱本佳	32	Our Company	PRC	71186420	October 14, 2023	October 13, 2033
14 . .	稚爱启瑞	5	Our Company	PRC	68180422	May 14, 2023	May 13, 2033
15 . .	稚爱启瑞	29	Our Company	PRC	68185890	May 14, 2023	May 13, 2033
16 . .	稚爱启瑞	32	Our Company	PRC	68183219	May 14, 2023	May 13, 2033
17 . .	深爱敏佳	5	Our Company	PRC	63209621	September 14, 2022	September 13, 2032
18 . .	深爱敏佳	29	Our Company	PRC	63183601	September 14, 2022	September 13, 2032
19 . .	臻爱敏佳	5	Our Company	PRC	63196284	September 14, 2022	September 13, 2032
20 . .	臻爱敏佳	29	Our Company	PRC	63205444	September 14, 2022	September 13, 2032
21 . .	特爱敏佳	30	Our Company	PRC	60869458	May 14, 2022	May 13, 2032
22 . .	iSainte	5	Our Company	PRC	59967029	April 7, 2022	April 6, 2032
23 . .	iSainte	32	Our Company	PRC	59868686	March 28, 2022	March 27, 2032
24 . .	特爱安能	5	Our Company	PRC	59863684	March 28, 2022	March 27, 2032
25 . .	特爱安能	29	Our Company	PRC	59848763	March 28, 2022	March 27, 2032
26 . .	特爱安能	32	Our Company	PRC	59867299	March 28, 2022	March 27, 2032
27 . .	特爱启瑞	5	Our Company	PRC	59858742	March 28, 2022	March 27, 2032
28 . .	特爱启瑞	29	Our Company	PRC	59843240	March 28, 2022	March 27, 2032
29 . .	特爱启瑞	32	Our Company	PRC	59849308	March 28, 2022	March 27, 2032

No.	Trademark	Class	Name of Registered Proprietor	Place of registration	Registration Number	Date of registration	Date of Expiry
30 . .	特爱启能	5	Our Company	PRC	59858726	March 28, 2022	March 27, 2032
31 . .	特爱启能	29	Our Company	PRC	59847883	March 28, 2022	March 27, 2032
32 . .	iSainte	5	Our Company	PRC	56272192	November 21, 2021	November 20, 2031
33 . .	iSainte	29	Our Company	PRC	56246991	November 21, 2021	November 20, 2031
34 . .	VSainte	5	Our Company	PRC	56268185	November 21, 2021	November 20, 2031
35 . .	特爱敏佳	5	Our Company	PRC	54302221	October 21, 2021	October 20, 2031
36 . .	特爱敏佳	29	Our Company	PRC	54320543	October 21, 2021	October 20, 2031
37 . .	特爱敏佳	32	Our Company	PRC	54311788	October 21, 2021	October 20, 2031
38 . .	SainteFood	5	Our Company	PRC	51200944	August 21, 2021	August 20, 2031
39 . .	SainteFood	29	Our Company	PRC	51200980	August 14, 2021	August 13, 2031
40 . .	圣桐	5	Our Company	PRC	47564956	June 21, 2021	June 20, 2031
41 . .	圣桐	29	Our Company	PRC	47550340	April 14, 2021	April 13, 2031
42 . .	圣特爱佳	5	Our Company	PRC	47308393	February 14, 2021	February 13, 2031
43 . .	圣特爱佳	29	Our Company	PRC	47323141	February 21, 2021	February 20, 2031
44 . .	圣特爱佳	32	Our Company	PRC	47315980	February 21, 2021	February 20, 2031
45 . .	蓓优健	5	Our Company	PRC	47309038	April 21, 2021	April 20, 2031
46 . .	蓓优健	29	Our Company	PRC	47288943	February 14, 2021	February 13, 2031
47 . .	敏佳俱乐部	30	Our Company	PRC	79480514	March 28, 2025	March 27, 2035
48 . .	敏佳俱乐部	32	Our Company	PRC	79480627	March 28, 2025	March 27, 2035

