

CHANSON INTERNATIONAL HOLDING

FORM 20-F

(Annual and Transition Report (foreign private issuer))

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☐ SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from to

Commission file number: 001-41663

Chanson International Holding

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Ordinary Shares	CHSN	The Nasdaq Stock Market LLC

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

An aggregate of 21,629,707 Class A ordinary shares, par value \$0.001 per share, and 5,670,000 Class B ordinary shares, par value \$0.001 per share, were outstanding as of December 31, 2024.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐
Non-accelerated filer ☒

Accelerated filer ☐
Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☒

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

* If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow. Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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INTRODUCTION

In this annual report on Form 20-F, unless the context otherwise requires, references to:

- “Chanson 23rd Street” are to Chanson 23rd Street LLC, a New York limited liability company, which is wholly owned by Chanson NY (as defined below);
- “Chanson 3rd Ave” are to Chanson 1293 3rd Ave LLC, a New York limited liability company, which is wholly owned by Chanson NY;
- “Chanson Broadway” are to Chanson 2040 Broadway LLC, a New York limited liability company, which is wholly owned by Chanson NY;
- “Chanson Greenwich” are to Chanson 355 Greenwich LLC, a New York limited liability company, which was wholly owned by Chanson NY and dissolved on August 28, 2024;
- “Chanson International,” “we,” “us,” “our Company,” or the “Company” are to Chanson International Holding, an exempted company with limited liability incorporated and registered under the laws of Cayman Islands;
- “Chanson NY” are to George Chanson (NY) Corp., a New York corporation, which is wholly owned by Xinjiang United Family (as defined below);
- “China” or the “PRC” are to the People’s Republic of China;
- “Class A Ordinary Shares” are to Class A ordinary shares of Chanson International, par value \$0.001 per share;
- “Class B Ordinary Shares” are to Class B ordinary shares of Chanson International, par value \$0.001 per share;
- “Deen Global” are to our wholly owned subsidiary, Deen Global Limited, a British Virgin Islands company;
- “Jenyd” are to Deen Global’s wholly owned subsidiary, Jenyd Holdings Limited, a Hong Kong corporation;
- “ordinary shares” or “Ordinary Shares” are to Class A Ordinary Shares and Class B Ordinary Shares, collectively;
- “the operating entities” are to Xinjiang United Family and its branch offices, the VIEs, and the U.S. Stores (as defined below);
- the “PRC Stores” are to a bakery chain consisting of 55 stores in business operated by Xinjiang United Family and the VIEs under our “George ChansonTM” brand in Xinjiang;
- the “U.S. Stores” are to Chanson 23rd Street, Chanson Broadway and Chanson 3rd Ave;
- the “VIEs,” the “United Family Group,” or “UFG” are to 52 individually-owned businesses organized under the laws of the PRC, 50 of which are owned independently by our Chairman, Mr. Gang Li, and two of which are owned independently by Ms. Hui Wang, the Marketing Director of Xinjiang United Family;
- “U.S. GAAP” are to generally accepted accounting principles in the United States;
- “VIE” are to variable interest entity;
- “Xinjiang” are to the Xinjiang Uygur Autonomous Region of the PRC; and
- “Xinjiang United Family” or “our PRC subsidiary” are to Xinjiang United Family Trading Co., Ltd., a limited liability company organized under the laws of the PRC, which is wholly owned by Jenyd.

The functional currency of Xinjiang United Family, our wholly owned indirect subsidiary in the PRC, and the VIEs, is Renminbi (“RMB”), the currency of China, and the functional currency of the U.S. Stores is U.S. dollars. Our consolidated financial statements are presented in U.S. dollars. In this annual report, we refer to assets, obligations, commitments, and liabilities in our consolidated financial statements in U.S. dollars. These dollar references are based on exchange rates of RMB to U.S. dollars, determined as of a specific date or for a specific period. Changes in the exchange rate will affect the amount of our obligations and the value of our assets in terms of U.S. dollars which may result in an increase or decrease in the amount of our obligations (expressed in dollars) and the value of our assets, including accounts receivable (expressed in dollars).

FORWARD-LOOKING INFORMATION

This annual report contains forward-looking statements that reflect our current expectations and views of future events, all of which are subject to risks and uncertainties. Forward-looking statements give our current expectations or forecasts of future events. You can identify these statements by the fact that they do not relate strictly to historical or current facts. You can find many (but not all) of these statements by the use of words such as “approximates,” “believes,” “hopes,” “expects,” “anticipates,” “estimates,” “projects,” “intends,” “plans,” “will,” “would,” “should,” “could,” “may,” or other similar expressions in this annual report. These statements are likely to address our growth strategy, financial results, and product and development programs. You must carefully consider any such statements and should understand that many factors could cause actual results to differ from our forward-looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- assumptions about our future financial and operating results, including revenue, income, expenditures, cash balances, and other financial items;
- our ability to execute our growth and expansion plan, including our ability to meet our goals;
- current and future economic and political conditions;
- our ability to compete in an industry with low barriers to entry;
- our ability to continue to operate through the VIE structure;
- our capital requirements and our ability to raise any additional financing which we may require;
- our ability to attract customers and further enhance our brand awareness;
- our ability to hire and retain qualified management personnel and key employees in order to enable us to develop our business;
- trends and competition in the bakery industry;
- future developments of the COVID-19 pandemic; and
- other assumptions described in this annual report underlying or relating to any forward-looking statements.

We describe certain material risks, uncertainties and assumptions that could affect our business, including our financial condition and results of operations, under “Risk Factors.” We base our forward-looking statements on our management’s beliefs and assumptions based on information available to our management at the time the statements are made. We caution you that actual outcomes and results may, and are likely to, differ materially from what is expressed, implied, or forecast by our forward-looking statements. Accordingly, you should be careful about relying on any forward-looking statements. Except as required under the federal securities laws, we do not have any intention or obligation to update publicly any forward-looking statements after the distribution of this annual report, whether as a result of new information, future events, changes in assumptions, or otherwise.

Part I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not Applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not Applicable.

Item 3. KEY INFORMATION

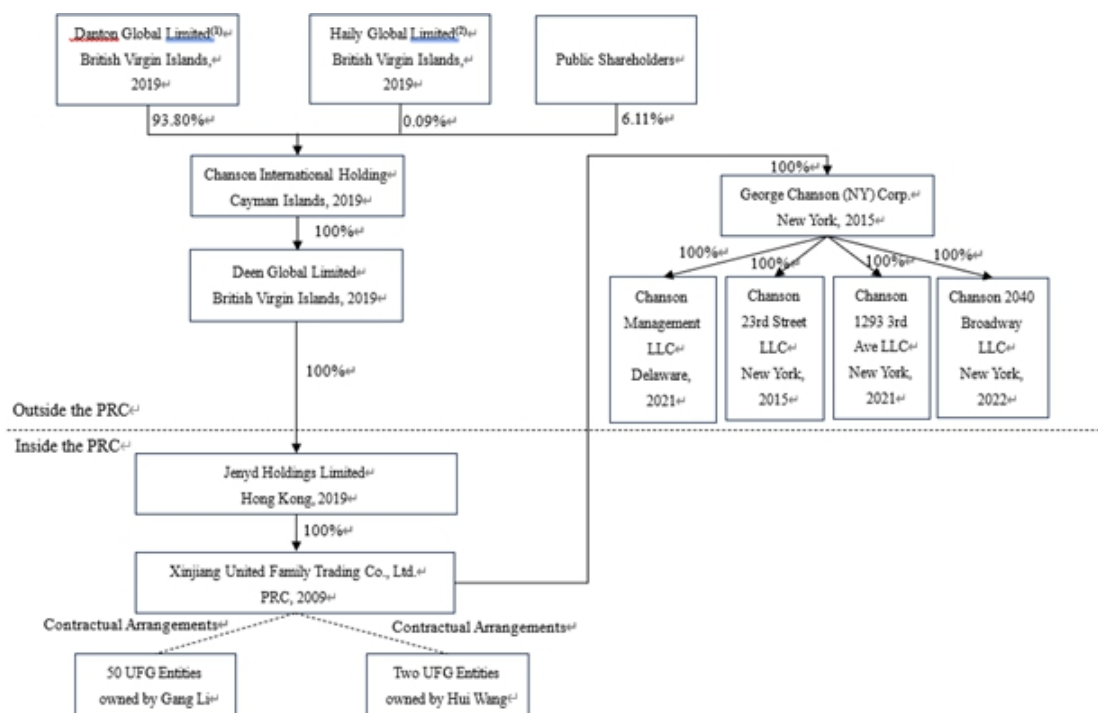
Our Corporate Structure

Corporate Structure

We are a holding company incorporated in the Cayman Islands and not a Chinese operating company. As of the date of this annual report, as a holding company with no material operations of our own, we conduct our business through:

- (i) an association between Xinjiang United Family and the VIEs known as the “United Family Group” or “UFG”: 50 of the entities that comprise UFG (each a “UFG Entity” and, collectively, the “UFG Entities”) are owned independently by the chairman of our board of directors (“the Chairman”), Mr. Gang Li, and two of the entities are owned independently by Ms. Hui Wang, the Marketing Director of Xinjiang United Family. Mr. Gang Li and Ms. Hui Wang are referred herein individually as a “UFG Operator” and collectively as the “UFG Operators.” For accounting purposes, we control and receive the economic benefits of the UFG Entities through the VIE Agreements, which enable us to consolidate the financial results of the VIEs in our consolidated financial statements under U.S. GAAP, and the structure involves unique risks to investors. For more details on the United Family Group, please see “—The United Family Group.” Our Class A Ordinary Shares are shares of Chanson International, the offshore holding company in the Cayman Islands, instead of shares of Xinjiang United Family or the UFG Entities. The VIE structure provides contractual exposure to foreign investment in China-based companies. Chinese law, however, does not prohibit direct foreign investment in the VIEs. As a result of our use of the VIE structure, investors may never directly hold equity interests in the UFG Entities;
- (ii) Xinjiang United Family and its three branches; and
- (iii) Chanson 23rd Street, Chanson 3rd Ave and Chanson Broadway.

The following diagram illustrates our corporate structure as of the date of this annual report:



Note: All percentages reflect the voting ownership interests instead of the equity interests held by each of our shareholders given that each holder of Class B Ordinary Shares will be entitled to 50 votes per one Class B Ordinary Share and each holder of Class A Ordinary Shares will be entitled to one vote per one Class A Ordinary Share.

- (1) Represents 2,700,000 Class A Ordinary Shares and 5,670,000 Class B Ordinary Shares beneficially owned by Gang Li, the 100% owner of Danton Global Limited, as of the date of this annual report.
- (2) Represents 270,000 Class A Ordinary Shares beneficially owned by Jihong Cai, the 100% owner of Haily Global Limited, as of the date of this annual report.

The following is a complete list of the stores of Xinjiang United Family and UFG in business as of the date of this annual report, together with their recognized commercial name and relationship to Xinjiang United Family.

	Legal Name of Entity	Commercial Name	Nature of Entity
1	Urumqi Midong District George Chanson Bakery	Midong	Part of UFG – owned 100% by Mr. Gang Li and operated under the VIE Agreements among Mr. Gang Li, this entity, and Xinjiang United Family
2	Shayibake District Yining Rd. George Chanson Bakery	Dehui Wanda	Same as above
3	Changji George Chanson Bakery	Changji Huijia	Same as above

4	Tianshan District Xinhua North Rd. George Chanson Bakery	Hongshan	Same as above
5	Tianshan District Xinmin Rd. George Chanson Bakery	Beimen	Same as above
6	Tianshan District Minzhu Rd. George Chanson Bakery	Minzhu	Same as above
7	Tianshan District Jianquan No.3 Rd. George Chanson Bakery	Riyue Xingguang	Same as above
8	Tianshan District Jiefang North Rd. George Chanson Bakery	Wanyancheng	Same as above
9	Urumqi Economics and Technology Development District George Chanson Bakery on Kashi West Rd.	Huarun Wanjia	Same as above
10	Xinshi District Changchun South Rd. George Chanson Bakery	Changchun	Same as above
11	Xinshi District Beijing Middle Rd. United Family Chanson Bakery	Huijia Third Floor	Same as above
12	Xinshi District Suzhou East Rd. Chanson Bakery	Baishang	Same as above
13	Xinshi District South No.3 Rd. Chanson Bakery	Railway Bureau	Same as above
14	Urumqi Economics and Technology Development District George Chanson Bakery on Xuanwuhu Rd.	Economics Development Wanda	Same as above
15	Shayibake District Youhao South Rd. Chanson Bakery	Hongshan Lifestyle	Same as above
16	Shuimogou District South Nanhu Rd. George Chanson Bakery	Nanhu	Same as above
17	Xinshi District Hebei East Rd. George Chanson Bakery	Hebei Road Huarun	Same as above
18	Urumqi Toutunhe District George Chanson Bakery on Zhongya South Rd.	Degang Wanda	Same as above
19	Shayibake District Karamay West Rd. Chanson Bakery	Xinbei Yuanchun	Same as above

20	Shayibake District Qitai Rd. Hemeijia Chanson Bakery	Dehui Wangda Fourth Floor	Same as above
21	Tianshan District Qingnian Rd. Chanson Bakery	Qingnian Road Haojiaxiang	Same as above
22	Xinshi District Liyushan North Rd. Hemeijia Bakery	Vanke Jincheng Huafu	Same as above
23	Xinshi District Changchun North Rd. Chanson Bakery	Gaoxin Wanda	Same as above
24	Shayibake District Youhao North Rd. Chanson Coffee Bakery	Soul●Song Meimei No. 2	Same as above
25	Tianshan District Jiefang North Rd. Chanson Coffee Bakery	Soul●Song Wanyan Cheng	Same as above
26	Tianshan District Wenhua Rd. Chanson Coffee Bakery	Soul●Song Wenhua Road	Same as above
27	Tianshan District Minzhu Rd. Heimeijie Coffee and Food	Soul●Song Minzhu Road	Same as above
28	Tianshan District Cuiquan Rd. George Chanson Bakery	Vanke Tianshanli	Same as above
29	Tianshan District Cuiquan Rd. Coffee and Food	Soul●Song Vanke Tianshanli	Same as above
30	Xinshi District Changchun North Rd. Chanson Coffee and Food	Soul●Song Gaoxin Wanda	Same as above
31	Tianshan District Wenhua Rd. Chanson Coffee and Food	Soul●Song Mali Hospital	Same as above
32	Urumqi Economics and Technology Development District Toutunhe Chanson Coffee and Food	Soul●Song Aidi Dajiang	Same as above
33	Tianshan District Dongquan Rd. United Family Chanson Bakery	Shijie Guanjun No. 1	Same as above
34	Tianshan District Dongquan Rd. United Family Bakery	Shijie Guanjun No.2	Same as above
35	Shuimogou District Wenquan North Rd. United Family Chanson Bakery	Shijie Gongyuan	Same as above
36	Xinshi District Changchun South Rd. United Family Bakery	Meiju Phase Three	Same as above

37	Xinshi District Changsha Rd. United Family Chanson Bakery	Zhongnan Shangyue Cheng	Same as above
38	Xinshi District Yingbin Rd. United Family George Chanson Bakery	Laiyin Zhuangyuan	Same as above
39	Xinshi District Suzhou East Rd. United Family Chanson Bakery	Xinzhou City Garden	Same as above
40	Tianshan District Dawan South Rd. Hemeijia George Chanson Bakery	Tianshan Vanke	Same as above
41	Shuimogou District Fengxiang Street Hemeijia George Chanson Bakery	Zijin Hui	Same as above
42	Shuimogou District Fengxiang Street Hemeijia Song Coffee and Food Shop	Soul●Song Zijin Hui	Same as above
43	Xinshi District Siping Road Hemeijia George Chanson Bakery	Tongjia Peacock Mansion	Same as above
44	Shayibake District Karamay West Street George Chanson Bakery	Karamay West Street	Same as above
45	Shayibake District, Altay Road, Hemeijia George Chanson Bakery	Jiaheyuan	Same as above
46	Shayibake District, Yangtze River Road, Hemeijia Chanson Bakery	Yangtze River Road	Same as above
47	Xinshi District Hebei East Road George Chanson Hemeijia Bakery	Kangcheng Golf	Same as above
48	Tianshan District, Zhongqiao Second Alley, Meijia Song Coffee and Food Shop	Soul●Song Zhongqiao Second Alley	Same as above
49	Shuimogou District Hongguangshan Rd. Chanson Bakery	Wuyue Square	Part of UFG – owned 100% by Ms. Hui Wang and operated under agreements among Ms. Hui Wang, this entity, and Xinjiang United Family
50	Xinshi District Beijing South Rd. George Chanson Bakery	Xidan	Same as above

51	Xinjiang United Family Trading Co., Ltd. Chanson Bakery Urumqi Branch	Wenhua	A store owned and operated directly by Xinjiang United Family
52	Xinjiang United Family Trading Co., Ltd. Urumqi Meimei Chanson Bakery	Meimei	A store owned and operated directly by Xinjiang United Family
53	Xinjiang United Family Trading Co., Ltd. Tianshan District Chanson Bakery	Tianbai	A branch office of Xinjiang United Family
54	Xinjiang United Family Trading Co., Ltd. Coffee Bakery Branch	Meimei No. 3	A branch office of Xinjiang United Family
55	Xinjiang United Family Trading Co., Ltd. Ruitai Chanson Bakery	Ruitai	A branch office of Xinjiang United Family
56	Chanson 23rd Street LLC	Chanson 23rd Street	A wholly owned indirect subsidiary of Xinjiang United Family
57	Chanson 1293 3rd Ave LLC	Chanson 3rd Ave	Same as above.
58	Chanson 2040 Broadway LLC	Chanson Broadway	Same as above.

For ease of reference, unless it is necessary to the understanding of the context to differentiate, throughout this annual report we will refer to all the above entities collectively as our “stores” and, to the extent we refer to a specific entity listed in the table above, we refer to such entity by its commercial name.

The United Family Group

Each UFG Entity was established as an individually-owned business and, for accounting purposes, Xinjiang United Family controls the UFG Entities through the VIE Agreements, which enables us to consolidate the financial results of the UFG Entities in our consolidated financial statements. The VIE Agreements are designed so that the operations of the VIEs are solely for the benefit of Xinjiang United Family and ultimately, the Company, as a result of our direct ownership in Xinjiang United family. As such, under U.S. GAAP, the Company is deemed to have a controlling financial interest in, and be the primary beneficiary of, the VIEs for accounting purposes only and must consolidate the VIEs because it met the conditions under U.S. GAAP to consolidate the VIEs.

UFG's revenue accounted for 62%, 54%, and 39% of our total revenue for the years ended December 31, 2024, 2023, and 2022, respectively. UFG consists of 52 VIEs. Our Chairman, Mr. Gang Li, is the sole owner of 50 UFG Entities, and Ms. Hui Wang, the Marketing Director of Xinjiang United Family, is the sole owner of two UFG Entities.

Each of the VIE Agreements is described below:

Exclusive Service Agreement

Pursuant to the Exclusive Service Agreement between Xinjiang United Family and the applicable UFG Operator, who is the sole operator of the UFG Entity, Xinjiang United Family is in charge of all aspects of the UFG Entity's operation, manages all matters and funds of UFG Entity, and enjoys all the other responsibilities and rights enjoyed by the UFG Operator in accordance with the applicable law, on an exclusive basis. For services rendered to the UFG Entity by Xinjiang United Family under the Exclusive Service Agreement, Xinjiang United Family is entitled to collect a service fee equal to the net profit after tax of the UFG Entity.

The term of the Exclusive Service Agreement is 10 years, unless terminated earlier by Xinjiang United Family with a 30-day prior notice. The UFG Entity does not have the right to terminate that agreement unilaterally. The agreement would renew automatically by 10 years after expiration, with no limit on times of renewal.

Xinjiang United Family has absolute authority over the management of the UFG Entity, including but not limited to decisions with regard to expenses, salary raises and bonuses, hiring, firing, and other operational functions. The Exclusive Service Agreement does not prohibit related party transactions. The audit committee of Chanson International is required to review and approve in advance any related party transactions, including transactions involving the UFG Entity.

