
SUMMARY

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

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

OVERVIEW

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

We commenced to sell and distribute DHA products in 2007. We are a proprietary brand owner in the algal oil DHA segment in the maternal and children nutritional product industry in the PRC. Our nutritional products target consumers ranging from pregnant and postpartum women, infants to children. In particular, the principal raw materials of our algal oil DHA products are supplied by DSM Group. DSM Group engages in providing solutions in respect of pharmaceuticals, early life nutrition and dietary supplements with market coverage in more than 60 countries such as the PRC, North America, India and Brazil. According to Frost & Sullivan, DSM Group is regarded as the leader in the algal oil DHA market in the PRC, manufacturing over 40% of the raw materials and finished products in the algal oil DHA market in the PRC in 2023 in terms of volume and value. As a proprietary brand owner, we strive to target and market our nutritional products to customers in the PRC, with the view to capturing the market’s health and nutritional awareness.

Our algal oil DHA products are our major products, which contributed to a substantial proportion of our revenue during the Track Record Period. For FY2021, FY2022, FY2023, 6M2023 and 6M2024, the sales of our algal oil DHA products accounted for approximately 91.9%, 92.7%, 94.7%, 93.5% and 96.2% of our total revenue, respectively. According to Frost & Sullivan, the maternal and children algal oil DHA market in the PRC can be divided into products launched by international players and domestic players, where the products of domestic players can be further categorised into products with locally sourced and imported algal oil DHA raw materials. The retail sales value of domestic-branded algal oil DHA products made from raw materials imported from overseas accounted for approximately 1.4% of the entire nutritional product industry in the PRC in 2023. Furthermore, domestic brands with imported algal oil DHA raw materials accounted for 28.5% of the total retail sales value of maternal and children algal oil DHA products in the PRC in 2023, out of which we accounted for approximately 20.5% in 2023, ranking us the largest domestic brand in terms of retail sales value of algal oil DHA products made from imported raw materials. Leveraging on the success of our algal oil DHA products, we have been marketing other nutritional products such as probiotics, vitamins, multi-nutrients and algal calcium products.

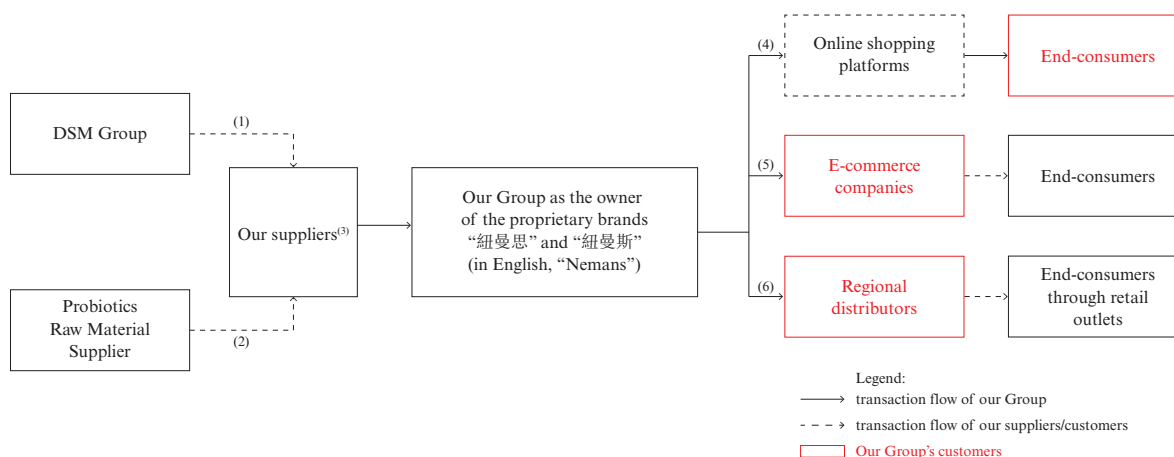
SUMMARY

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

As set out in the paragraph headed “Financial Information — Profit Forecast for FY2024” in this document, our Company expects to record a significant decrease in the consolidated profit attributable to equity owners of our Company for FY2024 as compared to that for FY2023. For detailed analysis, please refer to the paragraph headed “Financial Information — Recent development — Decline in financial performance for the year ending 31 December 2024” in this document.

OUR BUSINESS MODEL

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



Notes:

- (1) We require our suppliers for our algal oil DHA products to use the principal raw materials supplied by DSM Group. For details of our purchases of finished algal oil DHA products, please refer to the paragraph headed “Business — Our purchases — Algal oil DHA products” in this document.
- (2) We require our suppliers for our probiotics products to use the principal raw materials supplied by the Probiotics Raw Material Supplier. For details of our purchases of finished probiotics products, please refer to the paragraph headed “Business — Our purchases — Probiotics products” in this document.