As of the Latest Practicable Date, we had applied for the registration of the following trademarks which, in the opinion of our Directors, were material to our business:

No.	Trademark	Application number	Class	Applicant	Place of registration	Date of Application
1 . . .	圣桐	306819706	5, 29	Our Company	Hong Kong	February 26, 2025
2 . . .	iSainte	306819715	5, 29	Our Company	Hong Kong	February 26, 2025
3 . . .	圣桐特医	306819724	5, 29	Our Company	Hong Kong	February 26, 2025
4 . . .	深护敏佳	82197016	29	Our Company	PRC	November 26, 2024
5 . . .	蓓护敏佳	82177814	5	Our Company	PRC	November 26, 2024
6 . . .	蓓护敏佳	82197022	29	Our Company	PRC	November 26, 2024
7 . . .	焕欣启瑞	82092700	5	Our Company	PRC	November 21, 2024
8 . . .	焕欣启瑞	82102181	29	Our Company	PRC	November 21, 2024
9 . . .	蓓优甚	82115852	5	Our Company	PRC	November 21, 2024
10. . .	蓓优甚	82094474	29	Our Company	PRC	November 21, 2024
11. . .	泰赋敏佳	82113972	5	Our Company	PRC	November 21, 2024
12. . .	泰赋敏佳	82095912	29, 30, 32	Our Company	PRC	November 21, 2024
13. . .	能予佳	82113947	5	Our Company	PRC	November 21, 2024
14. . .	能予佳	82096680	29, 30, 32	Our Company	PRC	November 21, 2024
15 . .	蓓安甚	82111361	5	Our Company	PRC	November 21, 2024
16 . .	蓓安甚	82091952	29	Our Company	PRC	November 21, 2024
17 . .	蓓康甚	82107665	5	Our Company	PRC	November 21, 2024
18. . .	眠忆启瑞	82110661	5	Our Company	PRC	November 21, 2024
19. . .	眠忆启瑞	82093091	29, 30, 32	Our Company	PRC	November 21, 2024

No.	Trademark	Application number	Class	Applicant	Place of registration	Date of Application
20. . .	深赋敏佳	82101810	5	Our Company	PRC	November 21, 2024
21. . .	深赋敏佳	82109947	29, 30, 32	Our Company	PRC	November 21, 2024
22. . .	臻赋敏佳	82108061	5	Our Company	PRC	November 21, 2024
23. . .	臻赋敏佳	82108467	29, 30, 32	Our Company	PRC	November 21, 2024
24. . .	晚安启瑞	82106917	5	Our Company	PRC	November 21, 2024
25. . .	晚安启瑞	82093126	29, 30, 32	Our Company	PRC	November 21, 2024
26. . .	健骼启瑞	82101777	5	Our Company	PRC	November 21, 2024
27. . .	健骼启瑞	82096661	29, 30, 32	Our Company	PRC	November 21, 2024

(b) Patents

As of the Latest Practicable Date, we had registered the following patents which, in the opinion of our Directors, were material to our business:

No.	Patent	Type	Place of Registration	Patent Number	Name of Registered Proprietor	Date of Application	Date of Expiry
1. . .	Food Production Information Risk Analysis and Prediction System (一種食品生產信息風險分析及預測系統)	Invention	PRC	ZL202411146745.9	Our Company	August 21, 2024	August 20, 2044
2. . .	Food Processing Information Traceability and Storage Management System (一種食品加工信息溯源及存儲管理系統)	Invention	PRC	ZL202410855922.4	Our Company	June 28, 2024	June 27, 2044
3. . .	Food stability tester (一種特醫食品穩定性試驗箱)	Utility model	PRC	ZL202420830385.3	Our Company	April 22, 2024	April 21, 2034