Pledge Agreement

Under the Pledge Agreement between Xinjiang United Family and the UFG Operator, the UFG Operator pledged all of his or her assets for the business of the UFG Entity to Xinjiang United Family to guarantee the performance of the UFG Operator's obligations under the Exclusive Service Agreement, Call Option Agreement, and Operating Rights Proxy Agreement (collectively, the "Transaction Agreements"). Under the terms of the Pledge Agreement, in the event that the UFG Entity or the UFG Operator breaches their respective contractual obligations under the Transaction Agreements, Xinjiang United Family, as pledgee, will be entitled to certain rights, including, but not limited to, the right to dispose of the pledged assets in accordance with applicable PRC laws. The UFG Operator further agreed not to dispose of the pledged assets or take any actions that would prejudice Xinjiang United Family's interest.

The Pledge Agreement is effective until the latest date of the following: (1) the secured debt in the scope of pledge is cleared off; (2) Xinjiang United Family, as pledgee, exercise its pledge rights pursuant to provisions and conditions of the Pledge Agreement; and (3) the UFG Operator, as pledger, transfer all the pledged assets to Xinjiang United Family according to the Call Option Agreement, or other entity or individual designated by it.

The purposes of the Pledge Agreement are to (1) guarantee the performance of the UFG Operator's obligations under the Exclusive Service Agreement, (2) make sure the UFG Operator does not transfer or assign the pledged assets, or create or allow any encumbrance that would prejudice Xinjiang United Family's interests without Xinjiang United Family's prior written consent, and (3) provide Xinjiang United Family control over the UFG Entity for accounting purposes. In the event the UFG Entity or UFG Operator breaches its contractual obligations under the Transaction Agreements, Xinjiang United Family will be entitled to foreclose on the UFG Operator's assets in the UFG Entity and may (1) exercise its option to purchase or designate third parties to purchase part or all of the UFG Operator's assets in the UFG Entity and in this situation, Xinjiang United Family may terminate the Pledge Agreement and the other VIE agreements after acquisition of all assets in the UFG Entity or form a new VIE structure with any third party designated by Xinjiang United Family, or (2) dispose of the pledged assets and be paid in priority out of proceeds from the disposal in which case the existing VIE structure will be terminated.

Call Option Agreement

Under the Call Option Agreement, the UFG Operator irrevocably granted Xinjiang United Family an exclusive option to require the UFG Operator to transfer, to the extent permitted under PRC law, once or at multiple times, at any time, part or all of his or her assets in the UFG Entity to Xinjiang United Family (or its designee). The option price is the minimum amount to the extent permitted under PRC law.

Under the Call Option Agreement, Xinjiang United Family may at any time under any circumstances, require the UFG Operator to transfer, at its discretion, to the extent permitted under PRC law, all or part of the UFG Operator's assets in the UFG Entity to Xinjiang United Family (or its designee).

The Call Option Agreement remains effective until all the equity or assets of the UFG Entity is legally transferred under the name of Xinjiang United Family and/or other entity or individual designated by it.

Operating Rights Proxy Agreement and Powers of Attorney

Under the Operating Rights Proxy Agreement and the Powers of Attorney, the UFG Operator entrusted Xinjiang United Family or the personnel designated by it then to act as his or her proxy and exercise his or her rights as the sole operator of the UFG Entity, including but not limited to: (a) exercising operating rights; (b) getting access to financial information of the UFG Entity; (c) making resolutions about the disposition of the assets of the UFG Entity; (d) approving annual budgets of the UFG Entity or announcing dividends; (e) making resolutions about dissolution or liquidation of the UFG Entity, forming the liquidating committee, and exercising the authorities in the course of liquidation; (f) filing any required document to the company registration agency or any other relevant agency; and (g) signing any resolution.

The Operating Rights Proxy Agreement and the Powers of Attorney shall be retrospectively effective from their date of execution and maintain the effectiveness so long as the UFG Operator holds the operating rights of the UFG Entity.

Spousal Consents

The spouses of the UFG Operators, agreed, via spousal consents, to the execution of the "Transaction Documents" including: (a) Exclusive Service Agreement entered into with Xinjiang United Family; (b) Call Option Agreement entered into with Xinjiang United Family; (c) Operating Rights Proxy Agreement entered into with Xinjiang United Family; (d) Pledge Agreement entered into with Xinjiang United Family; and (e) Powers of Attorney executed by the UFG Operators, and the disposal of the operating rights or the assets for the business of the UFG Entity held by the UFG Operators and registered in their names.

The spouses of the UFG Operators further undertake not to make any assertions in connection with the operating rights and assets of the UFG Entity which are held by the UFG Operators. The spouses of the UFG Operators confirm that the UFG Operators can perform their obligations under the Transaction Documents and further amend or terminate the Transaction Documents without their authorization or consent. The spouses of the UFG Operators undertake to execute all necessary documents and take all necessary actions to ensure appropriate performance of the Transaction Documents.

The spouses of the UFG Operators also undertake that if they obtain any operating rights and assets of the UFG Entity which are held by the UFG Operators for any reasons, they shall be bound by the Transaction Documents entered into between the UFG Operators and Xinjiang United Family (as amended time to time) and comply with the obligations thereunder as an operator of the UFG Entity. For this purpose, upon Xinjiang United Family's request, they shall sign a series of written documents in substantially the same format and content as the Transaction Documents (as amended from time to time).

Although each UFG Entity has its own set of agreements with Xinjiang United Family, the terms and conditions of their agreements with Xinjiang United Family are identical. As a result of the understandings and agreements, for accounting purposes, we control and receive the economic benefits of the UFG Entities through the VIE Agreements, which enable us to consolidate the financial results of the VIEs in our consolidated financial statements under U.S. GAAP. Except as set forth in these agreements, the UFG Operators are not entitled to any other compensation in connection with their ownership of all the UFG Entities.

Risks Associated with our Corporate Structure and the VIE Agreements

Because we do not directly hold equity interests in the VIEs, we are subject to risks and uncertainties of the interpretations and applications of PRC laws and regulations, including but not limited to, regulatory review of overseas listing of PRC companies through special purpose vehicles and the validity and enforcement of the VIE Agreements. We are also subject to the risks and uncertainties about any future actions of the PRC government in this regard that could disallow the VIE structure, which would likely result in a material change in our operations, and the value of our Class A Ordinary Shares may depreciate significantly or become worthless. The VIE Agreements have not been tested in a court of law in China as of the date of this annual report. See “—D. Risk Factors—Risks Relating to Our Corporate Structure,” “—D. Risk Factors—Risks Relating to Doing Business in the PRC,” and “—D. Risk Factors—Risks Relating to Our Class A Ordinary Shares and the Trading Market.”

The VIE Agreements may not be as effective as direct ownership in providing operational control. For instance, the UFG Entities and the UFG Operators could breach their contractual arrangements with us by, among other things, failing to conduct their operations in an acceptable manner or taking other actions that are detrimental to our interests. The UFG Operators may not act in the best interests of our Company or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate certain portions of our business through the VIE Agreements. In the event that the UFG Entities or the UFG Operators fail to perform their respective obligations under the VIE Agreements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. In addition, even if legal actions are taken to enforce such arrangements, there is uncertainty as to whether the courts of the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the U.S. or any state. See “—D. Risk Factors—Risks Relating to Our Corporate Structure—The VIE Agreements with the UFG Entities and the UFG Operators may not be effective in providing control over the UFG Entities” and “—D. Risk Factors—Risks Relating to Our Corporate Structure—The VIE Agreements with the UFG Entities are governed by the laws of the PRC and we may have difficulty in enforcing any rights we may have under the VIE Agreements.”

Asset Transfers Between Our Company, Our Subsidiaries, and the VIEs

As of the date of this annual report, our Company, our subsidiaries, and the VIEs have not distributed any earnings or settled any amounts owed under the VIE Agreements. Our Company, our subsidiaries, and the VIEs do not have any plan to distribute earnings or settle amounts owed under the VIE Agreements in the foreseeable future.

Our management is directly supervising cash management. Our finance department is responsible for establishing the cash management policies and procedures among our departments and the operating entities. Each department or operating entity initiates a cash request by putting forward a cash demand plan, which explains the specific amount and timing of cash requested, and submitting it to designated management members of our Company, based on the amount and the use of cash requested. The designated management member examines and approves the allocation of cash based on the sources of cash and the priorities of the needs, and submit it to the cashier specialists of our finance department for a second review. Other than the above, as of the date of this annual report, we do not have other cash management policies or procedures that dictate how funds are transferred nor a written policy that addresses how we will handle any limitations on cash transfers due to PRC law.

During the years ended December 31, 2024, 2023, and 2022, cash transfers and transfers of other assets between our Company, our subsidiaries, and the VIEs were as follows:

For the Year Ended December 31, 2024				
No.	Transfer From	Transfer To	Approximate Value (\$)	Note
1	Xinjiang United Family	VIEs	661,983	Cash (as working capital)
2	VIEs	Xinjiang United Family	4,197,240	Raw materials
3	Xinjiang United Family	VIEs	1,603,664	Raw materials
4	Xinjiang United Family	VIEs	2,983,019	Products

For the Year Ended December 31, 2023

No.	Transfer From	Transfer To	Approximate Value (\$)	Note
1	VIEs	Xinjiang United Family	1,542,178	Cash (as working capital)
2	VIEs	Xinjiang United Family	1,400,536	Raw materials
3	Xinjiang United Family	VIEs	1,845,098	Raw materials
4	Xinjiang United Family	VIEs	3,413,933	Products

For the Year Ended December 31, 2022

No.	Transfer From	Transfer To	Approximate Value (\$)	Note
1	VIEs	Xinjiang United Family	414,920	Cash (as working capital)
2	VIEs	Xinjiang United Family	1,292,682	Raw materials
3	Xinjiang United Family	VIEs	1,419,306	Raw materials
4	Xinjiang United Family	VIEs	2,163,465	Products

Dividends or Distributions Made to our Company and U.S. Investors and Tax Consequences

As of the date of this annual report, none of our subsidiaries or VIEs has made any dividends or distributions to our Company and our Company has not made any dividends or distributions to our shareholders. We intend to keep any future earnings to finance the expansion of our business, and we do not anticipate that any cash dividends will be paid in the foreseeable future. Subject to the passive foreign investment company (“PFIC”) rules, the gross amount of distributions we make to investors with respect to our Class A Ordinary Shares (including the amount of any taxes withheld therefrom) will be taxable as a dividend, to the extent that the distribution is paid out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles.

Under Cayman Islands law, a Cayman Islands company may pay a dividend on its shares out of either profit or share premium amount, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts due in the ordinary course of business.

If we determine to pay dividends on any of our Class A Ordinary Shares or Class B Ordinary Shares in the future, as a holding company, we will depend on receipt of funds from our PRC subsidiary and from the VIEs to our PRC subsidiary in accordance with the VIE Agreements. Pursuant to the PRC Enterprise Income Tax Law (the “EIT Law”) and its implementation rules, any dividends paid by Xinjiang United Family to Jenyd will be subject to a withholding tax rate of 10%. However, if Jenyd is determined by the relevant PRC tax authority to have satisfied the relevant conditions and requirements under the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income (“Double Tax Avoidance Arrangement”) and other applicable laws, the 10% withholding tax on the dividends Jenyd receives from Xinjiang United Family may be reduced to 5%. See “—D. Risk Factors—Risks Relating to Doing Business in the PRC—There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC subsidiary, and dividends payable by our PRC subsidiary to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.”

Current PRC regulations permit our indirect PRC subsidiary to pay dividends to Jenyd only out of its accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. In addition, our PRC subsidiary is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Each of such entity in the PRC is also required to further set aside a portion of its after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at the discretion of its board of directors. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Furthermore, if our subsidiaries and affiliates in the PRC incur debt on their own in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments. If we or our subsidiaries are unable to receive all of the revenue from our operations, we may be unable to pay dividends on our Class A Ordinary Shares or Class B Ordinary Shares.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments, and trade and service-related foreign exchange transactions, can be made in foreign currencies, without prior approval of State Administration of Foreign Exchange (“SAFE”), by complying with certain procedural requirements. Specifically, without prior approval of SAFE, cash generated from the operations in PRC may be used to pay dividends to our Company. As of the date of this annual report, our PRC subsidiary, Xinjiang United Family, has conducted the foreign exchange registration related to our Company under the existing PRC foreign exchange regulations, which enables our PRC subsidiary to legally distribute their earnings to our Company.

Our Company’s ability to settle amounts owed under the VIE Agreements relies upon payments made from the VIEs to Xinjiang United Family in accordance with the VIE Agreements. For services rendered to the UFG Entity by Xinjiang United Family under the Exclusive Service Agreement, Xinjiang United Family is entitled to collect a service fee equal to the net profit after tax of the UFG Entity. Pursuant to the Call Option Agreement, Xinjiang United Family may at any time and under any circumstances, require the UFG Operator to transfer, at its discretion, to the extent permitted under PRC law, all or part of the UFG Operator’s assets in the UFG Entity to Xinjiang United Family (or its designee). For restrictions and limitations on our ability to settle amounts owed under the VIE Agreements, please see “—D. Risk Factors—Risks Relating to Our Corporate Structure—The VIE Agreements with the UFG Entities and the UFG Operators may not be effective in providing control over the UFG Entities” and “—D. Risk Factors—Risks Relating to Our Corporate Structure—If the PRC government determines that the VIE Agreements do not comply with PRC regulations, or if these regulations change or are interpreted differently in the future, we may be unable to assert our contractual rights over the assets of the VIEs, and our Class A Ordinary Shares may decline in value or become worthless.”

Selected Condensed Consolidating Financial Schedule of Chanson International and Its Subsidiaries and the VIEs

The following tables present selected condensed consolidating financial data of Chanson International and its subsidiaries and the VIEs for the years ended December 31, 2024, 2023, and 2022. Chanson International records its investments in its subsidiaries under the equity method. Such investments are presented in the selected condensed consolidating balance sheets of Chanson International as “Investments in subsidiaries” and the profit of the subsidiaries is presented as “Income for equity method investment” in the selected condensed consolidating statements of operations. Pursuant to the VIE Agreements, Chanson International’s wholly owned subsidiary, Xinjiang United Family, has the exclusive right to provide the VIEs services related to business operations, including operational and management consulting services and is entitled to consulting fees, which equal to 100% of the consolidated net income of the VIEs. Accordingly, for the years ended December 31, 2024, 2023, and 2022, Xinjiang United Family recognized the income from VIEs representing net income of the VIEs and financial interest in VIEs since the commencement of the VIE Agreements.

SELECTED CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS

For the Year Ended December 31, 2024

	Chanson International (Cayman Islands)	Subsidiaries (British Virgin Islands/Hong Kong)	Xinjiang United Family Company (PRC)	Xinjiang United Family's Subsidiaries (USA)	VIEs (PRC)	Eliminations	Consolidated Total
Revenue	\$ -	\$ -	\$ 4,798,614	\$ 2,084,844	\$ 11,344,079	\$ -	\$ 18,227,537
Cost of revenue	\$ -	\$ -	\$ 2,320,657	\$ 2,071,982	\$ 6,640,580	\$ -	\$ 11,033,219
Income from VIEs	\$ -	\$ -	\$ 2,060,482	\$ -	\$ -	\$ (2,060,482)	\$ -
Loss for equity method investment	\$ (37,073)	\$ (37,073)	\$ -	\$ -	\$ -	\$ 74,146	\$ -
Net income (loss)	\$ 756,285	\$ (37,073)	\$ 2,146,934	\$ (2,184,007)	\$ 2,060,482	\$ (1,986,336)	\$ 756,285
Comprehensive income	\$ 756,285	\$ 1,849,394	\$ 1,765,196	\$ 84,198	\$ 1,731,759	\$ (5,714,736)	\$ 472,096

For the Year Ended December 31, 2023

	Chanson International (Cayman Islands)	Subsidiaries (British Virgin Islands/Hong Kong)	Xinjiang United Family Company (PRC)	Xinjiang United Family's Subsidiaries (USA)	VIEs (PRC)	Eliminations	Consolidated Total
Revenue	\$ -	\$ -	\$ 4,948,427	\$ 2,938,505	\$ 9,365,730	\$ -	\$ 17,252,662
Cost of revenue	\$ -	\$ -	\$ 2,447,095	\$ 1,909,026	\$ 4,749,216	\$ -	\$ 9,105,337
Income from VIEs	\$ -	\$ -	\$ 1,765,358	\$ -	\$ -	\$ (1,765,358)	\$ -
Loss for equity method investment	\$ (567,809)	\$ (567,809)	\$ -	\$ -	\$ -	\$ 1,135,618	\$ -
Net income (loss)	\$ 33,588	\$ (567,809)	\$ 1,716,755	\$ (2,284,564)	\$ 1,765,358	\$ (629,740)	\$ 33,588
Comprehensive income (loss)	\$ 33,588	\$ (302,426)	\$ 9,892,175	\$ (10,194,601)	\$ 1,499,301	\$ (1,025,227)	\$ (97,190)

For the Year Ended December 31, 2022

	Chanson International (Cayman Islands)	Subsidiaries (British Virgin Islands/Hong Kong)	Xinjiang United Family Company (PRC)	Xinjiang United Family's Subsidiaries (USA)	VIEs (PRC)	Eliminations	Consolidated Total
Revenue	\$ -	\$ -	\$ 4,292,218	\$ 3,780,867	\$ 5,198,990	\$ -	\$ 13,272,075
Cost of revenue	\$ -	\$ -	\$ 2,598,039	\$ 2,088,788	\$ 2,482,577	\$ -	\$ 7,169,404
Income from VIEs	\$ -	\$ -	\$ 829,557	\$ -	\$ -	\$ (829,557)	\$ -
Loss for equity method investment	\$ (1,288,205)	\$ (1,288,205)	\$ -	\$ -	\$ -	\$ 2,576,410	\$ -
Net income (loss)	\$ (1,288,205)	\$ (1,288,205)	\$ 924,321	\$ (2,212,526)	\$ 829,557	\$ 1,746,853	\$ (1,288,205)
Comprehensive income (loss)	\$ (1,288,205)	\$ (841,074)	\$ 1,439,330	\$ (2,280,404)	\$ 12,721	\$ 1,299,722	\$ (1,657,910)

SELECTED CONDENSED CONSOLIDATING BALANCE SHEETS

As of December 31, 2024

	Chanson International (Cayman Islands)	Subsidiaries (British Virgin Islands/ Hong Kong)	Xinjiang United Family Company (PRC)	Xinjiang United Family's Subsidiaries (USA)	VIEs (PRC)	Eliminations	Consolidated Total
Cash and cash equivalents	\$ 16,575	\$ -	\$ 47,479	\$ 108,150	\$ 11,930,559	\$ -	\$ 12,102,763
Intercompany receivable	\$ 9,013,055	\$ -	\$ 338,903	\$ 746,500	\$ 2,069,015	\$ (12,167,473)	\$ -
Total current assets	\$ 11,029,630	\$ -	\$ 2,240,578	\$ 2,382,177	\$ 17,653,086	\$ (14,877,051)	\$ 18,428,420
Investment in subsidiaries, equity method	\$ (6,239,159)	\$ (3,841,450)	\$ -	\$ -	\$ -	\$ 10,080,609	\$ -
Financial interest in VIEs	\$ -	\$ -	\$ 7,536,589	\$ -	\$ -	\$ (7,536,589)	\$ -
Total non-current assets	\$ 2,110,382	\$ (3,841,450)	\$ 9,297,626	\$ 9,262,717	\$ 5,950,096	\$ 568,043	\$ 23,347,414
Total Assets	\$ 13,140,012	\$ (3,841,450)	\$ 11,538,204	\$ 11,644,894	\$ 23,603,182	\$ (14,309,008)	\$ 41,775,834
Intercompany payable	\$ 1,101,925	\$ -	\$ 5,384,558	\$ 5,684,930	\$ -	\$ (12,171,413)	\$ -
Total Liabilities	\$ 1,101,925	\$ -	\$ 1,354,867	\$ 25,669,681	\$ 10,104,906	\$ (14,880,991)	\$ 23,350,388
Total Shareholders' Equity (Deficit)	\$ 12,038,087	\$ (3,841,450)	\$ 10,183,337	\$ (14,024,787)	\$ 13,498,276	\$ 571,983	\$ 18,425,446
Total Liabilities and Shareholders' Equity (Deficit)	\$ 13,140,012	\$ (3,841,450)	\$ 11,538,204	\$ 11,644,894	\$ 23,603,182	\$ (14,309,008)	\$ 41,775,834