SUMMARY

- (3) For our algal oil DHA products, we or our direct suppliers would arrange processing companies in New Zealand, the U.S. and the PRC to conduct (i) encapsulation of algal oil DHA raw materials into softgels; (ii) drying of softgels containing algal oil DHA; and (iii) packing the softgels into plastic bottles. For details of our procurement model in New Zealand, the U.S. and the PRC, please refer to the paragraph headed “Business — Our purchases — Algal oil DHA products” in this document.
- (4) This represents our sales through online shopping platforms to our customers which are primarily end-consumers. For revenue recognition purpose, the customers ordering through the online shopping platforms are regarded as our customers.
- (5) This represents our direct sales to e-commerce companies, which would on-sell our products on online shopping platforms to their customers which are primarily end-consumers. For revenue recognition purpose, the e-commerce companies are regarded as our customers.
- (6) This represents our sales to regional distributors, which would then sell and distribute our products to retail outlets including pharmacies, maternal and children product stores and postpartum care centres or to the sub-distributors of the regional distributors. For revenue recognition purpose, the regional distributors are regarded as our customers.

OUR PRODUCTS

During the Track Record Period, we sold our nutritional products, which can be broadly categorised into five main types, namely algal oil DHA, probiotics, vitamins, multi-nutrients and algal calcium products. Our nutritional products were sold under our brands “紐曼思” and “紐曼斯” (in English, “Nemans”) during the Track Record Period. Our nutritional products mainly target pregnant and postpartum women, infants to children. During FY2022, FY2023 and, to a very limited extent, 6M2024, we also sold five types of milk powder products manufactured by and purchased from Ausnutria Group under the brands licensed by it and derived insignificant revenue therefrom. For details of our sales of milk powder products during the Track Record Period, please refer to the paragraph headed “Financial Information — Principal components of the consolidated statements of profit or loss — Losses relating to milk powder products” in this document. Our Directors confirm that our Group will cease to sell milk powder products from the year ending 31 December 2025.

SUMMARY

The following table sets forth the breakdown of our revenue, sales volume and average selling price by types of product for the years/ periods indicated:

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Revenue		Average selling price		Sales volume		Average selling price		Sales volume		Average selling price		Sales volume		Average selling price		Sales volume		Average selling price	
	RMB'000	%	Unit '000	RMB/Unit	Revenue	%	Unit '000	RMB/Unit	Revenue	%	Unit '000	RMB/Unit	Revenue	%	Unit '000	RMB/Unit	Revenue	%	Unit '000	RMB/Unit
	(Notes (a) & (b))		(Notes (a) & (b))		(Notes (a) & (b))		(Notes (a) & (b))		(Notes (a) & (b))		(Notes (a) & (b))		(Notes (a) & (b))		(Notes (a) & (b))		(Notes (a) & (b))		(Notes (a) & (b))	
Algal oil DHA products	310,216	91.9	1,347	230.3	340,610	92.7	1,480	230.1	404,148	94.7	1,918	210.7	179,682	93.5	767	234.3	140,471	96.2	668	210.3
— New Zealand DHA Products	247,305	73.2	1,061	233.1	240,136	65.4	1,019	235.7	289,093	67.8	1,401	206.3	133,691	69.6	548	244.0	89,538	61.3	436	205.4
— U.S. DHA Products	55,253	16.4	246	224.6	90,816	24.7	384	236.5	108,957	25.5	469	232.3	42,521	22.1	193	220.3	49,114	33.6	217	226.3
— PRC DHA Products	7,658	2.3	40	191.5	9,658	2.6	77	125.4	6,098	1.4	48	127.0	3,470	1.8	26	133.5	1,819	1.3	15	121.3
Probiotics products	23,834	7.1	171	139.4	19,485	5.3	130	149.9	18,432	4.3	147	125.4	9,908	5.2	79	125.4	4,893	3.3	36	135.9
Vitamins products	1,837	0.5	23	79.9	1,025	0.3	24	42.7	690	0.2	17	40.6	394	0.2	10	39.4	223	0.2	5	44.6
Multi-nutrients products	1,311	0.4	18	72.8	2,011	0.6	24	83.8	1,207	0.3	16	75.4	678	0.4	9	75.3	208	0.1	3	69.3
Algal calcium products	410	0.1	10	41.0	538	0.1	13	41.4	236	0.1	6	39.3	236	0.1	6	39.3	—	—	—	—
Milk powder products	—	—	—	—	3,628	1.0	18	201.6	1,832	0.4	11	166.5	1,178	0.6	6	196.3	291	0.2	1	291.0
Total	337,608	100.0	1,569	—	367,297	100.0	1,689	—	426,545	100.0	2,115	—	192,076	100.0	877	—	146,086	100.0	713	—