No.	Patent	Type	Place of Registration	Patent Number	Name of Registered Proprietor	Date of Application	Date of Expiry
4. . .	Speed Control Automatic Bottle Dispenser (調速自動分瓶器)	Utility model	PRC	ZL202420509822.1	Our Company	March 15, 2024	March 14, 2034
5. . .	Milk powder scoop (奶粉勺)	Design	PRC	ZL202330303916.4	Our Company, Qingdao Huachuang Plastic Co., Ltd.	May 23, 2023	May 22, 2038
6. . .	Milk powder cover (奶粉蓋)	Design	PRC	ZL202330303918.3	Our Company, Qingdao Huachuang Plastic Co., Ltd.	May 23, 2023	May 22, 2038
7. . .	Door-controlled disinfection wardrobe (一種門控式消毒衣櫃)	Utility model	PRC	ZL202321266754.2	Our Company	May 23, 2023	May 22, 2033
8. . .	Automatic arrangement of bottles and cans laser engraving machine (一種自動排列式瓶罐激光刻印機)	Utility model	PRC	ZL202321282557.X	Our Company	May 23, 2023	May 22, 2033
9. . .	Sinking hand Sanitizer (一種下沉式手部消毒裝置)	Utility model	PRC	ZL202321024797.X	Our Company	April 28, 2023	April 27, 2033
10. .	Low osmolality lactose-free infant formula for special medical purposes (一種低滲透壓特殊醫學用途嬰兒無乳糖配方食品)	Invention	PRC	ZL202111566836.4	Our Company	December 20, 2021	December 19, 2041
11. .	Hypoallergenic partially hydrolysed milk protein formula and method of preparation thereof (一種低致敏性乳蛋白部分水解配方食品及其製備方法)	Invention	PRC	ZL202111567090.9	Our Company	December 20, 2021	December 19, 2041

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No.	Patent	Type	Place of Registration	Patent Number	Name of Registered Proprietor	Date of Application	Date of Expiry
12. .	Compounded vitamins for use in complete nutritional formulas for special medical purposes (適用於特殊醫學用途全營養配方食品的複配維生素)	Invention	PRC	ZL202111514319.2	Our Company	December 10, 2021	December 9, 2041
13. .	Total Nutritional Formula for Special Medical Purposes (特殊醫學用途全營養配方食品)	Invention	PRC	ZL202111508872.5	Our Company	December 10, 2021	December 9, 2041
14. .	A partially hydrolysed infant milk protein formula and its preparation method (一種嬰兒乳蛋白部分水解配方食品及其製備方法)	Invention	PRC	ZL202110830336.0	Our Company	July 22, 2021	July 21, 2041
15. .	Partially Hydrolysed Milk Protein Formula for Infants with Special Medical Purposes (特殊醫學用途嬰兒乳蛋白部分水解配方食品)	Invention	PRC	ZL202110831539.1	Our Company	July 22, 2021	July 21, 2041
16. .	Ultrafiltration unit for whey protein (一種乳清蛋白用超濾裝置)	Utility model	PRC	ZL202421102101.5	Our Company	May 21, 2024	May 20, 2034
17. .	A drying device for hydrolysed proteins (一種水解蛋白的乾燥裝置)	Utility model	PRC	ZL202421412312.9	Our Company	June 20, 2024	June 19, 2034

(c) Copyrights

As of the Latest Practicable Date, we had registered the following copyright which, in the opinion of our Directors, were material to our business:

No.	Copyright	Type	Registered number	Registered owner	Place of registration	Date of registration
1 . . .	Sainte Elephant (聖桐小象)	Work of art	國作登字 2025-F-00031672	Our Company	PRC	January 27, 2025

(d) Domain names

As of the Latest Practicable Date, we had registered the following domain name which, in the opinion of our Directors, was material to our business:

No.	Domain Name	Name of Registered Proprietor	Date of Registration	Date of Expiry
1	sainte.com.cn	Shengtong Shangmao	April 18, 2020	April 18, 2028

C. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interest

(a) Interests and short positions of the Directors, Supervisors and the chief executive of our Company in the registered capital of our Company and its associated corporations

Immediately following completion of the [**REDACTED**] (without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**] or H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement), none of our Directors, Supervisors or chief executive of our Company has any interest or short position in the Shares, underlying Shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once our H Shares are [**REDACTED**].

