
RISK FACTORS

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

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

RISKS RELATING TO OUR BUSINESS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Channel stuffing and cannibalisation among our regional distributors may exist.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be unable to recover deposits paid to suppliers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We may be subject to product liability claims.

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

RISK FACTORS

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

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

RISK FACTORS

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

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

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

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

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

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

RISKS RELATING TO OUR INDUSTRY

We operate in a competitive industry.

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

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

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

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

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

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

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

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

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

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

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

RISKS RELATING TO THE [REDACTED]

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

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

- (i) actual or anticipated fluctuations in our results of operations;
- (ii) changes in investors’ perception of our Group and the investment environment generally;

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- (iii) changes in the analysis and recommendations of financial analysts;
- (iv) addition or departure of key management personnel;
- (v) changes in product pricing made by us or our competitors;
- (vi) changes in market valuations and share prices of companies with businesses similar to that of our Company that may be [REDACTED] in Hong Kong;
- (vii) the liquidity of the market for the Shares;
- (viii) announcements of competitive developments, acquisitions or strategic alliances in our industry;
- (ix) our ability to successfully implement our business plans and growth strategies;
- (x) fluctuations of exchange rates;
- (xi) involvement in potential litigation or regulatory investigations and proceedings;
- (xii) general changes and/or developments in rules or regulations with regard to the PRC nutritional product industry that our Group operates in, including those that affect the demand for our products; and
- (xiii) changes in conditions affecting the nutritional product industry, the general economic conditions or stock market sentiments or other events or factors.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RISK FACTORS

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

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

RISKS RELATING TO THIS DOCUMENT

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

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

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

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

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

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

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

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