Notes:

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

SUMMARY

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

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Algal oil DHA products	232,226	74.9	259,005	76.0	307,141	76.0	137,818	76.7	103,026	73.3
— New Zealand DHA Products	184,993	74.8	182,247	75.9	219,286	75.9	102,822	76.9	65,437	73.1
— U.S. DHA Products	41,940	75.9	70,300	77.4	83,668	76.8	32,679	76.9	36,372	74.1
— PRC DHA Products	5,293	69.1	6,458	66.9	4,187	68.7	2,317	66.8	1,217	66.9
Probiotics products	11,445	48.0	9,984	51.2	10,704	58.1	6,396	64.6	1,448	29.6
Vitamins products	1,656	90.1	838	81.8	495	71.7	319	81.0	181	81.2
Multi-nutrients products	982	74.9	1,599	79.5	955	79.1	517	76.3	159	76.4
Algal calcium products	289	70.5	381	70.8	155	65.7	161	68.2	—	—
Milk powder products	—	—	1,383	38.1	1,417	77.3	343	29.1	149	51.2
Total gross profit/overall gross profit margin	246,598	73.0	273,190	74.4	320,867	75.2	145,554	75.8	104,963	71.9

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

The increase in our revenue from sales of algal oil DHA products from approximately RMB310.2 million for FY2021 to approximately RMB340.6 million for FY2022 was mainly driven by our U.S. DHA Products, which was mainly driven by the significant increase in the retail sales value of cross-border imported DHA products in 2022 as cross-border imported DHA products gained more popularity during the COVID-19 pandemic.

For FY2023, our revenue from sales of algal oil DHA products increased significantly to approximately RMB404.1 million from approximately RMB340.6 million for FY2022. Such increase of approximately 18.6% was in line with the retail sales value of the maternal and children algal oil DHA product industry in respect of domestic players (with raw materials supplied by overseas suppliers) in the PRC, which increased by approximately 18.7% from RMB2,704.1 million in 2022 to RMB3,208.8 million in 2023. Our revenue growth for FY2023 was mainly driven by the sharp growth in disposable income per capita and retail sales value of maternal and children nutritional product industry in the PRC during 2023 as a result of the easing of COVID-19 in the PRC and the PRC government implementing significant consumption stimulus policies. In addition, we also benefited from the market reaction and heightened safety concerns driven by the release of radioactive water by Japan first started in

SUMMARY

August 2023. According to the Frost & Sullivan Report, the release of radioactive water from Fukushima, Japan, raised concerns about its potential impact on marine ecosystems. For instance, in addition to extensive media reporting in the PRC, the PRC government has published official statements and taken actions such as imposing stricter import regulations on marine products from Japan. Furthermore, according to Frost & Sullivan, the release of radioactive water by Japan raised concerns not only on fish oil DHA but also algal oil DHA. This apprehension stems from the consumers’ perception that such contamination could impact algae, which consumers commonly believe may absorb various nutrients and substances from their marine environment, and that algae as primary producers in aquatic ecosystems may accumulate contaminants, potentially affecting the quality and safety of algal oil DHA products. The above safety concerns have triggered the consumers to stockpile DHA products that were manufactured before the release of radioactive water.