As of December 31, 2023

	Chanson International (Cayman Islands)	Subsidiaries (British Virgin Islands/ Hong Kong)	Xinjiang United Family Company (PRC)	Xinjiang United Family's Subsidiaries (USA)	VIEs (PRC)	Eliminations	Consolidated Total
Cash and cash equivalents	\$ 30,269	\$ -	\$ 21,340	\$ 562,267	\$ 867,426	\$ -	\$ 1,481,302
Intercompany receivable	\$ 4,009,100	\$ -	\$ 414,424	\$ 746,500	\$ 7,748,737	\$ (12,918,761)	\$ -
Total current assets	\$ 4,039,369	\$ -	\$ 2,269,219	\$ 3,610,137	\$ 16,386,644	\$ (16,970,922)	\$ 9,334,447
Investment in subsidiaries, equity method	\$ (6,202,086)	\$ (5,690,844)	\$ -	\$ -	\$ -	\$ 11,892,930	\$ -
Financial interest in VIEs	\$ -	\$ -	\$ 5,476,107	\$ -	\$ -	\$ (5,476,107)	\$ -
Total non-current assets	\$ 2,399,311	\$ (5,690,844)	\$ 7,224,733	\$ 13,984,265	\$ 4,765,561	\$ 6,416,823	\$ 29,099,849
Total Assets	\$ 6,438,680	\$ (5,690,844)	\$ 9,493,952	\$ 17,594,402	\$ 21,152,205	\$ (10,554,099)	\$ 38,434,296
Intercompany payable	\$ 1,095,872	\$ -	\$ 7,632,749	\$ 4,060,036	\$ -	\$ (12,788,657)	\$ -
Total Liabilities	\$ 1,095,872	\$ -	\$ 1,075,811	\$ 31,703,387	\$ 9,385,688	\$ (16,840,818)	\$ 26,419,940
Total Shareholders' Equity (Deficit)	\$ 5,342,808	\$ (5,690,844)	\$ 8,418,141	\$ (14,108,985)	\$ 11,766,517	\$ 6,286,719	\$ 12,014,356
Total Liabilities and Shareholders' Equity (Deficit)	\$ 6,438,680	\$ (5,690,844)	\$ 9,493,952	\$ 17,594,402	\$ 21,152,205	\$ (10,554,099)	\$ 38,434,296

SELECTED CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2024

	Chanson International (Cayman Islands)	Subsidiaries (British Virgin Islands/ Hong Kong)	Xinjiang United Family Company (PRC)	Xinjiang United Family's Subsidiaries (USA)	VIEs (PRC)	Eliminations	Consolidated Total
Net cash (used in) provided by operating activities	\$ (36,123)	\$ -	\$ (5,782,130)	\$ (1,017,590)	\$ 10,373,881	\$ -	\$ 3,538,038
Net cash (used in) provided by investing activities	\$ (5,916,565)	\$ -	\$ 1,922,774	\$ 1,394,709	\$ (489,361)	\$ 4,997,903	\$ 1,909,460
Net cash provided by (used in) financing activities	\$ 5,938,994	\$ -	\$ 3,832,063	\$ (831,236)	\$ 1,408,828	\$ (4,997,903)	\$ 5,350,746

For the Year Ended December 31, 2023

	Chanson International (Cayman Islands)	Subsidiaries (British Virgin Islands/ Hong Kong)	Xinjiang United Family Company (PRC)	Xinjiang United Family's Subsidiaries (USA)	VIEs (PRC)	Eliminations	Consolidated Total
Net cash (used in) provided by operating activities	\$ -	\$ -	\$ (1,345,862)	\$ (2,476,288)	\$ 868,297	\$ -	\$ (2,953,853)
Net cash used in investing activities	\$ (12,000,100)	\$ -	\$ (99,784)	\$ (1,776,975)	\$ (586,657)	\$ 4,000,100	\$ (10,463,416)
Net cash provided by (used in) financing activities	\$ 12,030,369	\$ -	\$ 960,974	\$ 4,693,811	\$ (1,626,029)	\$ (4,000,100)	\$ 12,059,025

For the Year Ended December 31, 2022

	Chanson International (Cayman Islands)	Subsidiaries (British Virgin Islands/ Hong Kong)	Xinjiang United Family Company (PRC)	Xinjiang United Family's Subsidiaries (USA)	VIEs (PRC)	Eliminations	Consolidated Total
Net cash (used in) provided by operating activities	\$ -	\$ -	\$ (243,785)	\$ (1,349,539)	\$ 2,144,672	\$ -	\$ 551,348
Net cash used in investing activities	\$ -	\$ -	\$ (473,486)	\$ (188,069)	\$ (198,479)	\$ -	\$ (860,034)
Net cash provided by (used in) financing activities	\$ -	\$ -	\$ 1,446,025	\$ 1,491,643	\$ (2,927,739)	\$ -	\$ 9,929

ROLL-FORWARD OF INVESTMENT IN SUBSIDIARIES AND VIES

Balance, December 31, 2022	\$ (5,634,277)
Comprehensive loss for the year	(567,809)
Balance, December 31, 2023	\$ (6,202,086)
Comprehensive income/loss for the year	(37,073)
Balance, December 31, 2024	\$ (6,239,159)

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Relating to Our Corporate Structure

Our corporate structure, in particular the VIE Agreements, are subject to significant risks, as set forth in the following risk factors.

The VIE Agreements with the UFG Entities and the UFG Operators may not be effective in providing control over the UFG Entities.

A substantial part of our current revenue and net income are derived from the UFG Entities. We do not have an ownership interest in any of the UFG Entities. For accounting purposes, our wholly owned subsidiary directs the activities and receives the economic benefits of the VIEs through the VIE Agreements, which enable us to consolidate the financial results of the VIEs in our consolidated financial statements under U.S. GAAP. The VIE Agreements, however, may not be as effective in providing us with the necessary control over each UFG Entity and its operations. Any deficiency in the VIE Agreements may result in our loss of control over the management and operations of the UFG Entities, which will result in a significant loss in the value of an investment in our Company. We rely on contractual rights through the VIE Agreements to effect management of the UFG Entities, which exposes us to the risk of potential breach of contract by the UFG Operators. In addition, since our Chairman, Mr. Gang Li, and Ms. Hui Wang, the Marketing Director of Xinjiang United Family, own 100% of the equity interests in 35 and two UFG Entities, respectively, as of the date of this annual report, it may be difficult for us to change our corporate structure if such UFG Operators refuse to cooperate with us.

The VIE Agreements with the UFG Entities are governed by the laws of the PRC and we may have difficulty in enforcing any rights we may have under the VIE Agreements.

As the VIE Agreements are governed by PRC laws and provide for the resolution of disputes through arbitration in the PRC, they will be interpreted in accordance with PRC law and any disputes will be resolved in accordance with PRC legal procedures. Disputes arising from the VIE Agreements will be resolved through arbitration in the PRC, although these disputes do not include claims arising under the U.S. federal securities law and thus do not prevent you from pursuing claims under the U.S. federal securities law. The legal environment in the PRC is not as developed as in the U.S. As a result, uncertainties in the PRC legal system could further limit our ability to enforce the VIE Agreements, through arbitration, litigation, and other legal proceedings remain in the PRC, which could limit our ability to enforce the VIE Agreements, and we may not be deemed to have a controlling financial interest in, or be the primary beneficiary of, the VIEs for accounting purposes. Furthermore, these contracts may not be enforceable in the PRC if PRC government authorities or courts take a view that such contracts contravene PRC laws and regulations or are otherwise not enforceable for public policy reasons. In the event we are unable to enforce the VIE Agreements, we may not be able to exert effective control over the UFG Entities for accounting purposes, and our ability to conduct our business may be materially and adversely affected.

If the PRC government determines that the VIE Agreements do not comply with PRC regulations, or if these regulations change or are interpreted differently in the future, we may be unable to assert our contractual rights over the assets of the VIEs, and our Class A Ordinary Shares may decline in value or become worthless.

Recently, the PRC government adopted a series of regulatory actions and issued statements to regulate business operations in China, including those related to VIEs. As of the date of this annual report, there are no relevant laws or regulations in the PRC that prohibit companies whose entity interests are within the PRC from listing on overseas stock exchanges. The VIE Agreements have not been tested in a court of law in China as of the date of this annual report. Although we believe that our corporate structure and the VIE Agreements comply with current applicable PRC laws and regulations, in the event that PRC government determines that the VIE Agreements do not comply with PRC regulations, or if these regulations change or are interpreted differently in the future, we may be unable to assert our contractual rights over the assets of the VIEs, and our Class A Ordinary Shares may decline in value or become worthless.

We may not be able to consolidate the financial results of some of our affiliated companies or such consolidation could materially adversely affect our operating results and financial condition.

A substantial part of our business is conducted through the UFG Entities, which currently are considered for accounting purposes as VIEs, and we are considered the primary beneficiary, enabling us to consolidate our financial results in our consolidated financial statements. In the event that in the future a company we hold as a VIE would no longer meet the definition of a VIE, or we are deemed not to be the primary beneficiary, we would not be able to consolidate line by line that entity's financial results in our consolidated financial statements for PRC purposes. Also, if in the future an affiliate company becomes a VIE and we become the primary beneficiary, we would be required to consolidate that entity's financial results in our consolidated financial statements for PRC purposes. If such entity's financial results were negative, this could have a corresponding negative impact on our operating results for PRC purposes. However, any material variations in the accounting principles, practices, and methods used in preparing financial statements for PRC purposes from the principles, practices, and methods generally accepted in the U.S. and in the United States Securities and Exchange Commission (the "SEC") accounting regulations must be discussed, quantified, and reconciled in financial statements for the U.S. GAAP and SEC purposes.

The VIE Agreements between Xinjiang United Family and UFG may result in adverse tax consequences.

PRC laws and regulations emphasize the requirement of an arm's length basis for transfer pricing arrangements between related parties. The laws and regulations also require enterprises with related party transactions to prepare transfer pricing documentation to demonstrate the basis for determining pricing, the computation methodology, and detailed explanations. Related party arrangements and transactions may be subject to challenge or tax inspection by the PRC tax authorities.

Under a tax inspection, if our transfer pricing arrangements between Xinjiang United Family and UFG are judged as tax avoidance, or related documentation does not meet the requirements, Xinjiang United Family and UFG may be subject to material adverse tax consequences, such as transfer pricing adjustment. A transfer pricing adjustment could result in a reduction, for PRC tax purpose, of adjustments recorded by Xinjiang United Family, which could adversely affect us by (i) increasing UFG's tax liabilities without reducing our subsidiaries' tax liabilities, which could further result in interest being levied to us for unpaid taxes or (ii) limiting the ability of our PRC companies to maintain preferential tax treatment and other financial incentives.

Our controlling shareholder has potential conflicts of interest with our Company which may adversely affect our business.

Mr. Gang Li is our controlling shareholder and Chairman. As of the date of this annual report, 50 of the UFG Entities are owned independently by Mr. Li. Given his significant interest in our Company, there is a risk that when conflicts of interest arise, Mr. Li will not act completely in the best interests of our shareholders (as opposed to his personal interest) or that conflicts of interests will be resolved in our favor. For example, he may determine that it is in UFG's interests to sever the VIE Agreements with us, irrespective of the effect such action may have on us. Mr. Li has acted as guarantor for certain loans of Xinjiang United Family, which may create conflicts of interest with our Company. In addition, he could violate his fiduciary duties by diverting business opportunities from us to others, thereby affecting the amount of payment UFG is obligated to remit to us under the consulting services agreements.

Our board of directors is comprised of a majority of independent directors. These independent directors may be in a position to deter and counteract the actions of our officers or non-independent directors (including, potentially, Mr. Li) that are against our interests. We cannot, however, give any assurance as to how the independent directors will act in any given circumstance. Further, if we or the independent directors cannot resolve any conflicts of interest between us and those of our officers and directors who are management members of our affiliated companies in the PRC, we would have to rely on legal proceedings, which could result in the disruption of our business.

In the event that you believe that your rights have been infringed under the securities laws or otherwise as a result of any one of the circumstances described above, it may be difficult or impossible for you to bring an action against us or our officers or directors who reside within the PRC. Even if you are successful in bringing an action, the PRC laws may render you unable to enforce a judgment against our assets and management, most of which are located in the PRC.

We rely on the approval certificates and business licenses held by UFG, and any deterioration of the relationship between Xinjiang United Family and UFG could materially and adversely affect our overall business operations.

Pursuant to the VIE Agreements, a substantial part of our business in the PRC is undertaken on the basis of the approvals, certificates, business licenses, and other requisite licenses held by each UFG Entity. There is no assurance that each UFG Entity will be able to renew its licenses or certificates when their terms expire with substantially similar terms as the ones they currently hold.

Further, our relationship with each UFG Entity is governed by the VIE Agreements, which are intended to enable us, through our indirect ownership of Xinjiang United Family, to have a controlling financial interest in and be the primary beneficiary of each UFG Entity for accounting purposes. However, the VIE Agreements may not be effective in providing control over the applications for and maintenance of the licenses required for our business operations. Any UFG Entity could violate the VIE Agreements, go bankrupt, suffer from difficulties in its business, or otherwise become unable to perform its obligations under the VIE Agreements and, as a result, our operations, reputation, business and stock price could be severely harmed.

The exercise of our option to purchase part or all of the assets of any UFG Entity under the Call Option Agreement might be subject to approval by the PRC government. Our failure to obtain this approval may impair our ability to substantially control the UFG Entities and could result in actions by the UFG Entities that conflict with our interests.

Our Call Option Agreement with UFG gives Xinjiang United Family the option to purchase all or part of the assets of UFG. However, the option may not be exercised if the exercise would violate any applicable laws and regulations in the PRC or cause any license or permit held by, and necessary for the operation of UFG, to be cancelled or invalidated. If we decide to exercise such a call option and PRC government approval is required and we do not, or cannot, obtain such approval, we may be unable to purchase the assets that are the subject of such call option.

Because we rely on the Exclusive Service Agreement with each UFG Entity for our revenue, the termination of these agreements would severely and detrimentally affect our continuing business viability under our current corporate structure.

We are a holding company and during the years ended December 31, 2024, 2023 and 2022, approximately 62%, 54%, and 39%, of our revenue was derived from the UFG Entities, respectively. As a result, we currently rely for our revenue on dividends payments from Xinjiang United Family after it receives payments from the UFG Entities pursuant to the exclusive service agreements. The term of the exclusive service agreement is 10 years, unless terminated earlier by Xinjiang United Family with a 30-day prior notice. UFG does not have the right to terminate that agreement unilaterally. The agreement would renew automatically by 10 years after expiration, with no limit on times of renewal. Because neither we nor our subsidiaries own equity interests of UFG, the termination of the exclusive service agreement would sever our ability to continue receiving payments from the UFG Entities under our current holding company structure. While we are currently not aware of any event or reason that may cause the exclusive service agreement to terminate, such an event or reason may occur in the future. In the event that the exclusive service agreements are terminated, this may have a severe and detrimental effect on our continuing business viability under our current corporate structure, which, in turn, may affect the value of your investment.

Risks Relating to Doing Business in the PRC

Changes in China's economic, political, or social conditions or government policies could have a material adverse effect on our business and operations.

As of the date of this annual report, most of our assets are owned and most of our operations are conducted through our PRC subsidiary and the VIEs located in China. Accordingly, our business, financial condition, results of operations, and prospects may be influenced to a significant degree by political, economic, and social conditions in China generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, growth rate, control of foreign exchange, and allocation of resources. Although the Chinese government has implemented measures emphasizing the utilization of market forces for economic reform, including the reduction of state ownership of productive assets and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth over the past decades, growth has been uneven, both geographically and among various sectors of the economy. Any adverse changes in economic conditions in China, in the policies of the Chinese government, or in the laws and regulations in China could have a material adverse effect on the overall economic growth of China. Such developments could adversely affect our business and operating results, reduce demand for the products of our PRC subsidiary and the VIEs, and weaken our competitive position. The Chinese government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations. In addition, in the past the Chinese government has implemented certain measures, including interest rate adjustments, to control the pace of economic growth. These measures may cause decreased economic activities in China, which may adversely affect our business and operating results.

Uncertainties in the interpretation and enforcement of PRC laws and regulations and changes in policies, rules, and regulations in China, which may be quick with little advance notice, could limit the legal protection available to you and us.

The PRC legal system is based on written statutes. Unlike common law systems, it is a system in which legal cases have limited value as precedents. In the late 1970s, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The legislation over the past three decades has significantly increased the protection afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiary and the VIEs are subject to various PRC laws and regulations generally applicable to companies in China. Since these laws and regulations are relatively new and the PRC legal system continues to rapidly evolve, however, the interpretations of many laws, regulations, and rules are not always uniform and enforcement of these laws, regulations, and rules involve uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, however, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy in the PRC legal system than in more developed legal systems. Furthermore, the PRC legal system is based in part on government policies, internal rules, and regulations that may have retroactive effect and may change quickly with little advance notice. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Such uncertainties, including uncertainties over the scope and effect of our contractual, property (including intellectual property), and procedural rights, and any failure to respond to changes in the regulatory environment in China could materially and adversely affect our business and impede our ability to continue our operations. For example, on December 29, 2023, the Standing Committee of the National People's Congress promulgated the amended PRC Company Law, which will come into effect on July 1, 2024 and supersede the existing PRC Company Law. The amended PRC Company Law provides stricter requirements on capital contribution of a company established in mainland China. On February 6, 2024, the State Administration for Market Regulation of PRC ("SAMR") issued a draft of the Provisions of the State Council on Implementing the Registered Capital Registration and Management System under the PRC Company Law for public comments until March 5, 2024, which further specify the detailed requirements and measures of the registration and management of registered capital under the amended PRC Company Law. Pursuant to the amended PRC Company Law, we may be required to fulfill the obligations of capital contribution to our PRC subsidiary and the VIEs in China or to provide financial support to the nominee shareholders of the VIEs within a five-year contribution term, while the current PRC Company Law has no time limit for subscribed contribution period. However, since the amended PRC Company Law is still relatively new and the foregoing draft implementation measures were released for public comment only, there is still uncertainty regarding the implementation and interpretation of the amended PRC Company Law and the adoption and effective date of such implementation measures.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments, or bringing actions in China against us or our management based on foreign laws. It may also be difficult for you or overseas regulators to conduct investigations or collect evidence within China.

We are an exempted company with limited liability incorporated and registered under the laws of the Cayman Islands, and we conduct most of our operations in China and most of our assets are located in China as of the date of this annual report. In addition, all of our directors and officers are nationals or residents of the PRC and all or a substantial portion of their assets are located outside the U.S. As a result, it may be difficult for you to effect service of process upon us or those persons inside mainland China. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of U.S. securities laws or those of any U.S. state.

The recognition and enforcement of foreign judgments are provided for under the *PRC Civil Procedures Law*. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the *PRC Civil Procedures Law* based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of written arrangement with the U.S. that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the *PRC Civil Procedures Law*, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security, or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the U.S.

It may also be difficult for you or overseas regulators to conduct investigations or collect evidence within China. For example, in China, there are significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the authorities in China may establish a regulatory cooperation mechanism with its counterparts of another country or region to monitor and oversee cross-border securities activities, such regulatory cooperation with the securities regulatory authorities in the U.S. may not be efficient in the absence of a practical cooperation mechanism. Furthermore, according to Article 177 of the PRC Securities Law (“Article 177”), which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigations or evidence collection activities within the territory of the PRC. Article 177 further provides that Chinese entities and individuals are not allowed to provide documents or materials related to securities business activities to foreign agencies without prior consent from the securities regulatory authority of the PRC State Council and the competent departments of the PRC State Council. While detailed interpretation of or implementing rules under Article 177 have yet to be promulgated, the inability for an overseas securities regulator to directly conduct investigation or evidence collection activities within China may further increase difficulties faced by you in protecting your interests.

Given the Chinese government’s significant oversight and discretion over the conduct of the business of our PRC subsidiary and the VIEs, the Chinese government may intervene or influence their operations at any time, which could result in a material change in the operations of our PRC subsidiary and the VIEs and/or the value of our Class A Ordinary Shares.

The Chinese government has significant oversight and discretion over the conduct of our PRC subsidiary and the VIEs and may intervene or influence their operations at any time as the government deems appropriate to further regulatory, political, and societal goals, which could result in a material change in the operations of our PRC subsidiary and the VIEs and/or the value of our Class A Ordinary Shares.