(b) Substantial Shareholders

Save as disclosed in "Substantial Shareholders" in this document, so far as our Directors are aware, immediately following the completion of the [**REDACTED**] (without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**] or H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement), no person (other than our Directors, Supervisors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any types of the issued voting shares of any member of our Group.

2. Particulars of Directors' and Supervisors' service agreements and letters of appointment

Each of our Directors and Supervisors [has entered] into a service agreement or letter of appointment with our Company. The principal particulars of these service agreements and letters of appointment comprise (a) the term of the service; (b) termination provisions; and (c) dispute resolution provision. The service agreements and letters of appointment may be renewed in accordance with our Articles of Association and the applicable laws, rules and regulations from time to time.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service agreement with any member of our Group (other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors' and Supervisors' remuneration

During the three years ended December 31, 2024, the aggregate remuneration (including fees, salaries and other benefits, performance-based bonuses, retirement benefit scheme contributions) paid or payable to our Directors and Supervisors was approximately RMB1.3 million, RMB1.4 million and RMB2.0 million, respectively. For details, please refer to Note 12 of the Accountants' Report set out in Appendix I to this document.

Under the arrangement currently in force, the aggregate remuneration (including fees, salaries and other benefits, performance-based bonuses, retirement benefit scheme contributions) of our Directors and Supervisors for the year ending December 31, 2025 is estimated to be no more than [**REDACTED**].

4. Agency fees or commissions received

Save as disclosed in "[**REDACTED**] — [**REDACTED**] Arrangements and Expenses — Commission and Expenses" in this document, no commissions, discounts, agency fee, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

5. Disclaimers

(a) none of our Directors, Supervisors or chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning 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 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 our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers once our H Shares are [**REDACTED**];

(b) none of our Directors, Supervisors or experts referred to under "— E. Other information — 6. Qualifications and consents of experts" below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) none of our Directors, Supervisors or experts referred to under "E. Other information — 6. Qualifications and consents of experts" below is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(d) save as disclosed in this section, none of our Directors or Supervisors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));

(e) save as disclosed in "Substantial Shareholders" and "— C. Further information about Directors, Supervisors and Substantial Shareholders — 1. Disclosure of interests" above, none of our Directors or Supervisors knows of any person (not being a Director, Supervisor or chief executive of our Company) who will, immediately following completion of the [**REDACTED**], have an interest or short position in our Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any types of the issued voting shares of any member of our Group; and

(f) so far as is known to our Directors as of the Latest Practicable Date, save for Mr. Zhang and Ms. Meng, none of our Directors, Supervisors or their respective close associates (as defined under the Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our Company had any interests in any of our top five customers or top five suppliers.

D. [REDACTED] SHARE OPTIONS

The following is a summary of the principal terms of the Option Grant Agreement entered into among our Company, Mr. Zhang and Shengyuan HK:

(a) Purpose

The Option Grant Agreement is for the purpose of rewarding Mr. Zhang (the "**Grantee**") for his contribution to the continued development of our Group throughout the years and the achievement of the successful completion of a qualified [**REDACTED**]. As the founder of Shengyuan Group and one of the Controlling Shareholders of our Company, Mr. Zhang has made significant contributions to the development of our Group, including but not limited to (i) providing strategic advice and support for our development direction with his insight into industry development trends; and (ii) providing endorsement for our development, strength and prospects with his industry-recognized reputation which is beneficially for our Group to attract reliable business partners and experienced investors.