For 6M2024, our revenue from sales of algal oil DHA products decreased to approximately RMB140.5 million from approximately RMB179.7 million for 6M2023, which was mainly driven by (i) the effect of stockpiling behaviour by consumers due to the release of radioactive water by Japan in the second half of 2023 which dampened sales in 2024 as the maternal and children nutritional product market faced reduced demand following the spike in 2023; and (ii) the economic downturn in the PRC during the first half of 2024 according to the Frost & Sullivan Report. The economic downturn in the PRC in 2024 slowed down the growth of the PRC maternal and children algal oil DHA product industry. The retail sales value of the maternal and children algal oil DHA product industry in respect of domestic players (with raw materials supplied by overseas suppliers) remained relatively flat at approximately RMB3,208.8 million and RMB3,388.0 million in 2023 and 2024, respectively, according to the Frost & Sullivan Report. This marks a significant contrast to the rapid growing trend in the previous years, in which the retail sales value of the maternal and children algal oil DHA product industry in respect of domestic players (with raw materials supplied by overseas suppliers) increased significantly by approximately 14.0% from approximately RMB2,371.7 million in 2021 to approximately RMB2,704.1 million in 2022 and further increased by approximately 18.7% to approximately RMB3,208.8 million in 2023. As advised by Frost & Sullivan, the economic downturn had impacted on consumer confidence and spending habits, and as a result the maternal and children nutritional product industry, alongside other non-essential consumer products industries, are directly hit by the economic slowdown as consumers tend to reserve their purchasing power for essential consumer products. Moreover, as advised by Frost & Sullivan, under the temporary economic downturn in the PRC in 2024, consumers tend to opt for more economic and affordable algal oil DHA products as alternatives, which led to a heavier negative impact on the sales performance of brands, including ours, that have a higher average product price in algal oil DHA products. For instance, the sales volume of premium brand algal oil DHA products (domestic brands with raw materials supplied by overseas suppliers) in the PRC is anticipated to decline by approximately 17.2% from 272.1 million capsules in 2023 to 225.3 million capsules in 2024, and subsequently rebound by 14.6% to 258.2 million capsules in 2025. In contrast, the sales volume of mass market algal oil DHA products (domestic brands with raw materials supplied by overseas suppliers) in the PRC is anticipated to grow by 20.9% from 475.0 million capsules in 2023 to 574.3 million capsules in 2024, and further increase by 10.1% to 632.2 million capsules in 2025. While the selling prices of our algal oil DHA products and those of other premium brands have remained relatively stable, the substantial decline in sales volume has adversely impacted the revenue of our Group and other premium brands in

SUMMARY

2024. Brand owners of algal oil DHA products in the PRC typically refrain from reducing their reference retail price during temporary economic downturns due to strategic pricing considerations. Our Directors consider that lowering prices could potentially signal a downgrade in market positioning to end-consumers, making it challenging for them to accept future price increases, further complicating price positioning. Therefore, despite the decline in sales volume during the temporary economic downturn in 2024, premium brands, including ours, have opted for price stability to maintain their perceived value in the market. According to the Frost & Sullivan Report, in the PRC, algal oil DHA products (domestic brands with raw materials supplied by overseas suppliers) priced at above RMB5.0 per capsule are categorised as premium, while those priced at RMB5.0 or below per capsule fall into the mass market category. With an average price of RMB5.4 per capsule, our algal oil DHA products hold a higher market positioning. Furthermore, there are approximately 70% domestic brands (with raw materials supplied by overseas suppliers) of algal oil DHA products in the PRC that are more economic and affordable in terms of average product price than ours (i.e. at RMB5.4 per capsule). For instance, according to the Frost & Sullivan Report, other international brands and domestic brands (with raw materials supplied by overseas suppliers) of algal oil DHA products that have higher average product price than us also suffered decrease in revenue in 2024. Please refer to the paragraph headed “Financial Information — Principal components of the consolidated statements of profit or loss — Revenue” in this document for further details of our revenue during the Track Record Period.

SALES AND DISTRIBUTION

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

SUMMARY

The following table sets forth the breakdown of our revenue, sales volume and average selling price by sales channels for the years/ periods indicated:

	FY2021				FY2022				FY2023				6M2023				6M2024			
	Revenue		Sales volume		Average selling price		Revenue		Sales volume		Average selling price		Revenue		Sales volume		Revenue		Sales volume	
	RMB'000	%	Unit '000	(Notes (a) & (b))	RMB/Unit		RMB'000	%	Unit '000	(Notes (a) & (b))	RMB/Unit		RMB'000	%	Unit '000	(Notes (a) & (b))	RMB'000	%	Unit '000	(Notes (a) & (b))
Online sales channels:																				
Direct sales to e-commerce companies	166,135	49.2	709		234.3		194,838	53.1	844		230.9		236,930	55.5	1,002		106,185	55.3	446	
Sales through online shopping platforms																				
to our customers	50,312	14.9	154		326.7		48,347	13.2	151		320.2		56,467	13.2	174		23,584	12.3	73	
Others (Note c)	—	—	—		—		—	—	—		—		18,130	4.3	294		2,604	1.3	19	
Sub-total	216,447	64.1	863		250.8		243,185	66.3	995		244.4		311,527	73.0	1,470		132,373	68.9	538	
Offline sales channels																				
Sales to regional distributors	115,665	34.3	686		168.6		114,759	31.2	662		173.4		108,523	25.5	624		55,735	28.0	319	
Others (Note c)	5,996	1.6	20		274.8		9,353	2.5	32		292.3		6,495	1.5	21		5,968	3.1	20	
Sub-total	121,661	35.9	706		171.6		124,112	33.7	694		178.8		115,018	27.0	645		59,703	31.1	339	
Total	337,608	100.0	1,569				367,297	100.0	1,689				426,545	100.0	2,115		192,076	100.0	877	

Notes:

- (a) Each unit is equivalent to a package of our product.
- (b) The sales volume in respect of each sales channel represents the aggregate number of units sold. For each unit sold, the specific product composition and number of product units per package may be different. The average selling price per unit is simply an overall indicator determined by the sales volume of different product mix during the years/periods.
- (c) Others include direct sales to retail outlets and miscellaneous sales.