The Chinese government has recently published new policies that significantly affected certain industries such as the Internet industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could adversely affect the business, financial condition, and results of operations of our PRC subsidiary and the VIEs. Furthermore, if China adopts more stringent standards with respect to certain areas such as environmental protection or corporate social responsibilities, our PRC subsidiary and the VIEs may incur increased compliance costs or become subject to additional restrictions in their operations. Certain areas of the law in China, including intellectual property rights and confidentiality protections, may also not be as effective as in the United States or other countries. In addition, we cannot predict the effects of future developments in the PRC legal system on the business operations of our PRC subsidiary and the VIEs, including the promulgation of new laws, or changes to existing laws or the interpretation or enforcement thereof. These uncertainties could limit the legal protections available to us and our investors, including you.

Any actions by the Chinese government, including any decision to intervene or influence the operations of our PRC subsidiary or the VIEs or to exert control over any offering of securities conducted overseas and/or foreign investment in China-based issuers, may cause us to make material changes to the operations of our PRC subsidiary or the VIEs, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless.

The Chinese government has exercised and continues to exercise substantial control over virtually every sector of the Chinese economy through regulation and state ownership. The ability of our subsidiary and the VIEs to operate in China may be impaired by changes in its laws and regulations, including those relating to taxation, environmental regulations, land use rights, foreign investment limitations, and other matters. The central or local governments of China may impose new, stricter regulations or interpretations of existing regulations that would require additional expenditures and efforts on our part to ensure our PRC subsidiary and the VIEs' compliance with such regulations or interpretations. As such, our PRC subsidiary and the VIEs may be subject to various government and regulatory interference in the provinces in which they operate. They could be subject to regulation by various political and regulatory entities, including various local and municipal agencies and government sub-divisions. They may incur increased costs necessary to comply with existing and newly adopted laws and regulations or penalties for any failure to comply.

Accordingly, government actions in the future, including any decision to intervene or influence the operations of our PRC subsidiary or the VIEs at any time or to exert control over an offering of securities conducted overseas and/or foreign investment in China-based issuers, may cause us to make material changes to the operations of our PRC subsidiary or the VIEs, may limit or completely hinder our ability to offer or continue to offer securities to investors, and/or may cause the value of such securities to significantly decline or be worthless.

Recent greater oversight by the Cyberspace Administration of China (the "CAC") over data security, particularly for companies seeking to list on a foreign exchange, could adversely impact our business and our offerings.

On December 28, 2021, the CAC, together with 12 other governmental departments of the PRC, jointly promulgated the Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures provides that, in addition to critical information infrastructure operators ("CIIOs") that intend to purchase Internet products and services, data processing operators engaging in data processing activities that affect or may affect national security must be subject to cybersecurity review by the Cybersecurity Review Office of the PRC. According to the Cybersecurity Review Measures, a cybersecurity review assesses potential national security risks that may be brought about by any procurement, data processing, or overseas listing. The Cybersecurity Review Measures further requires that CIIOs and data processing operators that possess personal data of at least one million users must apply for a review by the Cybersecurity Review Office of the PRC before conducting listings in foreign countries.

On July 7, 2022, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transfer, which took effect on September 1, 2022. In accordance with such measures, data processors will be subject to security assessment conducted by the CAC prior to any cross-border transfer of data if the transfer involves (i) important data; (ii) personal information transferred overseas by operators of critical information infrastructure or a data processor that has processed personal data of more than one million persons; (iii) personal information transferred overseas by a data processor which has already provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of the preceding year; or (iv) other circumstances as required by the CAC. In addition, any cross-border data transfer activities conducted in violation of the Measures for the Security Assessment of Cross-border Data Transfer before the effectiveness of such measures are required to be rectified within six months of the effectiveness date thereof.

On September 24, 2024, the State Council promulgated the Regulation on Network Data Security Management, and became effective on January 1, 2025. According to the above regulations, network data processors conducting network data processing activities that may affect or potentially affect national security shall conduct national security reviews in accordance with national regulations.

On February 17, 2023, the China Securities Regulatory Commission (the “CSRC”) promulgated the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (the “Trial Measures”) and five supporting guidelines, which came into effect on March 31, 2023. According to the Trial Measures, a domestic enterprise involved in offering securities and listing shall comply with laws, administrative regulations, and relevant national provisions, when it comes to providing personal information and important data to foreign entities.

On March 22, 2024, the CAC promulgated the Provisions on Regulating and Facilitating Cross-Border Data Flow, together with two guideline documents separately named the Second Version of Declaration For Security Assessment of Data Outbound and the Second Version of Filing for Personal Information Outbound Standard Contract. According to the above regulations, data processors who provide important data overseas or have transferred the non-sensitive personal information of over one million individuals overseas or the sensitive personal information of over 10,000 individuals since the beginning of a given year must declare the data for security assessment. Critical information infrastructure operators must declare data when providing personal information or important data overseas. In addition, if a data processor has not been notified by relevant government departments or local authorities, or if data has not been publicly released as important data, the data processor does not need to declare its data for security assessment as important data to exit the country.

As of the date of this annual report, we have not received any notice from any PRC authorities identifying our PRC subsidiary or the VIEs as CIIOs or requiring us to go through cybersecurity review or network data security review by the CAC. We believe that the operations of our PRC subsidiary and the VIEs will not be affected and that we are not subject to cybersecurity review and network data security review by the CAC, given that: (i) our PRC subsidiary and the VIEs mainly manufacture and sell bakery products and are unlikely to be classified as CIIOs by the PRC authorities; (ii) our PRC subsidiary and the VIEs make substantially all of their bakery product sales through physical stores and make only a small amount of their bakery product sales through online stores, mostly on third-party online food ordering platforms. Regarding the physical stores, our PRC subsidiary and the VIEs do not require customers to provide their personal data who use their membership cards, which function as reloadable prepaid cards, for purchase, and our PRC subsidiary and the VIEs do not collect personal data from customers who do not use membership cards. Regarding the online platforms, our PRC subsidiary and the VIEs only require customers to provide their cellphone numbers as necessary personal data when customers become online members to purchase products on third-party online food ordering platforms. As a result, we possess personal data of fewer than one million individual clients in our business operations as of the date of this annual report; (iii) since our PRC subsidiary and the VIEs are in the bakery industry, data processed in our business is unlikely to have a bearing on national security and therefore is unlikely to be classified as core or important data by the PRC authorities; and (iv) our PRC subsidiary and the VIEs have not transferred important data or personal data overseas as of the date of this annual report. We are also not subject to national security review by the relevant authorities, since we currently do not conduct data activities that may affect national security, which we understand might otherwise subject us to the Regulation on Network Data Security Management. There remains uncertainty, however, as to how the Cybersecurity Review Measures, the Measures for the Security Assessment of Cross-border Data Transfer, the Trial Measures and the Regulation on Network Data Security Management will be interpreted or implemented and whether the PRC regulatory agencies, including the CAC, may adopt new laws, regulations, rules, or detailed implementation and interpretation related to the Cybersecurity Review Measures and the Regulation on Network Data Security Management. If any such new laws, regulations, rules, or implementation and interpretation come into effect, we will take all reasonable measures and actions to comply and to minimize the adverse effect of such laws on us. We cannot guarantee, however, that we will not be subject to cybersecurity review, network data security review and national security review in the future. During such reviews, we may be required to suspend our operation or experience other disruptions to our operations. Cybersecurity review and network data security review could also result in negative publicity with respect to our Company and diversion of our managerial and financial resources, which could materially and adversely affect our business, financial conditions, and results of operations.

The Opinions, the Trial Measures, and the revised Provisions recently issued by the PRC authorities may subject us to additional compliance requirements in the future.

The General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the “Opinions on Severely Cracking Down on Illegal Securities Activities According to Law,” or the “Opinions,” which were made available to the public on July 6, 2021. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. The Opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection. The aforementioned policies and any related implementation rules to be enacted may subject us to additional compliance requirements in the future. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall complete filing procedures with the CSRC pursuant to the requirements of the Trial Measures within three working days following its submission of initial public offerings or listing application. If a domestic company fails to complete required filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines. See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Mergers & Acquisitions and Overseas Listings.”

According to the CSRC Notice, the domestic companies that have already been listed overseas before the effective date of the Trial Measures (namely, March 31, 2023) shall be deemed as existing issuers. Existing issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC for any subsequent offerings. In the event that we undertake new offerings or fundraising activities in the future, we may be required to complete necessary filing procedures pursuant to the Trial Measures.

On February 24, 2023, the CSRC, together with the Ministry of Finance of the PRC (the “MOF”), National Administration of State Secrets Protection and National Archives Administration of China, revised the Provisions issued by the CSRC and National Administration of State Secrets Protection and National Archives Administration of China in 2009, or the “Provisions.” The revised Provisions were issued under the title the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies,” and came into effect on March 31, 2023 together with the Trial Measures. One of the major revisions to the revised Provisions is expanding their application to cover indirect overseas offering and listing, as is consistent with the Trial Measures. The revised Provisions require that, among other things, (a) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals or entities, including securities companies, securities service providers, and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level; and (b) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals and entities, including securities companies, securities service providers, and overseas regulators, any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. Any failure or perceived failure by our Company, our subsidiaries, or the VIEs to comply with the above confidentiality and archives administration requirements under the revised Provisions and other PRC laws and regulations may result in the relevant entities being held legally liable by competent authorities, and referred to the judicial organ to be investigated for criminal liability if suspected of committing a crime.

The Opinions, the Trial Measures, the revised Provisions, and any related implementing rules to be enacted may subject us to additional compliance requirements in the future. As there are still uncertainties regarding the interpretation and implementation of such regulatory guidance, we cannot assure you that we will be able to comply with all new regulatory requirements of the Opinions, the Trial Measures, the revised Provisions, or any future implementing rules on a timely basis, or at all.

The joint statement by the SEC and the Public Company Accounting Oversight Board (United States) (the “PCAOB”), rule changes by Nasdaq, and the Holding Foreign Companies Accountable Act (the “HFCA Act”) all call for additional and more stringent criteria to be applied to emerging market companies upon assessing the qualification of their auditors, especially the non-U.S. auditors who are not inspected by the PCAOB. These developments could add uncertainties to our offerings.

On May 20, 2020, the U.S. Senate passed the HFCA Act requiring a foreign company to certify it is not owned or controlled by a foreign government if the PCAOB is unable to audit specified reports because the company uses a foreign auditor not subject to PCAOB inspection. If the PCAOB is unable to inspect the company’s auditors for three consecutive years, the issuer’s securities are prohibited to trade on a national exchange. On December 2, 2020, the U.S. House of Representatives approved the HFCA Act. On December 18, 2020, the HFCA Act was signed into law.

On September 22, 2021, the PCAOB adopted a final rule implementing the HFCA Act, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCA Act, whether the board of directors of a company is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction.

On December 16, 2021, the PCAOB issued a report on its determinations that it is unable to inspect or investigate completely PCAOB-registered public accounting firms headquartered in mainland China and in Hong Kong because of positions taken by PRC and Hong Kong authorities in those jurisdictions.

On August 26, 2022, the CSRC, the MOF, and the PCAOB signed the Protocol governing inspections and investigations of audit firms based in mainland China and Hong Kong, taking the first step toward opening access for the PCAOB to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong. Pursuant to the fact sheet with respect to the Protocol disclosed by the SEC, the PCAOB shall have independent discretion to select any issuer audits for inspection or investigation and has the unfettered ability to transfer information to the SEC. On December 15, 2022, the PCAOB determined that the PCAOB was able to secure complete access to inspect and investigate registered public accounting firms headquartered in mainland China and Hong Kong and voted to vacate its previous determinations to the contrary. However, should PRC authorities obstruct or otherwise fail to facilitate the PCAOB's access in the future, the PCAOB will consider the need to issue a new determination.

Our auditor prior to September 29, 2022, Friedman LLP ("Friedman"), had been inspected by the PCAOB on a regular basis in the audit period; our auditor from September 29, 2022 to July 9, 2023, Marcum Asia CPAs LLP ("Marcum Asia"), had been inspected by the PCAOB on a regular basis in the audit period, and our new auditor, ASSENTSURE PAC ("Assentsure"), as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Assentsure is headquartered in Singapore, and is inspected by the PCAOB on a regular basis. None of Friedman, Marcum Asia, or Assentsure is subject to the determinations issued by the PCAOB on December 16, 2021. However, the recent developments would add uncertainties to our offerings and we cannot assure you whether the national securities exchange or regulatory authorities would apply additional and more stringent criteria to us after considering the effectiveness of our auditor's audit procedures and quality control procedures, adequacy of personnel and training, or sufficiency of resources, geographic reach, or experience as it relates to our audit. In addition, the HFCA Act, which requires that the PCAOB be permitted to inspect an issuer's public accounting firm within three years, may result in the delisting of our Company or prohibition of trading in our Class A Ordinary Shares in the future if the PCAOB is unable to inspect our accounting firm at such future time. On June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act, and on December 29, 2022, the Consolidated Appropriations Act was signed into law by President Biden, which contained, among other things, an identical provision to the Accelerating Holding Foreign Companies Accountable Act and amended the HFCA Act by requiring the SEC to prohibit an issuer's securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three, thus reducing the time period for triggering the prohibition on trading.

To the extent cash in the business is in the PRC or a PRC entity, the funds may not be available to fund operations or for other use outside of the PRC due to interventions in or the imposition of restrictions and limitations on the ability of our Company, our subsidiaries, or the VIEs by the PRC government to transfer cash.

Relevant PRC laws and regulations permit the companies in the PRC to pay dividends only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Additionally, each of the companies in the PRC are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. The companies in the PRC are also required to further set aside a portion of their after-tax profits to fund the employee welfare fund, although the amount to be set aside, if any, is determined at their discretion. These reserves are not distributable as cash dividends. Furthermore, in order for us to pay dividends to our shareholders, we will rely on payments made from the VIEs to Xinjiang United Family, pursuant to the VIE Agreements, and the distribution of such payments to Jenyd as dividends from Xinjiang United Family, and then to our Company. If Xinjiang United Family and the VIEs incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us.

Our cash dividends, if any, will be paid in U.S. dollars. If we are considered a tax resident enterprise of the PRC for tax purposes, any dividends we pay to our overseas shareholders may be regarded as China-sourced income and as a result may be subject to PRC withholding tax. See “—Under the EIT Law, we may be classified as a PRC ‘resident enterprise’ for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment.”

The PRC government also imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The majority of our, Xinjiang United Family’s, and the VIEs’ income is received in RMB and shortages in foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy our foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE as long as certain procedural requirements are met. Approval from appropriate government authorities is required if RMB is converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our shareholders.

As a result of the above, to the extent cash in the business is in the PRC or a PRC entity, such funds or assets may not be available to fund operations or for other use outside of the PRC, due to interventions in or the imposition of restrictions and limitations on the ability of us, our subsidiaries, or the VIEs by the PRC government to transfer cash.

Failure to obtain requisite approvals, licenses, or permits or failure to comply with any requirements of PRC laws, regulations, and policies may materially and adversely affect our daily operations and hinder our growth.

The operations of the PRC Stores are subject to extensive legal and regulatory requirements. They are required to hold a number of licenses and permits in connection with their operations, principally including food production permits and food business permits, before commencement of operations. Failure to obtain such permits or loss of or failure to renew them would be in violation of applicable laws and regulations. If the PRC Stores are found to be in violation of applicable laws and regulations, they could be subject to administrative punishment, including fines, injunctions, asset seizures as well as compulsory suspension of business, any of which could have a material adverse effect on their business, financial condition, results of operations, and prospects. As of the date of this annual report, except one UFG Entity which is applying for the food business permit, all other remaining UFG Entities and branches of Xinjiang United Family have obtained the food business permit, though some of them did not have the food business permits at the time of opening. The failure of these entities to have the food business permit at the time of opening may subject us to fines or other penalties such as income confiscation, although we have not received any notice of warning or been subject to penalties or other penalties from the relevant governmental authorities regarding conducting our business without the above-mentioned permits. The UFG Entities will file renewal requests 30 business days prior to the expiration date of those permits. In general, as long as a business entity operates legally and is in good standing, its renewal request will be approved. The UFG Entities will make their best effort to renew the permits described above but we cannot assure you that they will be able to renew such permits or they will not be subject to any penalties in the future. See “Item 4. Information on the Company—B. Business Overview—Regulations—PRC Regulations—Regulations on Food Production and Food Business Operation—Food Production Permit and Food Business Permit.”

Article 45 of the Environmental Protection Law of the People’s Republic of China stipulates that enterprises, institutions, and other producers and operators that implement pollution discharge permit management in China shall discharge pollutants in accordance with the requirements of the pollution discharge license. Based on the situation of the central factory of the PRC Stores, as well as their production equipment and production process, at least a sewage registration is required. As of the date of this annual report, Xinjiang United Family has completed the sewage registration and obtained the sewage registration receipt. See “Item 4. Information on the Company—B. Business Overview—Regulations—PRC Regulations—Regulations on Food Production and Food Business Operation—Pollutant Discharge Permit.”

Increases in labor costs in the PRC may adversely affect our business and our profitability.

China's economy has experienced increases in labor costs in recent years. China's overall economy and the average wage in China are expected to continue to grow. The average wage level for the employees of the PRC Stores has also increased in recent years. We expect that the labor costs of the PRC Stores, including wages and employee benefits, will continue to increase. Unless they are able to pass on these increased labor costs to their customers by increasing prices for their products, our profitability and results of operations may be materially and adversely affected.

In addition, the PRC Stores have been subject to stricter regulatory requirements in terms of entering into labor contracts with their employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance to designated government agencies for the benefit of their employees. Pursuant to the PRC Labor Contract Law (the "Labor Contract Law") that became effective in January 2008 and was amended on December 28, 2012, and its implementing rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation, and unilaterally terminating labor contracts. In the event that the PRC Stores decide to terminate some of their employees or otherwise change their employment or labor practices, the Labor Contract Law and its implementation rules may limit their ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that the employment practice of the PRC Stores does not and will not violate labor-related laws and regulations in China, which may subject them to labor disputes or government investigations. If the PRC Stores are deemed to have violated relevant labor laws and regulations, they could be required to provide additional compensation to their employees and our business, financial condition, and results of operations could be materially and adversely affected.

Our PRC subsidiary and the VIEs have not made adequate social insurance and housing fund contributions for all employees as required by PRC regulations, which may subject us to penalties.

According to the *PRC Social Insurance Law* and the *Administrative Regulations on the Housing Funds*, companies operating in China are required to participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance, maternity insurance (collectively known as "social insurance"), and housing funds plans, and the employers must pay all or a portion of the social insurance premiums and housing funds for their employees. For more details, please see "Item 4. Information on the Company—B. Business Overview—Regulations—PRC Regulations—Regulations on Employment and Social Welfare—Social Insurance and Housing Fund." Our PRC subsidiary, Xinjiang United Family, and the VIEs have not made adequate social insurance and housing fund contributions for all employees. Xinjiang United Family and the VIEs may be required to make up the social insurance contributions as well as to pay late fees at the rate of 0.05% per day of the outstanding amount from the due date. With respect to housing fund plans, Xinjiang United Family may be required to pay and deposit housing funds in full and on time within the prescribed time limit. If Xinjiang United Family fails to do so, relevant authorities could file applications to competent courts for compulsory enforcement of payment and deposit.

According to our PRC counsel, however, it is unlikely that Xinjiang United Family and the VIEs would be ordered to pay the overdue social insurance premiums or housing funds, considering that (i) some of the employees of Xinjiang United Family and the VIEs are over the age limit to be paid social insurance premiums and housing funds; (ii) some employees chose to not receive social insurance premiums deposited by Xinjiang United Family and the VIEs and decided to participate in their own voluntary social insurance plans instead, and promised not to ask Xinjiang United Family or the VIEs to make up the payment; (iii) the requirement of social insurance and housing fund has not been implemented consistently by the local governments in China given the different levels of economic development in different locations; (iv) pursuant to the Emergency Notice on Practicing Principles of the State Council Executive Meeting and Stabilizing Work on Collecting Social Insurance Premiums promulgated by the Ministry of Human Resources and Social Security on September 21, 2018, local authorities are prohibited from recovering unpaid social insurance premiums from enterprises; (v) as of the date of this annual report, Xinjiang United Family and the VIEs have not received any notice or order from the relevant government authorities requesting them to pay social insurance premiums or housing funds in full; (vi) as of the date of this annual report, Xinjiang United Family and the VIEs have not received any complaint or report on outstanding social insurance premiums or housing funds, nor have they had any labor dispute or lawsuit with their employees on payments of social insurance premiums or housing funds; and (vii) the relevant local authorities certified in writing that there were no acts of violating human resources regulations or labor management regulations by Xinjiang United Family. As a result, we did not accrue or record the amounts of outstanding social insurance premiums or housing funds before December 31, 2020, and the amount was deemed not material. Starting from January 1, 2021, we have adequately accrued the social premiums and housing funds and the estimated late fees, if applicable, and have not received any notice or order for payment as of the date of this annual report.