(b) Grant of options and exercise price

The Grantee has been granted options to subscribe for an aggregate of 2,400,000 Shares, representing approximately [**REDACTED**]% of the issued share capital of our Company immediately following the completion of the [**REDACTED**] (without taking into account any H Shares which may be issued pursuant to the exercise of the [**REDACTED**] Allotment or H Shares which may be issued upon the options granted under the Option Grant Agreement), with the exercise price of RMB1 per Share in respect of any option. The address of the Grantee is 101, Unit A, Building 103, Dongluyuan, Tongzhou District, Beijing.

(c) Vesting of options

The options granted under the Option Grant Agreement shall vest on the date of [**REDACTED**] upon completion of a qualified [**REDACTED**] (i.e. the [**REDACTED**] and [**REDACTED**] on the Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange or other international stock exchanges agreed by our then Shareholders with an overall valuation of not less than [**REDACTED**] at the time of [**REDACTED**]).

(d) Exercise of options

The Grantee or the designated entity of the Grantee (Shengyuan HK or other designated entity wholly owned by Mr. Zhang) may exercise the options within ten years after the vesting of the options by submitting a written exercise notice to our Company, paying the exercise price and obtaining a corresponding number of Shares. Such exercise notice shall specify the number of options to be exercised. For the avoidance of doubt, the Grantee or his designated entity may exercise the options all at once or in batches.

(e) Rights are personal to the Grantee

The rights to the options are personal to the Grantee and the Grantee shall not sell, pledge, transfer or dispose any option.

(f) Cancelation of options

Our Board may at its discretion cancel any option granted to the Grantee if any of the following negative events occur:

(1) the Grantee seriously violates the non-competition obligation under the shareholders' agreement;

(2) the Grantee misappropriates the assets of our Company; and

(3) the Grantee deposits the funds of our Company in an account opened in his own name or in other person's name.

If our Company withdraws the [**REDACTED**] application or fails to complete a qualified [**REDACTED**] with an overall valuation of not less than [**REDACTED**] at the time of [**REDACTED**] for any reason, all options granted to the Grantee shall be canceled, and the option under the Option Grant Agreement shall be terminated and not implemented. To meet a qualified [**REDACTED**], (i) the [**REDACTED**] application shall be submitted to the Stock Exchange, Shanghai Stock Exchange, Shenzhen Stock Exchange or other international stock exchanges agreed by our then Shareholders and accepted by December 31, 2025; (ii) the [**REDACTED**] shall be completed by December 31, 2027; and (iii) the overall valuation of our Company immediately before the [**REDACTED**] shall be not less than [**REDACTED**].

(g) Acceleration of exercise

If our Company enters into any merger, reorganization, equity purchase or consolidation transaction with any other company or entity where the investor Shareholders can obtain a transaction consideration of not less than [**REDACTED**] in the proportion of their shareholding percentage before the exercise of the options under the Option Grant Agreement, the designated entity of the Grantee shall have the right to accelerate the exercise of the options before such transactions.

(h) Lock-up and transfer restrictions on the Shares

The Grantee shall not transfer the options and the corresponding incentive Shares if such options and/or incentive Shares are subject to any lock-up requirements under applicable laws, regulations or requirements of regulatory authorities.

If the Grantee is a Director or a member of senior management of our Company, the incentive Shares transferred by the Grantee each year during his term of office shall not exceed 25% of the total issued share capital our Company and shall not be transferred within half a year after the Grantee leaves his position as a Director or a member of senior management of our Company.

E. OTHER INFORMATION

1. Estate Duty

Our Directors have been advised that currently no material liability for estate duty is likely to fall on our Company or any of our subsidiaries in the PRC.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us which may have a material and adverse impact on our business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will receive an aggregate fee of US$500,000 for acting as the sponsor for the [**REDACTED**].

The Sole Sponsor has made an application on our Company's behalf to the Stock Exchange for the [**REDACTED**] of, and [**REDACTED**], the H Shares to converted from [**REDACTED**] Shares and the H Shares to be issued pursuant to the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**] and H Shares which may be issued upon the exercise of options granted under the Option Grant Agreement).