SUMMARY

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

	FY2021		FY2022		FY2023		6M2023		6M2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Online sales channels:										
Direct sales to e-commerce companies	125,839	75.7	147,743	75.8	188,834	79.7	83,125	78.3	71,845	75.6
Sales through online shopping platforms to our customers	40,598	80.7	40,305	83.4	48,091	85.2	19,317	81.9	12,572	82.1
Others (Note)	—	—	—	—	1,280	7.1	1,609	61.8	2,473	33.2
Sub-total	<u>166,437</u>	76.9	<u>188,048</u>	77.3	<u>238,205</u>	76.5	<u>104,051</u>	78.6	<u>86,890</u>	73.7
Offline sales channels:										
Sales to regional distributors	75,756	65.5	77,517	67.5	77,296	71.2	36,832	68.5	16,671	63.1
Others (Note)	<u>4,405</u>	80.1	<u>7,625</u>	81.5	<u>5,366</u>	82.6	<u>4,671</u>	78.3	<u>1,402</u>	76.9
Sub-total	<u>80,161</u>	66.2	<u>85,142</u>	68.6	<u>82,662</u>	71.9	<u>41,503</u>	69.5	<u>18,073</u>	64.0
Total	<u>246,598</u>	73.0	<u>273,190</u>	74.4	<u>320,867</u>	75.2	<u>145,554</u>	75.8	<u>104,963</u>	71.9

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

For FY2021, FY2022, FY2023, 6M2023 and 6M2024, the majority of our revenue was derived from (i) sales attributable to online sales channels (including direct sales to e-commerce companies and sales through online shopping platforms to our customers), such revenue amounted to approximately RMB216.4 million, RMB243.2 million, RMB311.5 million, RMB132.4 million and RMB117.9 million, respectively, representing approximately 64.1%, 66.3%, 73.0%, 68.9% and 80.7% of our total revenue, respectively; and (ii) sales to regional distributors, such revenue amounted to approximately RMB115.7 million, RMB114.8 million, RMB108.5 million, RMB53.7 million and RMB26.4 million, respectively, accounting for approximately 34.3%, 31.2%, 25.5%, 28.0% and 18.1% of our total revenue, respectively.

OUR CUSTOMERS

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

SUMMARY

OUR REGIONAL DISTRIBUTORS

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

OUR SUPPLIERS

We mainly procure finished products from our suppliers, and our direct suppliers shall be responsible for processing or arranging processing companies to process our products. During the Track Record Period, we procured finished algal oil DHA and probiotics products from our direct suppliers established in the PRC, the U.S. and Hong Kong. For some of our products processed in the PRC, we procured the principal raw materials for our suppliers and our suppliers shall arrange for the processing of such raw materials into our finished products. For FY2021, FY2022, FY2023 and 6M2024, our purchases from our five largest suppliers for each year/period during the Track Record Period accounted for approximately 90.7%, 92.7%, 94.3% and 92.4% of our total purchases, respectively, and our purchases from our largest supplier for each year/period during the Track Record Period accounted for approximately 56.8%, 42.6%, 49.6% and 48.5% of our total purchases, respectively. For further details of our five largest suppliers for each year/period during the Track Record Period, please refer to the paragraph headed “Business — Our suppliers” in this document.

PRICING POLICY

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

SUMMARY

COMPETITIVE LANDSCAPE

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

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

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

COMPETITIVE STRENGTHS

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

BUSINESS STRATEGIES

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

SUMMARY

RISK FACTORS

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

SUMMARY OF KEY FINANCIAL INFORMATION

Summary of the consolidated statements of profit or loss

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

Non-HKFRS financial measure

To supplement our consolidated financial statements which are presented in accordance with HKFRSs, we also presented the adjusted net profit (non-HKFRS measure) and adjusted net profit margin (non-HKFRS measure) as additional financial measures, which are not required by, or presented, in accordance with HKFRSs. We believe that the presentation of non-HKFRS financial measures when shown in conjunction with the corresponding HKFRS financial measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period. Such non-HKFRS financial measures allow potential investors to consider metrics used by our management in evaluating our performance.