PRC regulations relating to offshore investment activities by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiary to liability or penalties, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.

On July 4, 2014, SAFE issued the *Circular on Issues Concerning Foreign Exchange Control over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles* ("SAFE Circular 37"). According to SAFE Circular 37, prior registration with the local SAFE branch is required for PRC residents (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purpose), in connection with their direct or indirect contribution of domestic assets or interests to offshore special purpose vehicles ("SPVs"). SAFE Circular 37 further requires amendments to the SAFE registrations in the event of any changes with respect to the basic information of the offshore SPV, such as change of a PRC individual shareholder, name and operation term, or any significant changes with respect to the offshore SPV, such as an increase or decrease of capital contribution, share transfer or exchange, or mergers or divisions. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future. In February 2015, SAFE promulgated a *Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment* ("SAFE Notice 13"), effective in June 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

In addition to SAFE Circular 37 and SAFE Notice 13, our ability to conduct foreign exchange activities in China may be subject to the interpretation and enforcement of the *Implementation Rules of the Administrative Measures for Individual Foreign Exchange* promulgated by SAFE in January 2007 (as amended and supplemented, the "Individual Foreign Exchange Rules"). Under the Individual Foreign Exchange Rules, any PRC individual seeking to make a direct investment overseas or engage in the issuance or trading of negotiable securities or derivatives overseas must make the appropriate registrations in accordance with SAFE provisions, the failure of which may subject such PRC individual to warnings, fines, or other liabilities.

As of the date of this annual report, all of our current shareholders who are subject to the SAFE Circular 37 and Individual Foreign Exchange Rules have completed the initial registrations with the qualified banks as required by the regulations. We cannot provide any assurance that our future PRC resident beneficial owners will comply with our request to make or obtain any applicable registrations or continuously comply with all registration procedures set forth in these SAFE regulations, and it remains unclear how these SAFE regulations will be interpreted and implemented in the future. Failure or inability of our PRC resident beneficial owners to comply with these SAFE regulations may subject our PRC resident beneficial owners to fines and legal sanctions, restrict our cross-border investment activities, or limit our PRC subsidiary's ability to distribute dividends to, or obtain foreign-exchange-dominated loans from, our Company, or prevent us from being able to make distributions or pay dividends, as a result of which our business operations and our ability to distribute profits to you could be materially and adversely affected.

PRC regulation of parent/subsidiary loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of our offerings to make loans or additional capital contributions to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Under PRC laws and regulations, we are permitted to utilize the proceeds from our offerings to fund our PRC subsidiary by making loans to or additional capital contributions to our PRC subsidiary, subject to applicable government registration, statutory limitations on amount, and approval requirements. As of the date of this annual report, the amount of capital contributions that we have made to Xinjiang United Family is RMB20 million (approximately \$2.76 million). Xinjiang United Family may increase its registered capital to receive additional capital contributions from us and currently there is no statutory limit to increasing its registered capital, subject to satisfaction of applicable government and filing requirements. Pursuant to relevant PRC regulations, we may provide loans to Xinjiang United Family up to the larger amount of (i) the balance between the registered total investment amount and registered capital of Xinjiang United Family, or (ii) twice the amount of the net assets of Xinjiang United Family calculated in accordance with the People's Bank of China Circular 9, subject to satisfaction of applicable government registration or approval requirements. For any amount of loans that we may extend to Xinjiang United Family, such loans must be registered with the local counterpart of SAFE. For more details, see "Item 4. Information on the Company—B. Business Overview—Regulations—PRC Regulations—Regulations on Foreign Exchange." These PRC laws and regulations may significantly limit our ability to use RMB converted from the net proceeds of our offerings to fund the establishment of new entities in China by our PRC subsidiary or to invest in or acquire any other PRC companies through our PRC subsidiary. Moreover, we cannot assure you that we will be able to complete the necessary registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiary or future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we received or expect to receive from our offshore offerings and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our business, including our liquidity and our ability to fund and expand our business.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions in China and by China's foreign exchange policies. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of RMB to the U.S. dollar, and RMB appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between RMB and the U.S. dollar remained within a narrow band. Since June 2010, RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. On November 30, 2015, the Executive Board of the International Monetary Fund completed the regular five-year review of the basket of currencies that make up the Special Drawing Right and decided that with effect from October 1, 2016, RMB was determined to be a freely usable currency and would be included in the Special Drawing Right basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen, and the British pound. In the fourth quarter of 2016, RMB depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. This depreciation halted in 2017, and RMB appreciated approximately 7% against the U.S. dollar during this one-year period. In 2022, RMB depreciated approximately 5.5% against the U.S. dollar; in 2023, RMB depreciated approximately 2.6% against the U.S. dollar; and in 2024, the RMB appreciated by approximately 5% against the U.S. dollar. With the development of the foreign exchange market and progress towards interest rate liberalization and RMB internationalization, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that RMB will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between RMB and the U.S. dollar in the future. Since we own and operate stores both in the PRC and the U.S., the fluctuations in exchange rates would have a negative effect on our business and results of operations and financial condition.

As of the date of this annual report, most of our business is conducted in the PRC, and most of our books and records are maintained in RMB, which is the currency of the PRC, and the financial statements that we file with the SEC and provide to our shareholders are presented in U.S. dollars. Changes in the exchange rates between RMB and U.S. dollar affect the value of our assets and the results of our operations, when presented in U.S. dollars. The value of RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC's political and economic conditions and perceived changes in the economy of the PRC and the U.S. Any significant revaluation of RMB may materially and adversely affect our cash flows, revenue, and financial condition. Further, as our securities in the U.S. are offered in U.S. dollars, we will need to convert part of the net proceeds we receive into RMB in order to use the funds for our business in the PRC. Changes in the conversion rate between the U.S. dollar and RMB will affect the amount of proceeds we will have available for our business.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. As of the date of this annual report, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Under the EIT Law, we may be classified as a PRC "resident enterprise" for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment.

Under the EIT Law that became effective in January 2008, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the implementation rules to the EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances, and properties of an enterprise. In addition, a circular, known as "SAT Circular 82," issued in April 2009 by the State Administration of Taxation ("SAT") and partially amended by People's Bank of China Circular 9 promulgated in January 2014, specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, company seal, and minutes of board meetings and shareholders' meetings; and half or more of the senior management or directors having voting rights. Further to SAT Circular 82, SAT issued a bulletin, known as "SAT Bulletin 45," which took effect in September 2011 and amended on June 1, 2015 and October 1, 2016 to provide more guidance on the implementation of SAT Circular 82 and clarify the reporting and filing obligations of Chinese controlled offshore incorporated resident enterprises, to provide more guidance on the implementation of SAT Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." SAT Bulletin 45 provides procedures and administrative details for the determination of resident status and administration on post-determination matters. Although both SAT Circular 82 and SAT Bulletin 45 only apply to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreign individuals, the determining criteria set forth in SAT Circular 82 and SAT Bulletin 45 may reflect SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, PRC enterprise groups, or by PRC or foreign individuals.

If the PRC tax authorities determine that the actual management organ of Chanson International is within the territory of China, Chanson International may be deemed to be a PRC resident enterprise for PRC enterprise income tax purposes and a number of unfavorable PRC tax consequences could follow. First, we will be subject to the uniform 25% enterprise income tax on our world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Finally, dividends payable by us to our investors and gains on the sale of our shares may become subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our Company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our shares. Although up to the date of this annual report, Chanson International has not been notified or informed by the PRC tax authorities that it has been deemed to be a resident enterprise for the purpose of the EIT Law, we cannot assure you that it will not be deemed to be a resident enterprise in the future.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

In February 2015, SAT issued a *Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises* (“SAT Circular 7”). SAT Circular 7 provides comprehensive guidelines relating to indirect transfers of PRC taxable assets (including equity interests and real properties of a PRC resident enterprise) by a non-resident enterprise. In addition, in October 2017, SAT issued an *Announcement on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises* (“SAT Circular 37”), effective in December 2017, which, among others, amended certain provisions in SAT Circular 7 and further clarify the tax payable declaration obligation by non-resident enterprise. Indirect transfer of equity interest and/or real properties in a PRC resident enterprise by their non-PRC holding companies are subject to SAT Circular 7 and SAT Circular 37.

SAT Circular 7 provides clear criteria for an assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. As stipulated in SAT Circular 7, indirect transfers of PRC taxable assets are considered as reasonable commercial purposes if the shareholding structure of both transaction parties falls within the following situations: i) the transferor directly or indirectly owns 80% or above equity interest of the transferee, or vice versa; ii) the transferor and the transferee are both 80% or above directly or indirectly owned by the same party; iii) the percentages in bullet points i) and ii) shall be 100% if over 50% the share value of a foreign enterprise is directly or indirectly derived from PRC real properties. Furthermore, SAT Circular 7 also brings challenges to both foreign transferor and transferee (or other person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers PRC taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an indirect transfer, the non-resident enterprise as either transferor or transferee, or the PRC entity that directly owns the taxable assets, may report such indirect transfer to the relevant tax authority and the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding, or deferring PRC tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise.

According to SAT Circular 37, where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the EIT Law, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority. If the non-resident enterprise, however, voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

We face uncertainties as to the reporting and assessment of reasonable commercial purposes and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries, and investments. In the event of being assessed as having no reasonable commercial purposes in an indirect transfer transaction, we may be subject to filing obligations or taxed if we are a transferor in such transactions, and may be subject to withholding obligations (to be specific, a 10% withholding tax for the transfer of equity interests) if we are a transferee in such transactions, under SAT Circular 7 and SAT Circular 37. For transfer of shares by investors who are non-PRC resident enterprises, our PRC subsidiary may be requested to assist in the filing under the SAT circulars. As a result, we may be required to expend valuable resources to comply with the SAT circulars or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that we should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

Our PRC subsidiary is subject to restrictions on paying dividends or making other payments to us, which may have a material adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands. We may need dividends and other distributions on equity from our PRC subsidiary, Xinjiang United Family, to satisfy our liquidity requirements. Current PRC regulations permit our PRC subsidiary to pay dividends to us only out of its accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiary is required to set aside at least 10% of its respective accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its respective registered capital. Our PRC subsidiary may also allocate a portion of its respective after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. These limitation on the ability of our PRC subsidiary to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments, or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

Governmental control of currency conversion may affect the value of your investment and our payment of dividends.

The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. As of the date of this annual report, we receive substantially all of our revenue in RMB. Under our current corporate structure, Chanson International may rely on dividend payments from our PRC subsidiary to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiary is able to pay dividends in foreign currencies to us without prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC foreign exchange regulation, such as the overseas investment registrations by our shareholders or the ultimate shareholders of our corporate shareholders who are PRC residents. Approval from or registration with appropriate government authorities is, however, required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demand, we may not be able to pay dividends in foreign currencies to our shareholders.

There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC subsidiary, and dividends payable by our PRC subsidiary to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.

Under the EIT Law and its implementation rules, the profits of a foreign invested enterprise generated through operations, which are distributed to its immediate holding company outside the PRC, will be subject to a withholding tax rate of 10%. Pursuant to the Double Tax Avoidance Arrangement, a withholding tax rate of 10% may be lowered to 5% if the PRC enterprise is at least 25% held by a Hong Kong enterprise for at least 12 consecutive months prior to distribution of the dividends and is determined by the relevant PRC tax authority to have satisfied other conditions and requirements under the Double Tax Avoidance Arrangement and other applicable PRC laws.

However, based on the *Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties* (the “SAT Circular 81”), which became effective on February 20, 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to *Circular on Several Issues regarding the “Beneficial Owner” in Tax Treaties*, which became effective as of April 1, 2018, when determining an applicant’s status as the “beneficial owner” regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors will be taken into account. Such factors include whether the business operated by the applicant constitutes actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax, grant tax exemption on relevant incomes, or levy tax at an extremely low rate. This circular further requires any applicant who intends to be proved of being the “beneficial owner” to file relevant documents with the relevant tax authorities. Our PRC subsidiary is wholly owned by our Hong Kong subsidiary. However, we cannot assure you that our determination regarding our qualification to enjoy the preferential tax treatment will not be challenged by the relevant PRC tax authority or we will be able to complete the necessary filings with the relevant PRC tax authority and enjoy the preferential withholding tax rate of 5% under the Double Tax Avoidance Arrangement with respect to dividends to be paid by our PRC subsidiary to our Hong Kong subsidiary, in which case, we would be subject to the higher withdrawing tax rate of 10% on dividends received.

If we become directly subject to the scrutiny, criticism, and negative publicity involving U.S.-listed Chinese companies, we may have to expend significant resources to investigate and resolve the matter which could harm our business operations, stock price, and reputation.

U.S. public companies that have substantially all of their operations in China have been the subject of intense scrutiny, criticism, and negative publicity by investors, financial commentators, and regulatory agencies, such as the SEC. Much of the scrutiny, criticism, and negative publicity has centered on financial and accounting irregularities and mistakes, a lack of effective internal controls over financial reporting, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result of the scrutiny, criticism, and negative publicity, the publicly traded stock of many U.S. listed Chinese companies sharply decreased in value and, in some cases, has become virtually worthless. Many of these companies are now subject to shareholder lawsuits and SEC enforcement actions and are conducting internal and external investigations into the allegations. It is not clear what effect this sector-wide scrutiny, criticism, and negative publicity will have on us, our business, and the price of our Class A Ordinary Shares. If we become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we will have to expend significant resources to investigate such allegations and/or defend our Company. This situation will be costly and time consuming and distract our management from developing our business. If such allegations are not proven to be groundless, we and our business operations will be severely affected and you could sustain a significant decline in the value of our Class A Ordinary Shares.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (the “M&A Rules”) and recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the Ministry of Commerce of the PRC (“MOFCOM”) be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Mergers or acquisitions that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to MOFCOM when the threshold under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the “Prior Notification Rules,” issued by the State Council in August 2008 is triggered. In addition, the security review rules issued by MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is clear that our business would not be deemed to be in an industry that raises “national defense and security” or “national security” concerns. MOFCOM or other government agencies, however, may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

Risks Relating to Our Business

The operating entities’ business is affected by changes in consumer preferences and discretionary spending.

The operating entities’ success depends, in part, upon the popularity of their bakery products and their ability to develop new bakery products that appeal to consumers. Shifts in consumer preferences away from their bakery stores or their product offerings and mix, their inability to develop new products that appeal to consumers could harm the operating entities’ business. The operating entities’ success depends in large part on their customers’ continued belief that food made with high-quality ingredients, including selected proteins raised without antibiotics, their cakes, pastries, and other bakery treats made without artificial preservatives, flavors, sweeteners, or colors from artificial sources are worth the prices charged at the operating entities’ bakery stores relative to the lower prices offered by some of their competitors. The operating entities’ inability to successfully educate customers about the quality of their bakery products or their customers’ rejection of the operating entities’ pricing approach could result in decreased demand for their products or require the operating entities to change their pricing, marketing, or promotional strategies, which could materially and adversely affect our consolidated financial results or the brand identity that the operating entities have created. In addition, the operating entities’ success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. Accordingly, the operating entities may experience declines in sales during economic downturns or during periods of uncertainty. Any material decline in the amount of discretionary spending could have a material adverse effect on the operating entities’ sales, results of operations, business, and financial condition.

The operating entities' long-term success depends on their ability to successfully identify and secure appropriate sites and timely develop and expand their operations in existing and new markets.

One of the key means of achieving the operating entities' growth strategies will be through opening and operating new stores on a profitable basis for the foreseeable future. The operating entities identify target markets, taking into account numerous factors such as the locations of their current stores, demographics, traffic patterns and known consumer patterns. The operating entities may not be able to open their planned new stores within budget or on a timely basis, if at all, given the uncertainty of these factors, which could adversely affect their business, financial condition, and results of operations. As the operating entities operate more stores, their rate of expansion relative to the size of our store base will eventually decline.

The number and timing of new stores opened during any given period may be negatively impacted by a number of factors, including:

- epidemics, such as the COVID-19 pandemic;
- the operating entities' ability to increase brand awareness and bakery product consumption in areas where they open stores;
- the identification and availability of sites for store locations with the appropriate size, traffic patterns, local retail and business attractions, and infrastructure that will drive high levels of customer traffic and sales per unit;
- competition in existing and new markets, including competition for store sites;
- the negotiation of acceptable lease terms;
- the operating entities' ability to obtain all required governmental permits on a timely basis;
- the operating entities' ability to control construction and development costs of new stores;
- the maintenance of adequate distribution capacity, information systems, and other operational system capabilities;
- integrating new stores into the operating entities' existing procurement, manufacturing, distribution, and other support operations;
- the hiring, training, and retention of store management and other qualified personnel;
- assimilating new store employees into the operating entities' corporate culture;
- the effective management of inventory to meet the needs of the operating entities' stores on a timely basis; and
- the availability of sufficient levels of cash flow and financing to support the operating entities' expansion.

Unavailability of attractive store locations, delays in the acquisition or opening of new stores, delays or costs resulting from a decrease in commercial development due to capital constraints, difficulties in staffing and operating new store locations, or lack of customer acceptance of stores in new market areas may negatively impact the operating entities' new store growth and the costs or the profitability associated with new stores.

Additionally, customer trends, preferences, and demand may vary significantly by region, and the operating entities' experience in the markets in which they currently operate may not be applicable in other parts of the PRC and the U.S. As a result, the operating entities may not be able to leverage their experience to expand into other parts of the PRC and the U.S. When the operating entities enter new markets, they may face intense competition from companies with greater experience or an established presence in the targeted geographical areas or from other companies with similar expansion targets. In addition, the operating entities' business model may not be successful in new and untested markets and markets with a different business environment. The operating entities may not be able to grow their revenue in the new cities they enter into, but they will incur substantial costs in connection with any such expansion. Consequently, we cannot assure you that the operating entities will achieve their planned growth or, even if the operating entities are able to grow their store base as planned, that any new stores will be profitable, which could have a material adverse effect on their results of operations.

The operating entities operate in a highly-competitive market and their failure to compete effectively could adversely affect our results of operations.

The market for bakery products is highly competitive. The current competitors of the PRC Stores and the U.S. Stores include international and domestic companies that produce and sell bakery products in Xinjiang and New York City, respectively, and their potential competitors include companies that produce and sell bakery products in other cities in the U.S. The PRC Stores and the U.S. Stores compete for customers primarily on the basis of the price and quality of their products, food safety, brand awareness and loyalty, responsiveness to customer demand and market trends, customer experience, the ability to accurately estimate sales quota and control inventory, production capacity, and operation and management of chain stores. They may not successfully compete with their existing competitors and new competitors may enter the market.

In addition, we cannot predict the pricing or promotion actions of competitors of the PRC Stores and the U.S. Stores or their effect on customer perceptions or the success of advertising and promotional efforts by the PRC Stores and the U.S. Stores. Competitors of the PRC Stores or the U.S. Stores may develop and launch products targeted to compete directly with their products and some of their competitors may have substantially greater financial, marketing, and other resources than they do. This creates competitive pressure that could cause the PRC Stores or the U.S. Stores to lose market share or require them to lower prices, increase advertising expenditures, or increase the use of discounting or promotional campaigns. These competitive factors may also restrict the ability of the PRC Stores and the U.S. Stores to increase prices, including in response to commodity and other cost increases. If the PRC Stores and the U.S. Stores are unable to continue to respond effectively to these and other competitive pressure, their customers may purchase fewer of their products or may insist on prices that erode their margins. These or other developments could materially and adversely affect sales volumes and margins of the PRC Stores and the U.S. Stores and result in a decrease in their operating results, which could have a material adverse effect on our business, financial condition, and results of operations.

Our financial condition, results of operations, and cash flows were adversely affected by the COVID-19 pandemic.

The COVID-19 pandemic has spread throughout the world, especially in China, the U.S., and Europe. The pandemic has resulted in the implementation of significant governmental measures, including lockdowns, closures, quarantines, and travel bans, intended to control the spread of the virus. Both the Chinese and U.S. governments have ordered quarantines, travel restrictions, and the temporary closure of stores and facilities. Companies are also taking precautions, such as requiring employees to work remotely, imposing travel restrictions, and temporarily closing businesses.