4. Preliminary expenses

As of the Latest Practicable Date, our Company had not incurred any material preliminary expenses.

5. Promoters

The promotors of our Company comprised all of the 11 then shareholders of our Company as of April 12, 2025 before our conversion into a joint stock limited liability company. Save as disclosed in the section headed "History and Corporate Structure", within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this document.

6. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

Name	Qualifications
CITIC Securities (Hong Kong) Limited . .	A licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor
King & Wood Mallesons	Legal advisors to our Company as to PRC laws
China Insights Industry Consultancy Limited	Industry consultant
AVISTA Valuation Advisory Limited	Independent property valuer

Each of the experts named above [has given] and [has not] withdrawn its respective written consent to the issue of this document with the inclusion of its reports, letters, opinions, summaries of opinions and/or references to its name included herein in the form and context in which they respectively appear.

7. Interests of experts in our Company

Except as disclosed in this document and save for its obligations under the [**REDACTED**] Agreements, none of the persons named in "— E. Other Information — 6. Qualifications and consents of experts" above is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

8. Taxation of holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty. The current rate chargeable on each of the seller and purchaser is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred. For further information in relation to taxation, see "Appendix IV — Taxation and Foreign Exchange" to this document.

9. Binding effect

This document shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Miscellaneous

(a) within the two years immediately preceding the date of this document:

(i) save as disclosed in "History and Corporate Structure" in this document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) save as disclosed in "History and Corporate Structure" in this document, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) save as disclosed in "[**REDACTED**] — [**REDACTED**] Arrangements and Expenses — Commission and Expenses" in this document, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(iv) save as disclosed in "[**REDACTED**] — [**REDACTED**] Arrangements and Expenses — Commission and Expenses" in this document, no commission has been paid or payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;

(b) there are no founder, management or deferred shares nor any debenture in our Company or any of our subsidiaries have been issued or agreed to be issued;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(d) there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared);

(e) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(f) all necessary arrangements have been made to enable our H Shares to be admitted to [**REDACTED**] for clearing and settlement;

(g) our Company has no outstanding convertible debt securities or debentures;

(h) there is no arrangement under which future dividend are waived or agreed to be waived; and

(i) none of the equity and debt securities of our Company, if any, is [**REDACTED**] or dealt with in any other stock exchange nor is any [**REDACTED**] or permission to deal being or proposed to be sought.

11. Bilingual document

The English language and 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). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

A. 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:

(a) the written consents referred to in "Appendix VII — Statutory and General Information — E. Other Information — 6. Qualifications and consents of experts" to this document; and

(b) a copy of each of the material contracts referred to in "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts" to this document.

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.sainte.com.cn**) up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;

(c) the report from Deloitte Touche Tohmatsu in respect of the unaudited [**REDACTED**] financial information, the text of which is set out in Appendix II to this document;

(d) the audited consolidated financial statements of our Group for the three years ended December 31, 2024;

(e) the letter, summary of property value and valuation reports relating to the property interest of our Group prepared by AVISTA Valuation Advisory Limited, the text of which is set out in Appendix III to this document;

(f) the material contracts referred to in "Appendix VII — Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts" to this document;

(g) the written consents referred to in "Appendix VII — Statutory and General Information — E. Other Information — 6. Qualifications and consents of experts" to this document;

(h) the service agreements and letters of appointment entered into between our Company and each of our Directors and Supervisors (as applicable) referred to in "Appendix VII — Statutory and General Information — C. Further Information about Directors, Supervisors and Substantial Shareholders — 2. Particulars of Directors' and Supervisors' service agreements and letters of appointment" to this document;

(i) the Option Grant Agreement;

(j) the legal opinion issued by King & Wood Mallesons, our PRC Legal Advisors, in respect of certain general corporate matters of our Group;

(k) the industry report issued by China Insights Industry Consultancy Limited; and

(l) the PRC Company Law, the PRC Securities Law, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, together with their unofficial English translation.