The use of non-HKFRS financial measures has limitations as an analytical tool, and investors should not consider these in isolation from, or as a substitute for, or superior, to analysis of our results of operations or financial condition as reported under HKFRSs. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies.

SUMMARY

We adjusted for certain items as our non-HKFRS financial measures, in order to provide potential investors with an overall and fair understanding of our core operating results and financial performance, especially in making period-to-period comparisons of, and assessing the profile of, our operating and financial performance. [REDACTED] expenses are mainly expenses related to the [REDACTED] and are added back because they were incurred only for the purposes of the [REDACTED].

Adjusted net profit (non-HKFRS measure)

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

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

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

SUMMARY

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

Loss relating to milk powder products

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

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

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

SUMMARY

respect of cost incurred by Ausnutria Group for acquiring raw materials for scheduled product of milk powder products; and (v) we recognised a reversal of input VAT of approximately RMB5.0 million.

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

Summary of the consolidated statements of financial position

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

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

SUMMARY

Summary of the consolidated statements of cash flows

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

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

Key financial ratios

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

SUMMARY

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

IMPACT OF THE OUTBREAK OF COVID-19 ON OUR GROUP

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

Impact on our business operations

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

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

Impact on our financial performance and conditions

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

SUMMARY

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

CONTROLLING SHAREHOLDERS

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

[REDACTED] STATISTICS

Number of [REDACTED] : [REDACTED] Shares (subject to the [REDACTED])
under the [REDACTED]

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

	Based on an [REDACTED] of HK\$[REDACTED] Per [REDACTED] HK\$	Based on an [REDACTED] of HK\$[REDACTED] Per [REDACTED] HK\$
[REDACTED] ^(Note 1)	[REDACTED]	[REDACTED]
Unaudited [REDACTED] adjusted consolidated net tangible assets per Share ^(Notes 2 & 3)	[REDACTED]	[REDACTED]

SUMMARY

Notes:

1. The calculation of the [REDACTED] of the Shares is based on the [REDACTED] Shares in issue and to be issued immediately after completion of the [REDACTED], without taking into account of any Shares which may be issued pursuant to the exercise of the [REDACTED] or any options which may be granted under the Share Option Scheme or Shares which may be allotted and issued or repurchased by our Company pursuant to the [REDACTED] and the Repurchase Mandate.
2. The calculation of the unaudited [REDACTED] adjusted consolidated net tangible assets per Share is based on [REDACTED] Shares expected to be in issue after the completion of the Capitalisation Issue and the [REDACTED]. It has not taken into account of any Shares which may be allotted and issued upon exercise of any options which may be granted under the Share Option Scheme or the [REDACTED], or any Shares which may be allotted and issued or repurchased by our Company pursuant to the [REDACTED] and the Repurchase Mandate.
3. The unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to equity owners of our Company at 30 June 2024 have not taken into account a special dividend of RMB110,000,000 declared subsequent to 30 June 2024 by our Directors and the impact of withholding taxes of approximately RMB6,553,000 arising from the dividends declared by the subsidiaries incorporated in the PRC to our Company. Had the special dividend and the withholding taxes been taken into account, the unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to equity owners of our Company would be approximately RMB[REDACTED] (equivalent to approximately HK\$[REDACTED]) and the unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to equity owners of our Company per Share would be approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) per Share (based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]) or approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]) per Share (based on an [REDACTED] of HK\$[REDACTED] per [REDACTED]).

PROFIT FORECAST FOR FY2024

We have prepared the following profit forecast for FY2024:

Forecast consolidated profit attributable to equity owners of our Company ^(Note 1)	Not less than approximately [RMB73.0 million] (equivalent to approximately [HK\$78.9 million]) ^(Note 2)
---	--

Notes:

1. The principal bases on which the above profit forecast for FY2024 has been prepared are summarised in the section headed “Profit Forecast” in Appendix IIB to this document. Our forecast consolidated profit attributable to equity owners of our Company for FY2024 prepared by our Directors is based on (i) the audited consolidated results of our Group for the six months ended 30 June 2024; (ii) the unaudited consolidated results based on the management accounts of our Group for the five months ended 30 November 2024; and (iii) a forecast of the consolidated results of our Group for the remaining one month ending 31 December 2024, in the absence of unforeseen circumstances. The profit forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants’ Report as set out in Appendix I to this document.
2. The forecast consolidated profit attributable to the equity owners of our Company in HK\$ are converted from Renminbi to Hong Kong dollars at an exchange rate of HK\$1.0 to RMB0.9255 (equivalent to RMB1.0 to HK\$1.0805). No representation is made that Renminbi amount have been, could have been or may be converted to Hong Kong dollars at that rate or at all.