Due to a resurgence of the COVID-19 pandemic in August 2022 in Xinjiang (the “2022 Outbreak”), which resulted in the implementation of significant governmental measures, including lockdowns, closures, quarantines, and travel bans, the operations of the PRC Stores and the production in the PRC Stores’ central factory were affected starting from August 10, 2022 and all of the PRC Stores and the central factory were closed between October 5, 2022 and November 30, 2022. The PRC Stores and the central factory started to reopen in early December 2022 and resumed their normal business activities on December 10, 2022, and the COVID-19 pandemic has minimal impact on our PRC Stores’ operations as of the date of this annual report. In the U.S., the U.S. Stores are providing indoor dining services at their full capacity as of the date of this annual report.

See “Item 5. Operating and Financial Review and Prospects—A. Operating Results—COVID-19 Affecting Our Results of Operations.” The extent to which the COVID-19 pandemic impacts our results of operations in the future will depend on the future developments of the outbreak, including new information concerning the global severity of and actions taken to contain the outbreak, or the appearance of new or more severe strains of the virus, which are highly uncertain and unpredictable.

Sales of the operating entities’ products are subject to changing customer preferences. If the operating entities do not correctly anticipate such changes, their sales and profitability may decline.

There are a number of trends in customer preferences which have an impact on the operating entities and the bakery industry as a whole. These include, among others, preferences for ready-to-eat, natural, and healthy products. Concerns as to the health impacts and nutritional value of certain bakery products may increasingly result in bakery product manufacturers being encouraged or required to produce products with reduced levels of salt, sugar, and fat and to eliminate trans-fatty acids and certain other ingredients. Customer preferences are also shaped by concern over the environmental impact of products. The success of the operating entities’ business depends on both the continued appeal of their products and, given the varied backgrounds and tastes of their customer base, their ability to offer a sufficient range of products to satisfy a broad spectrum of preferences. Any shift in customer preferences in the markets in which the operating entities operate could have a material adverse effect on their business. Customer tastes are also susceptible to change. The operating entities’ competitiveness therefore depends on their ability to predict and quickly adapt to customer trends, exploiting profitable opportunities for product development without alienating their existing customer base or focusing excessive resources or attention on unprofitable or short-lived trends. If the operating entities are unable to respond on a timely and appropriate basis to changes in demand or customer preferences, their sales volumes and margins could be adversely affected.

The operating entities' future results and competitive position depend on the successful development of new products and improvement of existing products, which are subject to a number of difficulties and uncertainties.

The operating entities' future results and ability to maintain or improve their competitive position depend on their capacity to anticipate changes in their key markets and to identify, develop, manufacture, market, and sell new or improved products in these changing markets successfully. The PRC Stores and the U.S. Stores aim to introduce new products and re-launch and extend existing product lines on a timely basis in order to counteract obsolescence and decreases in sales of existing products as well as to increase overall sales of their products. The launch and success of new or modified products are inherently uncertain, especially as to the products' appeal to customers, and there can be no assurance as to the continuing ability of the PRC Stores and the U.S. Stores to develop and launch successful new products or variations of existing products. The failure to launch a product successfully can give rise to inventory write-offs and other costs and can affect customer perception of their other products. Market factors and the need to develop and provide modified or alternative products may also increase costs. In addition, launching new or modified products can result in cannibalization of sales of the existing products of the PRC Stores and the U.S. Stores if customers purchase the new product in place of their existing products. If the PRC Stores and the U.S. Stores are unsuccessful in developing new products in response to changing customer demand or preferences in an efficient and economical manner, or if their competitors respond more effectively than they do, demand for their products may decrease, which could materially and adversely affect their business, financial condition, and results of operations.

The operating entities' inability to source raw materials or other inputs of an acceptable type or quality could adversely affect their results of operations.

The PRC Stores and the U.S. Stores use significant quantities of food ingredients and packaging materials and are therefore vulnerable to fluctuations in the availability and prices of food ingredients, packaging materials, energy, and other supplies. In particular, raw materials such as milk, butter, eggs, flour, and sugar have historically represented a significant portion of their cost of revenue, and accordingly, adverse changes in raw material prices will impact their results of operations.

Specifically, the availability and the prices of milk, eggs, and other agricultural commodities can be volatile. The PRC Stores and the U.S. Stores are also affected by the availability of quality raw materials. General economic conditions, unanticipated demand, problems in manufacturing or distribution, natural disasters, weather conditions during the growing and harvesting seasons, plant and livestock diseases, and local, national, or international quarantines can also adversely affect availability and prices of commodities in the long and short term.

While the PRC Stores and the U.S. Stores attempt to negotiate fixed prices for certain materials with their suppliers for periods up to a full year, they cannot guarantee that they will be successful in managing input costs if prices increase for extended periods of time. Moreover, there is no market for hedging against price volatility for certain raw materials and accordingly such materials are bought at the spot rate in the market.

The ability of the PRC Stores and the U.S. Stores to avoid the adverse effects of a pronounced and sustained price increase in raw materials is limited. Any increases in prices or scarcity of ingredients or packaging materials required for their products could increase their costs and disrupt their operations. If the availability of any of their inputs is constrained for any reason, they may not be able to obtain sufficient supplies or supplies of a suitable quality on favorable terms or at all. Such shortages could materially and adversely affect our market share, business, financial condition, and results of operations.

The inability of the PRC Stores and the U.S. Stores to pass on price increases for materials or other inputs to their customers could adversely affect our results of operations.

The ability of the PRC Stores and the U.S. Stores to pass through increases in the prices of raw materials to their customers depends, among others, on prevailing competitive conditions and pricing methods in the markets in which they operate, and they may not be able to pass through such price increases to their customers. Even if they are able to pass through increases in prices, there is typically a time lag between cost increases impacting their business and implementation of product price increases, during which time their gross margin may be negatively impacted. During the adjustments of the PRC Stores and the U.S. Stores to increase their prices to recover cost increases, customers may take actions which exacerbate the impact of such cost increases, for example, by ceasing to purchase their products or deferring orders until adjustments have ended. The inability of the PRC Stores and the U.S. Stores to pass through price increases in raw materials and preserve their profit margins in the future could materially and adversely affect their business, financial condition, and results of operations.

The operating entities rely on their central factory and a limited number of third-party producers and suppliers. Any interruption in operations at the central factory or in such third-party producers or suppliers could prevent or limit their ability to meet demand for or fulfill orders of the operating entities' products.

As of the date of this annual report, the PRC Stores operate a central factory located in Urumqi, which produces all of the packaged bakery products, and the semi-finished products for birthday cakes and made-in-store pastries for the PRC Stores. Any significant disruption at the central factory for any reason, including regulatory requirements, the loss of certifications or approvals, technical difficulties, labor disputes, power interruptions or other infrastructure failures, fires, earthquakes, or other force of nature, or terrorist attacks, could disrupt the supply of the products of the PRC Stores and significantly harm their results of operations and financial performance.

In addition, the Premises Use Agreement for the PRC Stores' central factory expires in 2031, and the PRC Stores may be unable to renew this agreement or find a new facility on commercially reasonable terms. If the PRC Stores were unable or unwilling to renew at the proposed rates, relocating their manufacturing facility would involve significant expenses in connection with the movement and installation of key manufacturing equipment and any necessary recertification with regulatory bodies, and we cannot assure you that such a move would not delay or otherwise adversely affect the PRC Stores' manufacturing activities or operating results. If the PRC Stores' manufacturing capabilities were impaired by their move, the PRC Stores may not be able to manufacture and ship their products in a timely manner, which would adversely impact their business.

The PRC Stores also depend upon a limited number of third-party producers to produce all of the seasonal products. See note 2 of our consolidated financial statements included elsewhere in this annual report. These third-party producers and suppliers are run by independent entities that are subject to their own unique operational and financial risks, which are out of the control of the PRC Stores or the U.S. Stores. If any of these producers or suppliers breach or terminate their contracts with the PRC Stores or the U.S. Stores or experience significant disruptions of their operations, the PRC Stores or the U.S. Stores will be required to find and enter into arrangements with one or more replacement producers or suppliers. Finding alternative producers could involve significant delays and other costs and these producers may not be available to the PRC Stores or the U.S. Stores on reasonable terms or at all. Any disruption of producing or packaging could delay delivery of their products, which could harm their business and financial results and result in lost or deferred revenue.

The operating entities' geographic focus makes them particularly vulnerable to economic and other events and trends in Xinjiang and New York City.

As of the date of this annual report, the operations of our PRC subsidiary and the VIEs are geographically limited to two cities in Xinjiang, and 54 of the 55 PRC Stores are located in Urumqi, the capital city of Xinjiang. The PRC Stores derived 98.2%, 96.6%, and 95% of their revenue from stores in Urumqi in the years ended December 31, 2024, 2023, and 2022, respectively. In addition, the U.S. Stores' current operations are limited to New York City. The operating entities' future growth will depend on the growth and stability of the economy of Xinjiang, especially in Urumqi, and New York City. An economic downturn of Xinjiang or New York City, governmental measures implemented in response to the COVID-19 pandemic, or the implementation of provincial or local policies unfavorable to bakery industry may cause a decrease in the demand for the operating entities' products and could have a negative impact on their profitability and business.

The complex ethnic composition of Xinjiang has given rise to ethnic and other tensions both in Urumqi and elsewhere in Xinjiang. Events such as terrorist and ethnic extremist attacks as well as riots and the resulting political instability, economy suspension, and concerns over safety in Xinjiang could have a significant adverse impact on the PRC Stores' business, financial condition, and results of operation.

The PRC Stores and the U.S. Stores are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine and the armed conflict between Israel and Hamas. Their business, financial condition, and results of operations may be materially and adversely affected by any negative impact on the global economy and capital markets resulting from these conflicts or any other geopolitical tensions.

The U.S. and global markets are experiencing volatility and disruption following the escalation of geopolitical tensions and the start of the military conflicts. On February 24, 2022, a full-scale military invasion of Ukraine by Russian troops was reported, which has since caused significant volatility in commodity prices, credit and capital markets, as well as supply chain interruptions. On October 7, 2023, Hamas launched a series of coordinated attacks from the Gaza Strip onto Israel. On October 8, 2023, Israel formally declared war on Hamas, and the armed conflict is ongoing as of the date of this annual report.

The PRC Stores and the U.S. Stores do not have any operations outside of mainland China and the U.S. nor any business relationships, connections to, or assets in, Russia, Belarus, Ukraine, Israel, or Hamas. Although the ongoing military conflict between Russia and Ukraine and the armed conflict between Israel and Hamas have not had a material impact on the PRC Stores, the business, financial condition, and results of operations of the U.S. Stores have been, and could continue to be, indirectly and adversely affected. Such impact arises from: (i) volatility in the global supply of wheat, corn, barley, sunflower oil, and other agricultural commodities; (ii) higher food prices due to supply constraints and the general inflationary impact of the war; (iii) increases in energy prices globally, in particular for electricity and fossil fuels, such as crude oil and natural gas, and related transportation, freight, and warehousing costs; and (iv) disruptions to logistics and supply chains. If the price of the products and services of the U.S. Stores increases at a rate that is either unaffordable to their customers or insufficient to compensate for the rise in their costs and expenses, their business, financial condition, results of operations, and prospects could be materially and adversely affected. In addition, Russian military actions and the resulting sanctions could adversely affect the global economy and financial markets and lead to increased instability and lack of liquidity in capital markets, potentially making it more difficult for us to obtain additional funds. The intensity and duration of Israel's current war against Hamas is difficult to predict, as are such war's global economic impact, which could include further sanctions, embargoes, regional instability, energy shortages, geopolitical shifts, and adverse effects on macroeconomic conditions, security conditions, currency exchange rates, and financial markets.

The extent and duration of the military action, sanctions, and resulting market and supply chain disruptions are highly unpredictable but could be substantial. Any such disruptions may also magnify the impact of other risks described in this annual report.

Failure to maintain or enhance the operating entities' brands or image could have a material adverse effect on their business and results of operations.

We believe the operating entities' "George●Chanson," "Patisserie ChansonTM," and "Chanson" brands are well-recognized among their customers and other food industry players such as other bakery product manufacturers and bakery chain stores in the local markets the operating entities operate in. The operating entities' brands are integral to their sales and marketing efforts. The operating entities' continued success in maintaining and enhancing their brands and image depends to a large extent on their ability to satisfy customer needs by further developing and maintaining the quality of their products, as well as their ability to respond to competitive pressures. If the operating entities are unable to satisfy customer needs or if their public image or reputation were otherwise diminished, their business transactions with their customers may decline, which could in turn adversely affect their results of operations.

Health concerns or adverse developments with respect to the safety or quality of products of the food industry in general or the operating entities' products specifically may damage their reputation, increase their costs of operations, and decrease demand for their products.

Food safety and the public's perception that the operating entities' products are safe and healthy are essential to their image and business. The PRC Stores and the U.S. Stores sell food products for human consumption, which subjects them to safety risks such as product contamination, spoilage, misbranding, or product tampering. Product contamination, including the presence of a foreign object, substance, chemical, or other agent or residue or the introduction of a genetically modified organism, could require product withdrawals or recalls or the destruction of inventory, and could result in negative publicity, temporary plant closures, and substantial costs of compliance or remediation. The PRC Stores and the U.S. Stores may also be impacted by publicity concerning any assertion that their products caused illness or injury. In addition, they could be subject to claims or lawsuits relating to an actual or alleged illness stemming from product contamination or any other incidents that compromise the safety and quality of their products. Any significant lawsuit or widespread product recall or other events leading to the loss of customer confidence in the safety and quality of the operating entities' products could damage their brand, reputation, and image and negatively impact their sales, profitability, and prospects for growth. In addition, product recalls are difficult to foresee and prepare for and, in the event that the PRC Stores and the U.S. Stores are required to recall one or more of their products, such recall may result in loss of sales due to unavailability of their products and may take up a significant amount of their management's time and attention. As of the date of this annual report, the PRC Stores and the U.S. Stores maintain systems designed to monitor food safety risks and carefully select their third-party producers and suppliers. These efforts, however, might not be successful and such risks might materialize. In addition, although the PRC Stores and the U.S. Stores attempt, through contractual relationships and regular inspections, to control the risk of contamination caused by third parties in relation to the manufacturing processes they outsource, their efforts might not be successful and contamination of their products by third parties might materialize.

The PRC Stores and the U.S. Stores are also subject to further risks affecting the food industry generally, including risks posed by widespread contamination and evolving nutritional and health-related concerns. Regulatory authorities may limit the supply of certain types of food products in response to public health concerns and customers may perceive certain products to be unsafe or unhealthy. As a result, the PRC Stores and the U.S. Stores or their suppliers will be required to find alternative supplies or ingredients that may or may not be available at commercially reasonable prices and within the required time. In addition, governmental regulations may require them to identify replacement products to offer to their customers or, alternatively, to discontinue certain offerings or limit the range of products they offer. The PRC Stores and the U.S. Stores may be unable to find substitutes that are as appealing to their customer base, or such substitutes may not be widely available or may be available only at increased costs. Such substitutions or limitations could also reduce demand for their products.

The PRC Stores and the U.S. Stores could also be subject to claims or lawsuits relating to an actual or alleged illness or injury or death stemming from the consumption of a misbranded, altered, contaminated, or spoiled product, which could negatively affect their business. Awards of damages, settlement amounts, and fees and expenses resulting from such claims and the public relations implications of any such claims could have an adverse effect on their business. As of the date of this annual report, the PRC Stores do not have insurance to cover claims for damages, and the U.S. Stores, Chanson 23rd Street and Chanson 3rd Ave, have general liability insurance subject to the terms of their respective insurance policies. If the PRC Stores and the U.S. Stores choose to purchase or renew such insurance, the availability and price of insurance to cover claims for damages are subject to market forces that they do not control, and such insurance may not cover all the costs of such claims and would not cover damage to their reputation. Even if product liability claims against them are not successful or fully pursued, these claims could be costly and time consuming and divert our management's time and resources towards defending them rather than operating our business. In addition, any adverse publicity concerning such claims, even if unfounded, could cause customers to lose confidence in the safety and quality of the operating entities' products and damage their reputation and brand image.

The operating entities could incur material costs to address violations of, or liabilities under, health, safety, and environmental regulations.

The operating entities' facilities and operations in the PRC are subject to numerous health, safety, and environmental regulations, including local and national laws governing, among other things, water supply and use, water discharges, air emissions, chemical safety, clean-up of contamination, energy use, noise pollution, and workplace health and safety. Health, safety, and environmental legislation in the PRC have generally become more comprehensive and restrictive and more rigid over time and enforcement has become more stringent. Failure to comply with applicable requirements, or the terms of required permits, can result in penalties or fines, clean-up costs, third-party property damage, and personal injury claims, which could have a material adverse effect on the operating entities' brand, business, financial condition, and results of operations. In addition, if health, safety, and environmental laws and regulations in the PRC and the other countries in which the operating entities operate or from which they source raw materials and ingredients become more stringent in the future, the extent and timing of investments required to maintain compliance may exceed their budgets or estimates and may limit the availability of funding for other investments.

Furthermore, under some environmental laws, the operating entities could be liable for costs incurred in investigating or remediating contamination at properties they own or occupy, even if the contamination was caused by a party unrelated to them or was not caused by them, and even if the activity which caused the contamination was legal at the time it occurred. The discovery of previously unknown contamination, or the imposition of new or more burdensome obligations to investigate or remediate contamination at the operating entities' properties or at third-party sites, could result in substantial unanticipated costs which could have a material adverse effect on their business, financial condition, and results of operations.

The U.S. Stores and any future stores we may open in the U.S. are subject to federal, state, and local laws and regulations concerning waste disposal, pollution, protection of the environment, and the presence, discharge, storage, handling, release, and disposal of, and exposure to, hazardous or toxic substances. These environmental laws provide for significant fines and penalties for noncompliance and liabilities for remediation, sometimes without regard to whether the owner or operator of the property knew of, or was responsible for, the release or presence of hazardous toxic substances. Third parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of, or actual or alleged exposure to, such hazardous or toxic substances at, on or from our stores. Environmental conditions relating to releases of hazardous substances at prior, existing, or future store sites could materially adversely affect the U.S. Stores' business, financial condition, or results of operations. Further, environmental laws, and the administration, interpretation, and enforcement thereof, are subject to change and may become more stringent in the future, each of which could materially adversely affect the U.S. Stores' business, financial condition, or results of operations.

Increased distribution costs or disruption of product transportation could adversely affect the operating entities' business and financial results.

Distribution costs have historically fluctuated significantly over time, particularly in connection with oil prices, and increases in such costs could result in reduced profits. In addition, certain factors affecting distribution costs are controlled by third-party carriers. To the extent that the market price for fuel or freight or the number or availability of carriers fluctuates, the operating entities' distribution costs could be affected. In addition, temporary or long-term disruption of product transportation due to weather-related problems, strikes, lockouts, or other events could impair the operating entities' ability to supply products affordably and in a timely manner or at all. Failure to deliver the operating entities' perishable food products promptly could also result in inventory spoilage and the inability to satisfy the demand of their customers at their stores. Any increases in the cost of transportation, and any disruption in transportation, could have a material adverse effect on the operating entities' business, financial condition, and results of operations.

Failure to obtain and maintain required licenses and permits or to comply with alcoholic beverage or food control regulations could lead to the loss of the U.S. Stores' liquor and food service licenses and, thereby, harm their business, financial condition, or results of operations.

The food retail industry is subject to various federal, state, and local government regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure to obtain and maintain licenses, permits, and approvals relating to such regulations could adversely affect the business, financial condition, or results of operations of the U.S. Stores. Typically, licenses must be renewed annually and may be revoked, suspended, or denied renewal for cause at any time if governmental authorities determine that the U.S. Stores' conduct violates applicable regulations. Difficulties or failure to maintain or obtain the required licenses and approvals could adversely affect the U.S. Stores and delay or result in their decision to cancel the opening of new stores, which would adversely affect their business, financial condition, or results of operations.

Alcoholic beverage control regulations generally require the U.S. Stores to apply to a state authority and, in certain locations, county, or municipal authorities for a license that must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of the U.S. Stores, including minimum age of patrons and employees, hours of operation, advertising, trade practices, wholesale purchasing, other relationships with alcohol manufacturers, wholesalers, and distributors, inventory control, and handling, storage, and dispensing of alcoholic beverages. Any future failure to comply with these regulations and obtain or retain liquor licenses could adversely affect the business, financial condition, or results of operations of the U.S. Stores.

Any disruption of our information technology system would harm the operating entities' business and reduce their profitability.

The operating entities rely on their information technology systems, in particular the Enterprise Resource Planning management information system (the "ERP System") in the PRC Stores, for various services related to inventory management, production, product transportation, point of sales, and accounting and financial management. The operating entities' performance depends on the availability of accurate and timely data and other information from key software applications to aid day-to-day business and decision-making processes. The operating entities may be adversely affected if their controls designed to manage information technology operational risks fail to contain such risks. If the operating entities do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure and to maintain the related automated and manual control processes, they could be subject to adverse effects including billing and collection errors, business disruptions, in particular concerning their manufacturing and logistics functions, and security breaches. Any disruption caused by failings in their information technology infrastructure equipment or of communication networks, could delay or otherwise impact their day-to-day business and decision-making processes and negatively impact their performance. In addition, the operating entities are reliant on third parties to service parts of their IT infrastructure. Failure on their part to provide good and timely service may have an adverse impact on the operating entities' information technology network. Furthermore, the operating entities do not control the facilities or operations of their suppliers. An interruption of operations at any of their facilities or any failure by them to deliver on their contractual commitments may have an adverse effect on the operating entities' business, financial condition, and results of operations.

Data security breaches and attempts thereof could negatively affect the operating entities' reputation, credibility, and business.

The operating entities collect and store personal information relating to their customers and employees, including their personally identifiable information, and rely on third parties for the various social media tools and websites the operating entities use as part of their marketing strategy. Customers are increasingly concerned over the security of personal information transmitted over the Internet (or through other mechanisms), consumer identity theft, and user privacy. Any perceived, attempted, or actual unauthorized disclosure of personally identifiable information regarding the operating entities' employees, customers, or website visitors could harm their reputation and credibility, reduce their e-commerce sales, impair their ability to attract website visitors, reduce their ability to attract and retain customers, and could result in litigation against the operating entities or the imposition of significant fines or penalties. We cannot assure you that any of the operating entities' third-party service providers with access to such personally identifiable information will maintain policies and practices regarding data privacy and security in compliance with all applicable laws, or that they will not experience data security breaches or attempts thereof which could have a corresponding adverse effect on the operating entities' business.

Recently, data security breaches suffered by well-known companies and institutions have attracted a substantial amount of media attention, prompting new foreign, national, provincial or state, and local laws and legislative proposals addressing data privacy and security, as well as increased data protection obligations imposed on merchants by credit card issuers. As a result, the operating entities may become subject to more extensive requirements to protect the customer information that they process in connection with the purchase of their products, resulting in increased compliance costs.

A breach of security of confidential customer information related to the U.S. Stores' electronic processing of credit and debit card transactions could substantially affect its reputation, business, financial condition, and results of operations.

A significant portion of the sales in the U.S. Stores are by credit or debit cards. Other retailers have experienced security breaches in which credit and debit card information has been stolen. The U.S. Stores may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and the U.S. Stores may also be subject to lawsuits or other proceedings relating to these types of incidents. The U.S. Stores may ultimately be held liable for the unauthorized use of a cardholder's card number in an illegal activity and be required by card issuers to pay charge-back fees. In addition, most states have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claim or proceeding could cause the U.S. Stores to incur significant unplanned expenses, which could have an adverse impact on its business, financial condition, or results of operations. Further, adverse publicity resulting from these allegations may have a material adverse effect on the U.S. Stores and could substantially affect its reputation and business, financial condition, or results of operations.

Governmental regulation may adversely affect the operating entities' ability to open new stores in the U.S. or otherwise adversely affect our business, financial condition, or results of operations.

The U.S. Stores and any store or stores the operating entities may open in the U.S. are subject to state and local licensing and regulation by health, alcoholic beverage, sanitation, food and occupational safety, and other agencies. The operating entities may experience material difficulties or failures in obtaining the necessary licenses, approvals, or permits for each store, which could delay store openings in the future or affect the operations in the U.S. In addition, stringent and varied requirements of local regulators with respect to zoning, land use, and environmental factors could delay or prevent development of new stores in particular locations.

Our subsidiaries in the U.S. are subject to the U.S. Americans with Disabilities Act and similar state laws that give civil rights protections to individuals with disabilities in the context of employment, public accommodations and other areas, including the U.S. Stores. The operating entities may in the future have to modify their stores, for example, by adding access ramps or redesigning certain architectural fixtures, to provide service to or make reasonable accommodations for disabled persons. The expenses associated with these modifications could be material.

The operations of the U.S. Stores and any store or stores the operating entities may open in the U.S. are also subject to the U.S. Occupational Safety and Health Act, which governs worker health and safety, the U.S. Fair Labor Standards Act, which governs such matters as minimum wages and overtime, and a variety of similar federal, state, and local laws that govern these and other employment law matters. In addition, federal, state, and local proposals related to paid sick leave or similar matters could, if implemented, materially adversely affect the operating entities' business, financial condition, or results of operations.

Disclosure of the operating entities' recipes and other proprietary information, or a failure to adequately protect these, could result in increased competition and have a material adverse effect on their business and financial results.

Our ability to compete effectively depends in part on the operating entities' ability to obtain, maintain, and protect their proprietary information. Our operating entities rely on trade secret laws and practices, including physical security, limited dissemination and access, and confidentiality agreements with their employees, consultants, business partners, and others, to protect their recipes, proprietary processes, and other proprietary information. However, trade secrets are difficult to protect, and courts outside the jurisdictions in which the operating entities operate may be less willing to protect their trade secrets. The operating entities' protective measures might not effectively prevent disclosure or unauthorized use of proprietary information or provide an adequate remedy in the event of misappropriation, infringement, or other violations of their proprietary information.

Existing laws afford only limited protection for the operating entities' proprietary rights. Despite their efforts, the operating entities may not be able to protect some of their proprietary information, or the protection that they receive may not be sufficient. The operating entities face additional risks that their protective measures could prove to be inadequate, including:

- the steps they take to prevent circumvention, misappropriation, or infringement of our proprietary rights may not be successful;
- confidentiality agreements may be intentionally or unintentionally breached, be deemed unenforceable, or not provide adequate recourse against the disclosing party;
- intellectual property laws may not sufficiently support their proprietary rights or may change in the future in a manner adverse to them; and
- effective protection of intellectual property rights may be unavailable or limited in some countries in which they operate or plan to do business.

From time to time, the operating entities may seek to enforce their proprietary rights against third parties. Policing unauthorized use of proprietary information can be difficult and expensive. The operating entities may not be successful in their attempts to enforce their proprietary rights against third parties. Any such litigation may result in substantial diversion of financial and management resources and, if decided unfavorably to the operating entities, could have a material adverse effect on their business and financial results.

The operating entities are subject to the risks associated with leasing a substantial amount of space and are required to make substantial lease payments under their operating leases. Any failure to make these lease payments when due would likely harm their business, financial condition, and results of operations.

As of the date of this annual report, the operating entities do not own any real estate. Instead, our subsidiaries and the VIEs lease all of their store locations and their corporate office and central factory in Xinjiang and New York City. Many of their lease agreements have defined escalating rent provisions over the initial term and any extensions. As the operating entities' stores mature and as the operating entities expand their store base, their lease expenses and their cash outlays for rent under their lease agreements will increase. Their substantial operating lease obligations could have significant negative consequences, including:

- requiring that an increased portion of their cash from operations and available cash be applied to pay their lease obligations, thus reducing liquidity available for other purposes;
- increasing their vulnerability to adverse general economic and industry conditions;
- limiting their flexibility to plan for or react to changes in their business or in the industry in which they compete; and
- limiting their ability to obtain additional financing.

If an existing or future store is not profitable, and the operating entities decide to close it, they may nonetheless remain committed to perform their obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, the operating entities may not satisfy the contractual requirements for early cancellation under that lease.

The operating entities depend on cash flow from operations to pay their lease expenses, finance their growth capital requirements, and fulfill their other cash needs. If the operating entities' business does not generate sufficient cash flow from operating activities to fund these requirements, they may not be able to achieve their growth plans, fund their other liquidity and capital needs, or ultimately service their lease expenses, which would harm their business.

Unexpected termination of leases, failure to renew the leases of the operating entities' existing premises, or failure to renew such leases at acceptable terms could materially and adversely affect their business.

As of the date of this annual report, our subsidiaries and the VIEs lease the premises for all of their stores and their corporate office and central factory. As a result, the operating entities may be subject to compulsory acquisition, closure, or demolition of any of the properties on which their stores are situated. Although the operating entities may receive liquidated damages or compensation if their leases are terminated unexpectedly, they may be forced to suspend operations of the relevant store and divert management attention, time, and costs to find a new site and relocate their store, which will negatively affect their business and results of operations.

Our subsidiaries and the VIEs enter into leases of approximately one to 15 years with an option to renew for their stores. We cannot assure you that the operating entities would be able to renew the relevant lease agreements without substantial additional cost or increase in the rental cost payable by them. If a lease agreement is renewed at a rent substantially higher than the current rate, or currently existing favorable terms granted by the lessor are not extended, the operating entities' business and results of operations may be materially and adversely affected. If the operating entities are unable to renew the leases for their store sites, they will have to close or relocate the store, which could subject them to decoration and other costs and risks, and loss of existing customers, and could have a material adverse effect on their business and results of operations. In addition, the relocated store may not perform as well as the existing store.

If the operating entities cannot manage their growth effectively and efficiently, their results of operations or profitability could be adversely affected.

We intend to continue to expand our business by opening new stores. This expansion has placed, and will continue to place, substantial demands on the operating entities' managerial, operational, technological, and other types of resources. The operating entities' planned expansion will also place significant demands on them to maintain the quality of their product and customer services to ensure that their brand does not suffer as a result of any deviations, whether actual or perceived, in the quality of their product and customer services. In order to manage and support their growth, the operating entities must continue to improve their existing operational, administrative, and technological systems and their financial and management controls, and recruit, train, and retain additional qualified bakery industry professionals as well as other administrative and sales and marketing personnel, particularly as they expand into new markets and launch new business initiatives. The operating entities may not be able to effectively and efficiently manage the growth of their operations, recruit and retain qualified personnel, and integrate new expansion into their operations. As a result, their quality of service may deteriorate and their results of operations or profitability could be adversely affected.

Any decrease in customer traffic in the shopping malls or other locations in which the operating entities' stores are located could cause their sales to be less than expected.

As of the date of this annual report, the operating entities' stores are mainly located in shopping malls, other shopping centers, and busy street locations. Sales at these stores are derived, to a significant degree, from the volume of customer traffic in those locations and in the surrounding area. The operating entities' stores benefit from the current popularity of shopping malls and centers as shopping destinations and their ability to generate customer traffic in the vicinity of these stores. The operating entities' sales volume and customer traffic may be adversely affected by, among other things:

- economic downturns in Xinjiang or New York City;
- high fuel prices;
- changes in customer demographics;
- a decrease in popularity of shopping malls or centers in which a significant number of their stores are located;
- epidemics, such as the COVID-19 pandemic, and measures imposed by governments or shopping malls in response to such epidemics, including limiting the number of customers in shopping malls;
- the closing of the “anchor” store of a shopping mall or center or the stores of other key tenants; or
- a deterioration in the financial condition of shopping mall and center operators or developers which could, for example, limit their ability to maintain and improve their facilities.

A reduction in customer traffic as a result of these or any other factors could have a material adverse effect on the operating entities.

In addition, severe weather conditions and other catastrophic occurrences in areas in which the operating entities have stores may have a material adverse effect on their results of operations. Such conditions may result in physical damage to the operating entities' stores, loss of inventory, decreases in customer traffic, and closure of one or more of their stores. Any of these factors may disrupt the operating entities' business and have a material adverse effect on their financial condition and results of operations.

If the operating entities are unable to attract, train, assimilate, and retain employees that embody their culture, including store personnel, store and district managers, senior managers, and technicians, they may not be able to grow or successfully operate their business.

The operating entities' success depends in part upon their ability to attract, train, assimilate, and retain a sufficient number of employees, including store personnel, store managers, and district managers, who understand and appreciate their culture and are able to represent their brand effectively and establish credibility with their customers. If the operating entities are unable to hire and retain store personnel capable of consistently providing a high level of customer service, as demonstrated by their enthusiasm for the operating entities' culture, understanding of their customers, and knowledge of the bakery and other products the operating entities offer, the operating entities' ability to open new stores may be impaired, the performance of their existing and new stores could be materially adversely affected, and their brand image may be negatively impacted. In addition, the rate of employee turnover in the bakery industry is typically high and finding qualified candidates to fill positions may be difficult. The operating entities' planned growth will require them to attract, train, and assimilate even more personnel. Any failure to meet their staffing needs or any material increases in team member turnover rates could have a material adverse effect on their business or results of operations.

We place substantial reliance on the bakery industry experience and knowledge of our senior management team as well as their relationships with other industry participants. Mr. Gang Li, our Chairman, and Ms. Jihong Cai, our chief financial officer, are particularly important to our future success due to their substantial experience and reputation in the bakery markets. As of the date of this annual report, we do not carry key person insurance on any of our senior management team. The loss of the services of one or more members of our senior management team due to their departure, or otherwise, could hinder our ability to effectively manage our business and implement our growth strategies. Finding suitable replacements for our current senior management could be difficult, and competition for such personnel of similar experience is intense. If we fail to retain our senior management, our business and results of operations could be materially and adversely affected.

The market for technicians and other individuals with the required technical expertise to succeed in the operating entities' business is highly competitive. There may be a limited supply of qualified individuals in some of the cities in the PRC where the operating entities have operations and other cities into which they intend to expand. The operating entities must hire and train qualified technicians and other employees on a timely basis to keep pace with their rapid growth while maintaining consistent quality of products across their operations in various geographic locations. The operating entities must also provide continuous training to their technicians and other employees so that these employees are equipped with up-to-date knowledge of various aspects of their operations and can meet their demand for high-quality products. If the operating entities fail to do so, the quality of their products may decrease in one or more of the markets where they operate, which in turn, may cause a negative perception of their brand and adversely affect their business.

Failure to maintain the quality of customer services could harm the operating entities' reputation and their ability to retain existing customers and attract new customers, which may materially and adversely affect their business, financial condition, and results of operations.

The operating entities' business is significantly affected by the overall size of their customer base, which in turn is determined by, among other factors, these customers' experience with their customer services. As such, the quality of customer services is critical to retaining their existing customers and attracting new customers. If the operating entities fail to provide quality customer services, their customers may be less inclined to visit the operating entities' stores and purchase their products or recommend these stores to new customers, and may switch to the operating entities' competitors. Failure to maintain the quality of customer services could harm the operating entities' reputation and may materially and adversely affect their business, financial condition, and results of operations.

The ongoing need for renovations and other capital improvements at the operating entities' stores could have a material adverse effect on the operating entities, including their financial condition, liquidity, and results of operations.

To improve the in-store experience of our customers, the operating entities' stores have an ongoing need for maintenance and renovations and other capital improvements, including replacements, from time to time, of furniture, fixtures, and equipment. These capital improvements may give rise to the following risks:

- possible environmental liabilities;
- construction cost overruns and delays;
- the decline in revenue while stores are out of service due to capital improvement projects;
- a possible shortage of available cash to fund capital improvements and the related possibility that financing for these capital improvements may not be available to the operating entities on favorable terms, or at all;
- uncertainties as to market demand or a loss of market demand after capital improvements have begun; and
- bankruptcy or insolvency of a contracted party during a capital improvement project or other situation that renders them unable to complete their work.

The costs of all these capital improvements or any of the above noted factors could have a material adverse effect on the operating entities, including their financial condition, liquidity, and results of operations.

Future acquisitions may have an adverse effect on the operating entities' ability to manage our business.

The operating entities may acquire businesses, technologies, services, or products which are complementary to their core bakery product manufacturing and retail business. Future acquisitions may expose the operating entities to potential risks, including risks associated with the integration of new operations, services, and personnel, unforeseen or hidden liabilities, the diversion of resources from the operating entities' existing business and technology, their potential inability to generate sufficient revenue to offset new costs, the expenses of acquisitions, or the potential loss of or harm to relationships with both employees and customers resulting from their integration of new businesses.

Any of the potential risks listed above could have a material adverse effect on the operating entities' ability to manage their business, their revenue, and net income. The operating entities may need to raise additional debt funding or sell additional equity securities to make such acquisitions. The raising of additional debt funding by the operating entities, if required, would result in increased debt service obligations and could result in additional operating and financing covenants, or liens on their assets, that would restrict their operations. The sale of additional equity securities could result in additional dilution to our shareholders.

Risks Relating to Our Class A Ordinary Shares and the Trading Market

If we fail to establish and maintain an effective system of internal control over financial reporting, our ability to accurately and timely report our financial results or prevent fraud may be adversely affected, and investor confidence and the market price of our Class A Ordinary Shares may be adversely impacted.

We are subject to reporting obligations under U.S. securities laws. The SEC adopted rules pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 requiring every public company to include a management report on such company's internal control over financial reporting in its annual report, which contains management's assessment of the effectiveness of its internal control over financial reporting.

Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. However, in preparing our consolidated financial statements as of and for the years ended December 31, 2024, 2023, and 2022, we have identified a material weakness in our internal control over financial reporting, as defined in the standards established by the PCAOB, and other control deficiencies. The material weakness identified was that we do not have sufficient in-house personnel in our accounting department with sufficient knowledge of the U.S. GAAP and SEC reporting rules. See "Item 15. Controls and Procedures." Our management is currently in the process of implementing the steps necessary to remediate the material weakness. Measures that we implement may not fully address the material weakness in our internal control over financial reporting and we may not be able to conclude that the material weakness has been fully remedied.

Failure to correct the material weakness and other control deficiencies or failure to discover and address any other control deficiencies could result in inaccuracies in our consolidated financial statements and could also impair our ability to comply with applicable financial reporting requirements and make related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations, and prospects, as well as the trading price of our Class A Ordinary Shares, may be materially and adversely affected. Due to the material weakness in our internal control over financial reporting as described above, our management concluded that our internal control over financial reporting was not effective as of December 31, 2024. This could adversely affect the market price of our Class A Ordinary Shares due to a loss of investor confidence in the reliability of our reporting processes.

The dual class structure of our Ordinary Shares has the effect of concentrating voting control with Mr. Gang Li, our Chairman, and his interest may not be aligned with the interests of our other shareholders.

We have a dual-class voting structure consisting of Class A Ordinary Shares and Class B Ordinary Shares. Under this structure, holders of Class A Ordinary Shares are entitled to one vote per one Class A Ordinary Share, and holders of Class B Ordinary Shares are entitled to 50 votes per one Class B Ordinary Share, which may cause the holders of Class B Ordinary Shares to have an unbalanced, higher concentration of voting power. As of the date of this annual report, Mr. Gang Li, our Chairman, beneficially owns 2,700,000, or approximately 12.48% of our issued Class A Ordinary Shares, and 5,670,000, or 100%, of our issued Class B Ordinary Shares, representing approximately 93.80% of the voting rights in our Company. As a result, until such time as Mr. Gang Li's voting power is below 50%, Mr. Gang Li as the controlling shareholder has substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors, and other significant corporate actions. He may take actions that are not in the best interests of us or our other shareholders. These corporate actions may be taken even if they are opposed by our other shareholders. Further, such concentration of voting power may discourage, prevent, or delay the consummation of change of control transactions that shareholders may consider favorable, including transactions in which shareholders might otherwise receive a premium for their shares. Future issuances of Class B Ordinary Shares may also be dilutive to the holders of Class A Ordinary Shares. As a result, the market price of our Class A Ordinary Shares could be adversely affected.

The dual-class structure of our Ordinary Shares may adversely affect the trading market for our Class A Ordinary Shares.

Several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our Ordinary Shares may cause shareholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A Ordinary Shares.

Since we are a "controlled company" within the meaning of the Nasdaq listing rules, we may follow certain exemptions from certain corporate governance requirements that could adversely affect our public shareholders.

Our largest shareholder, Mr. Gang Li, indirectly owns more than a majority of the voting power of our outstanding Ordinary Shares. Under the Nasdaq listing rules, a company of which more than 50% of the voting power is held by an individual, group, or another company is a "controlled company" and is permitted to phase in its compliance with the independent committee requirements. Although we do not intend to rely on the "controlled company" exemptions under the Nasdaq listing rules even if we are a "controlled company," we could elect to rely on these exemptions in the future. If we were to elect to rely on the "controlled company" exemptions, a majority of the members of our board of directors might not be independent directors and our nominating and corporate governance and compensation committees might not consist entirely of independent directors. Accordingly, if we rely on the exemptions, during the period we remain a controlled company and during any transition period following a time when we are no longer a controlled company, you would not have the same protections afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

Substantial future sales of our Class A Ordinary Shares or the anticipation of future sales of our Class A Ordinary Shares in the public market could cause the price of our Class A Ordinary Shares to decline.