SUMMARY

[REDACTED]

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

[REDACTED] EXPENSES

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

LEGAL PROCEEDINGS

Given the importance of the Core Trademarks, our Group looks into the products sold in the markets with a view to preventing similar products from being sold in the market by other competitor(s) under similar brands of our Group’s that would otherwise confuse the customers. Since 2017, our Group has been involved in legal proceedings with certain competitors, notably, Company X and Company Y, regarding some of our Core Trademarks. The trademarks which were subject to disputes under civil litigations involved (1) trademark 纽曼思 under registration no. #7815357; (2) trademark 纽曼斯 under registration no. #7310618; and (3) trademark 纽曼思 under registration no. #7549283 (as respectively disclosed in item 8, item 13 and item 63 of the trademark as referred to in the paragraph headed “Statutory and General Information — 2. Further information about our business — 2.2 Intellectual property rights of our Group — (a) Trademarks” in Appendix IV to this document). In addition to civil litigation proceedings, our Group has also been involved in certain administrative proceedings in connection with our trademarks. For details, please refer to the paragraph headed “Business — Legal proceedings” in this document. Up to the Latest Practicable Date, we have been successfully protecting and defending our use of the Core Trademarks.

SUMMARY

In July 2024, Company Z, a company whose shares are listed on the Shenzhen Stock Exchange, instigated legal proceedings against us, among others. Company Z alleged that one of our distributors used the wording “金標藻油”, which Company Z claimed to have an exclusive right to use, on an e-commerce platform including hyperlinks to our products. It is estimated that the judgment will be laid down in 2025 after the trial is held in late December 2024. For further details of the said proceeding, please also refer to the paragraph headed “Business — Legal proceedings — Other ongoing litigation as at the Latest Practicable Date” in this document.

DIVIDENDS

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

For FY2021 and FY2022, we declared dividends of approximately RMB61.0 million and RMB51.0 million, respectively, all of which had been settled as at the Latest Practicable Date. Subsequent to the Track Record Period, our Company declared dividends of RMB60.0 million and RMB50.0 million, all of which had been settled by our Group’s internal source of funding. The dividends of RMB60.0 million had been settled in October 2024, while the dividends of RMB50.0 million had been settled in December 2024. Currently, we do not have a formal dividend policy or a pre-determined dividend distribution ratio.

FUTURE PLAN AND USE OF [REDACTED]

We estimate that the [REDACTED] from the [REDACTED] (after deducting [REDACTED] fees and related [REDACTED] expenses payable by us in connection with the [REDACTED], assuming that the [REDACTED] is not exercised and assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative range of the [REDACTED]) will be approximately HK\$[REDACTED]. We intend to apply the [REDACTED] as follows: (i) approximately [REDACTED]% or HK\$[REDACTED] will be used to increase our marketing efforts through different marketing means to enhance public awareness of our brands, of which (a) approximately [REDACTED]% or HK\$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for online marketing, brand and products promotion on social media platforms by acquiring marketing and promotion services of famous and popular KOLs; (b) approximately [REDACTED]% or HK\$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for purchasing brand marketing and promotional products of e-commerce companies (such as keyword bidding, homepage and category ads, banner ads and short video ads) for promotion of our brands and our products on online shopping platforms; and (c) approximately [REDACTED]% or HK\$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for participating in conferences and major trade fairs and industry events; and (ii)

SUMMARY

approximately [REDACTED]% or HK\$[REDACTED] will be used for promoting our products in Hong Kong and expansion of our sales network to Hong Kong, of which (a) approximately [REDACTED]% or HK\$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for setting up a retail store in a shopping mall in Central, Hong Kong; (b) approximately [REDACTED]% or HK\$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for engaging an independent marketing agent based in Hong Kong to launch a series of promotional activities for our products in Hong Kong, including but not limited to physical promotional activities in Hong Kong, sponsorship, promotional activities on digital platforms that are popular in Hong Kong and among Chinese citizens that usually reside in Hong Kong and distributing our products to major healthcare products shops, department stores and promoters in Hong Kong; and (c) approximately [REDACTED]% or HK\$[REDACTED] of the [REDACTED] from the [REDACTED] will be used for setting up an office and warehouse in Hong Kong.

RECENT DEVELOPMENT

Throughout the Track Record Period, our revenue generated from our online sales channel increased both in terms of amount and proportion to our total revenue. Our Directors believe that online sales channel is a cost-effective and efficient sales channel that enables our products to reach and build up a large customer base. Leveraging on the extensive coverage of and convenience brought by the internet and the evolving means of online sales channels in the PRC, our Group gradually tapped into selling and distributing our nutritional products to distributors which on-sell our nutritional products to group purchase coordinators of private domain traffic (私域流量). For details of operation of private domain traffic (私域流量), please refer to the paragraph headed “Industry Overview — Future trends of the maternal and children algal oil DHA industry in the PRC — Expanding online channels” in this document.

Subsequent to the Track Record Period, algal oil DHA products remained to be our most important product category in terms of sales for the five months ended 30 November 2024, which constituted approximately 96.2% of our total revenue for the same period.

Subsequent to the Track Record Period, our Company declared dividends of RMB60.0 million and RMB50.0 million, all of which had been settled by our Group’s internal source of funding. The dividends of RMB60.0 million had been settled in October 2024, while the dividends of RMB50.0 million had been settled in December 2024.

Decline in financial performance for FY2024

As set out in the paragraph headed “Financial Information — [REDACTED] for FY2024” in this document, our Company expects a significant decrease in the consolidated profit attributable to equity owners of our Company for FY2024 as compared to that for FY2023, which was mainly due to the abovementioned reduction in demand of the nutritional product market in 2024 following the spike in 2023 driven by the release of radioactive water by Japan in the second half of 2023. Furthermore, according to Frost & Sullivan, under the temporary economic downturn in the PRC in 2024, consumers tend to either reserve their purchasing power for essential consumer products, or opt for more economic and affordable algal oil DHA products as alternatives, which led to a heavier negative impact on the sales performance of brands, including ours, that have a higher average product price in algal oil DHA products. According to the Frost & Sullivan Report, the growth of the maternal and children algal oil

SUMMARY

DHA product industry in the PRC is expected to slow down in 2024, with the forecast retail sales value projected to remain flat at approximately RMB11,563.0 million, as compared to approximately RMB11,259.0 million in 2023, representing a year-over-year growth of 2.7%. This marks a significant contrast to the rapid growth observed in retail sales value over the previous years, which increased by 7.8% from approximately RMB9,121.7 million in 2021 to approximately RMB9,833.2 million in 2022, and further increased by 14.5% to approximately RMB11,259.0 million in 2023. For the associated risk for our sensitivity to impact on economic downturn in the PRC, please refer to the section headed “Risk Factors — The sales of our algal oil DHA products are subject to a higher sensitivity to the impact of economic downturn in the PRC” in this document.

Our Directors are of the view that the decline in net profit for FY2024 was not due to material adverse change in our Group’s business but was primarily driven by the market condition in the maternal and children algal oil DHA industry in the PRC. According to Frost & Sullivan, the economic downturn and weakened domestic consumption in the PRC during 2024 are considered temporary. The PRC economy is expected to recover and maintain a stable growth in 2025. For instance, the retail sales value of the nutritional product industry in the PRC is projected to increase by 11.4% from approximately RMB11,563.0 million in 2024 to approximately RMB12,881.2 million in 2025, and further increase by 10.6% to approximately RMB14,246.6 million in 2026. The anticipated growth is supported by recent fiscal policies implemented by the PRC government, which are expected to materialise and enhance economic momentum in 2025, thereby stimulating the consumer goods sector, including the maternal and children nutritional product industry in the PRC. As such, our Directors are of the view that there is no evidence to suggest that the nutritional product industry in the PRC has declining market prospects. Furthermore, our Directors are of the view that (i) the algal oil DHA products stockpiled by consumers as a reaction to the release of radioactive water by Japan in 2023 would be gradually consumed in the market; and (ii) overtime, through DSM Group press release and media coverage, PRC consumers will come to understand that our Group’s algal oil DHA raw materials are cultivated in controlled environments like fermentation tanks rather than being directly extracted from the ocean, and have no direct association with any marine water sources, with none of DSM Group’s production sites located near or adjacent to any sources of radioactive contamination. In other words, the release of radioactive water has no bearing on the safety of our Group’s algal oil DHA products. This increased awareness is likely to alleviate initial uncertainties among PRC consumers, leading to a gradual return to normal purchasing behaviour and restoration of consumer confidence. As such, to the best knowledge and belief of our Directors, the sales of algal oil DHA products are expected to normalise. With the anticipated economic recovery in the PRC in 2025, consumers are expected to revert their previous spending habits, favouring brands, including ours, that have a higher average product price in algal oil DHA products.

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