Sales of substantial amounts of our Class A Ordinary Shares in the public market, or the perception that these sales could occur, could cause the market price of our Class A Ordinary Shares to decline. An aggregate of 21,629,707 Class A Ordinary Shares are outstanding as of the date of this annual report. Sales of these shares into the market could cause the market price of our Class A Ordinary Shares to decline.

We do not intend to pay dividends for the foreseeable future.

As of the date of this annual report, we intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, you may only receive a return on your investment in our Class A Ordinary Shares if the market price of our Class A Ordinary Shares increases.

If securities or industry analysts do not publish research or reports about our business, or if they publish a negative report regarding our Class A Ordinary Shares, the price of our Class A Ordinary Shares and trading volume could decline.

Any trading market for our Class A Ordinary Shares may depend in part on the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade us, the price of our Class A Ordinary Shares would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause the price of our Class A Ordinary Shares and the trading volume to decline.

The market price of our Class A Ordinary Shares may be volatile or may decline regardless of our operating performance.

The trading price of our Class A Ordinary Shares is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in their trading prices. The trading performances of other Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the United States in general and consequently may impact the trading performance of our Class A Ordinary Shares, regardless of our actual operating performance.

The market price of our Class A Ordinary Shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and other operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- announcements by us or our competitors of significant products or features, technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from war or incidents of terrorism, or responses to these events.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. Stock prices of many companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, shareholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.

We face additional risks and uncertainties related to any potential actions resulting from the Securities and Exchange Commission, or the SEC and Nasdaq, ongoing investigation, or any other investigation or action.

On October 7, 2024, the SEC issued an Order of Suspension of Trading temporarily suspending trading in our Class A Ordinary Shares for the period from 4:00 a.m. EDT on October 8, 2024, through 11:59 p.m. EDT on October 21, 2024. On October 8, 2024, we received an information request from The Nasdaq Stock Market LLC (“Nasdaq”) for certain information and documents and we provided relevant documents to Nasdaq on October 11, 2024. We have not received follow-up inquiries or requests from SEC or Nasdaq since then. Although our Class A Ordinary Shares resumed trading upon expiration of the SEC order, we are unable to predict the outcome of the SEC investigation or inquiry of Nasdaq or any other actions the SEC or Nasdaq may take in connection therewith. Furthermore, the Company’s reputation may be negatively impacted. As a result, the potential impact to the Company’s business, if any, cannot be determined.

If we cease to qualify as a foreign private issuer, we would be required to comply fully with the reporting requirements of the Exchange Act applicable to U.S. domestic issuers, and we would incur significant additional legal, accounting, and other expenses that we would not incur as a foreign private issuer.

As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of proxy statements, and our officers, directors, and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as United States domestic issuers, and we are not required to disclose in our periodic reports all of the information that United States domestic issuers are required to disclose. While we currently are deemed as a foreign private issuer, we may cease to qualify as a foreign private issuer in the future, in which case we would incur significant additional expenses that could have a material adverse effect on our results of operations.

Because we are a foreign private issuer and are exempt from certain Nasdaq corporate governance standards applicable to U.S. issuers, you will have less protection than you would have if we were a domestic issuer.

As a Cayman Islands company listed on the Nasdaq Capital Market, we are subject to the Nasdaq corporate governance listing standards. Nasdaq rules, however, permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards.

Nasdaq Listing Rule 5635 generally provides that shareholder approval is required of U.S. domestic companies listed on Nasdaq prior to issuance (or potential issuance) of securities (i) equaling 20% or more of the company’s common stock or voting power for less than the greater of market or book value (ii) resulting in a change of control of the company; and (iii) which is being issued pursuant to a stock option or purchase plan to be established or materially amended or other equity compensation arrangement made or materially amended. Notwithstanding this general requirement, Nasdaq Listing Rule 5615(a)(3)(A) permits foreign private issuers to follow their home country practice rather than these shareholder approval requirements. The Cayman Islands do not require shareholder approval prior to any of the foregoing types of issuances. We, therefore, are not required to obtain such shareholder approval prior to entering into a transaction with the potential to issue securities as described above. We intend to comply with the requirements of Nasdaq listing rules in determining whether shareholder approval is required on such matters. We may, however, consider following home country practice in lieu of the requirements under Nasdaq listing rules with respect to certain corporate governance standards which may afford less protection to investors.

Nasdaq Listing Rule 5605(b)(1) requires listed companies to have, among other things, a majority of its board members be independent. As a foreign private issuer, however, we are permitted to, and we may follow home country practice in lieu of the above requirement. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of our board to consist of independent directors. Currently, a majority of our board members are independent. However, if we change our board composition such that independent directors do not constitute a majority of our board of directors, our shareholders may be afforded less protection than they would otherwise enjoy under Nasdaq’s corporate governance requirements applicable to U.S. domestic issuers.

If we cannot continue to satisfy the continued listing requirements and other rules of the Nasdaq Capital Market, our securities may be delisted, which could negatively impact the price of our securities and your ability to sell them.

Our Class A Ordinary Shares are listed on the Nasdaq Capital Market. In order to maintain our listing on the Nasdaq Capital Market, we are required to comply with certain rules of the Nasdaq Capital Market, including those regarding minimum shareholders' equity, minimum share price, minimum market value of publicly held shares, and various additional requirements. We may not be able to continue to satisfy these requirements and applicable rules. If we are unable to satisfy the Nasdaq Capital Market criteria for maintaining our listing, our securities could be subject to delisting.

On March 10, 2025, we received a notice from the Listing Qualifications Department of Nasdaq notifying the Company that based upon the closing bid price of the Class A Ordinary Shares of the Company for the last 30 consecutive business days, the Company no longer meets the continued listing requirement of Nasdaq under Nasdaq Listing Rules 5550(a)(2) to maintain a minimum bid price of \$1 per share. Nasdaq has provided the Company with an 180 calendar days compliance period, or until September 8, 2025, in which to regain compliance with Nasdaq continued listing requirement. The details of the bid price deficiency are described in the report of foreign private issuer on Form 6-K filed with the SEC on March 13, 2025 (File No. 001-41663), which is incorporated by reference herein.

If the Nasdaq Capital Market subsequently delists our securities from trading, we could face significant consequences, including:

- a limited availability for market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our Class A Ordinary Share is a "penny stock," which will require brokers trading in our Class A Ordinary Share to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our Class A Ordinary Share;
- limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Because we are an "emerging growth company," we may not be subject to requirements that other public companies are subject to, which could affect investor confidence in us and our Class A Ordinary Shares.

For as long as we remain an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, we will elect to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of shareholder approval of any golden parachute payments not previously approved. Because of these lessened regulatory requirements, our shareholders would be left without information or rights available to shareholders of more mature companies. If some investors find our Class A Ordinary Shares less attractive as a result, there may be a less active trading market for our Class A Ordinary Shares and our share price may be more volatile.

The laws of the Cayman Islands may not provide our shareholders with benefits comparable to those provided to shareholders of corporations incorporated in the United States.

We are an exempted company incorporated under the laws of the Cayman Islands with limited liability. Our corporate affairs are governed by our amended and restated memorandum and articles of association, by the Companies Act (Revised) of the Cayman Islands and by the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law in the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands and from English common law. Appeals from the Cayman Islands Courts to the Privy Council (which is the final Court of Appeal for British overseas territories such as the Cayman Islands) are binding on the courts in the Cayman Islands. Decisions of the English courts, and particularly the Supreme Court and the Court of Appeal are generally of persuasive authority but are not binding in the courts of the Cayman Islands. Decisions of courts in other Commonwealth jurisdictions are similarly of persuasive but not binding authority. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the U.S. In particular, the Cayman Islands has a less developed body of securities laws relative to the U.S. Therefore, our public shareholders may have more difficulty protecting their interests in the face of actions by our management, directors or controlling shareholders than would shareholders of a corporation incorporated in a jurisdiction in the U.S.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of the register of members of these companies. Pursuant to our amended and restated articles of association, shareholders will not have any right to inspect any account or book or document of the Company except as conferred by Companies Act (Revised) of the Cayman Islands or as authorized by our directors or by ordinary resolution of our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, members of the board of directors, or controlling shareholders than they would as public shareholders of a company incorporated in the U.S.

You may be unable to present proposals before annual general meetings or extraordinary general meetings not called by shareholders.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. These rights, however, may be provided in a company's articles of association. Our amended and restated articles of association allow our shareholders holding shares representing in aggregate not less than 10% of our voting share capital in issue, to requisition a general meeting of our shareholders, in which case our directors are obliged to call such meeting within 21 clear days' from the date of receipt of a requisition. If our directors fail to call a properly requisitioned meeting, the requisitioners or any of them may call a general meeting within three months after the end of that period. Advance notice of at least 21 clear days is required for the convening of our annual general shareholders' meeting and at least 14 clear days' notice any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least one shareholder present or by proxy, representing not less than one-third of the total issued shares carrying the right to vote at a general meeting of the Company. For these purposes, "clear days" means that period excluding (a) the day when the notice is given or deemed to be given and (b) the day for which it is given or on which it is to take effect.

If we are classified as a PFIC, United States taxpayers who own our Class A Ordinary Shares may have adverse United States federal income tax consequences.

A non-U.S. corporation such as ourselves will be classified as a PFIC, for any taxable year if, for such year, either:

- At least 75% of our gross income for the year is passive income; or
- The average percentage of our assets (determined at the end of each quarter) during the taxable year which produce passive income or which are held for the production of passive income is at least 50%.

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business), and gains from the disposition of passive assets.

If we are determined to be a PFIC for any taxable year (or portion thereof) that is included in the holding period of a U.S. taxpayer who holds our Class A Ordinary Shares, the U.S. taxpayer may be subject to increased U.S. federal income tax liability and may be subject to additional reporting requirements.

Based on the amount of cash we have and any other assets held for the production of passive income, it appears our current taxable year will not cause us to be a PFIC. However, for any subsequent year, more than 50% of our assets may be assets which produce passive income, in which case we would be deemed a PFIC, which could have adverse U.S. federal income tax consequences for U.S. taxpayers who are shareholders. We will make this determination following the end of any particular tax year.

Although the law in this regard is unclear, we treat the PRC operating entities as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operations of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their operating results in our consolidated financial statements. For purposes of the PFIC analysis, in general, a non-U.S. corporation is deemed to own its pro rata share of the gross income and assets of any entity in which it is considered to own at least 25% of the equity by value.

For a more detailed discussion of the application of the PFIC rules to us and the consequences to U.S. taxpayers if we were or are determined to be a PFIC, see "Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—PFIC Consequences."

Anti-takeover provisions in our amended and restated memorandum and articles of association may discourage, delay, or prevent a change in control.

Some provisions of our amended and restated memorandum and articles of association may discourage, delay, or prevent a change in control of our company or management that shareholders may consider favorable, including, among other things, the following:

- provisions that authorize our board of directors to issue shares with preferred, deferred, or other special rights or restrictions without any further vote or action by our shareholders; and
- provisions that restrict the ability of our shareholders to call meetings and to propose special matters for consideration at shareholder meetings.

Item 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

The Chanson Greenwich store has been permanently closed since October 31, 2023 and Chanson 355 Greenwich LLC was dissolved on August 28, 2024.

Corporate Information

We are an exempted company with limited liability incorporated and registered under the laws of the Cayman Islands on July 26, 2019. Our principal executive offices are located at B9 Xinjiang Chuangbo Zhigu Industrial Park, No.100 Guangyuan Road, Shuimogou District, Urumqi, Xinjiang, China, and our phone number is +86-0991-2302709. Our registered office in the Cayman Islands is located at 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman, KY1-1002 Cayman Islands, and the phone number of our registered office is +1-345-949-8599. We maintain corporate websites at www.ir.chanson-international.net, www.patisseriechanson.com, and www.thymebarnyc.com. The information contained in, or accessible from, our websites or any other website does not constitute a part of this annual report. Our agent for service of process in the U.S. is George Chanson (NY) Corp., located at 41 Madison Avenue, New York, NY 10010.

The SEC maintains a website at www.sec.gov that contains reports, proxy, and information statements, and other information regarding issuers that file electronically with the SEC using its EDGAR system.

For information regarding our principal capital expenditures, see “Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources—Capital Expenditures.”

B. Business Overview

Overview

The PRC Stores and the U.S. Stores manufacture and sell a wide selection of bakery products, seasonal products (i.e. products sold during particular holiday seasons), and beverage products; some of these stores also offer eat-in services. The PRC Stores and the U.S. Stores currently focus their business in Xinjiang of the PRC and New York City, respectively. The PRC Stores and the U.S. Stores aim to make healthy, nutritious, and ready-to-eat food through advanced facilities and industry research and to create a comfortable, yet distinguishable store environment in which customers can enjoy their products.

The PRC Stores are a bakery chain consisting of 55 stores operated by Xinjiang United Family and the VIEs, under the “George●Chanson” brand in Xinjiang, and the U.S. Stores, which consist of three stores in the U.S., sell their products in New York City. Selling through directly-operated stores, instead of franchise stores, allows the operating entities to run their entire operation more efficiently and to exercise greater control over the quality of products and the presentation of their brand, and to better manage customer experience in the stores. The current customer base of the PRC Stores and the U.S. Stores consists of both individual and corporate customers. To expand their customer base, the PRC Stores and the U.S. Stores have developed a variety of marketing and sale strategies, such as increasing their presence on social media platforms, devising pricing and discounting programs, and improving customer in-store experience.

The PRC Stores manufacture the majority of bakery products in their central factory located in Urumqi, Xinjiang, prepare beverage products within the stores, and contract third-party manufacturers to produce seasonal products. The U.S. Stores bake bakery products, prepare breakfast, lunch and all-day brunch, bar food, and other light meals for eat in, and make beverage products all within the kitchen in the store. To ensure the quality and safety of their products, the PRC Stores and the U.S. Stores procure raw materials, including flour, eggs, and milk, from renowned suppliers with a record of consistently supplying high-quality raw materials over decades in the food industry. In addition, the PRC Stores and the U.S. Stores have implemented a rigorous quality control system covering their entire operation process and mandated internal training to improve their employees’ awareness and knowledge of food safety.

As of December 31, 2024, the PRC Stores had more than 1027 types of bakery products, seasonal products and beverage products on sale, including over 93 types of new products introduced to the market since January 1, 2024, and the U.S. Stores had 100 types of eat-in menu items and bakery products on sale, including 30 types of new products introduced to the market since January 1, 2024. The PRC Stores and the U.S. Stores also offer a large number of beverage products.

For the years ended December 31, 2024, 2023, and 2022, we had total revenue of \$18,227,537, \$17,252,662, and \$13,272,075 , respectively, and net income of \$756,285, net income of \$33,588, and net loss of \$1,288,205 , respectively. The PRC Stores accounted for 88.5%, 82.9%, and 71.6% of our total revenue for those fiscal years, respectively, and the U.S. Stores accounted for 11.5%, 17.1%, and 28.4%, respectively.

The PRC Stores primarily generate revenue through sale of bakery products, seasonal products, and beverage products. For the years ended December 31, 2024, 2023, and 2022, revenue derived from sale of bakery products accounted for 91.6%, 87.6%, and 91.7%, of the PRC Stores' revenue, respectively, revenue derived from sale of seasonal products accounted for 6.1%, 9.1%, and 7.3%, respectively, and revenue derived from sale of beverage products accounted for 2.3%, 3.3%, and 1.0%, respectively.

The U.S. Stores primarily generate revenue through offering eat-in services and sale of bakery products and beverage products. For the years ended December 31, 2024, 2023, and 2022, revenue derived from offering eat-in services accounted for 14.5%, 27.0%, and 29.6% of the U.S. Stores' revenue, respectively, revenue derived from sale of bakery products accounted for 24.3%, 15.1%, and 16.2%, respectively, and revenue derived from sale of beverage products accounted for 61.2%, 57.9%, and 54.2%, respectively.

Our Competitive Strengths

We believe we have the following competitive strengths:

Trendy Brand Reflecting Healthy Food Concepts

The PRC Stores and the U.S. Stores aim to promote long-term, healthy diets, and have integrated healthy food concepts and nutritious elements into all lines of their products. They have successfully developed a group of popular products based on the low-fat, low-sugar, low-sodium, and protein-rich principles while adjusting product textures and tastes to accommodate customer preferences. These products, including enzyme bread, high-fiber bread, whole-wheat bread, and calcium bread, have been highly praised by their customers. We believe the differentiated approach of the PRC Stores and the U.S. Stores will continue to strengthen the loyalty of existing customers to their brand and will attract new customers to both their products and brand.

Strict Quality Control

Product quality has always been one of the top priorities of the PRC Stores and the U.S. Stores. The PRC Stores and the U.S. Stores start quality control with their suppliers by procuring raw materials from renowned suppliers that have proven records of supplying high-quality raw materials and complying with food safety standards and measures. The PRC Stores and the U.S. Stores also continuously introduce new production equipment with up-to-date industry technologies while making further improvements and adjustments to existing production equipment based on their product features and actual production needs. As a result, the PRC Stores have effectively decreased defective rates of all product lines in their central factory and enhanced the quality of their products.

The PRC Stores and the U.S. Stores have created and executed a comprehensive system of quality control and performance appraisal, covering a wide range of activities in procurement, production, sale, finance, and day-to-day employee management, among other things. The system includes central factory daily management procedures, employee health review standards, and factory workshop sanitation and inventory management policies. This system has been effectively used to monitor and conduct hazard analyses on raw materials, production, inventory maintenance, and transportation. In addition, the PRC Stores and the U.S. Stores have adopted a set of strictly standardized rules to further refine quality control in every part of the production process, appropriately adjusting management policies, standards, and measures based on distinct features of their production mode. Through such an integrated approach, the operating entities have been able to adopt a science-backed and data-based style of management, resulting in higher-quality products.

Advanced Industry Research and Constant Product Innovation

With a successful history of developing new products based on customer demand and market trends, the PRC Stores and the U.S. Stores focus on constant innovation to improve the taste, texture, formula, and packaging of their products, which has enabled them to introduce new products periodically. The PRC Stores and the U.S. Stores keep separate product lines. As of December 31, 2024, the PRC Stores had introduced over 193 types of new products and the U.S. Stores had introduced 123 types of new products since January 1, 2024. The PRC Stores and the U.S. Stores typically evaluate the profitability of their products annually or semi-annually by considering factors such as cost of revenue increases and competitive pricing strategies. They have historically been able to terminate less profitable products, and launch similar new products and refine their product formulas to enhance existing products with higher prices to cover higher ingredient costs.

To develop product formulas that reflect key market trends and thus enable the operating entities' products to be competitive, the research and development ("R&D") team members of the PRC Stores and the U.S. Stores frequently participate in industry conferences and engage with industry experts. Through years of efforts, the operating entities have also developed a systematic approach to refine product packaging. For instance, the operating entities seamlessly combine functionality with aesthetics by integrating automatic packaging and packaging techniques with a heat-sealing feature and stylish graphic designs. To keep their organization rejuvenated with innovative ideas, the operating entities have not only devised talent strategies to recruit talents from the PRC, Europe, and the U.S., but also increased the strength and scale of their internal training programs to equip their employees with a strong sense of business and competitiveness.

Advantageous Information Management System

To maximize their operation efficiency and distribute their resources based on a data-centric principle, the PRC Stores have adopted the ERP System in their stores and central factory. The ERP System is a business process management software for managing business and automating back office functions related to technology, services, and human resources. The ERP System integrates data collected from every critical aspect of the PRC Stores' production and sale process and facilitates a convenient data exchange process among the management office, the central factory and PRC Stores, and other distributors. Through the ERP System, the PRC Stores are able to locate and verify details of all the processed transactions in the stores and even determine the cost of every single kind of products. The U.S. Stores have not adopted and currently have no plan to adopt the ERP System, since operations of the stores are not as complex as those of the PRC Stores.

Well-Developed Distribution Network in Xinjiang

The PRC Stores highly value the development of their distribution network. With years of experience in marketing and selling products in the food industry in Xinjiang, the PRC Stores have adopted a core strategy that focuses on developing a network of stores and supplementing the network with other distribution channels. As of the date of this annual report, the PRC Stores consist of 55 stores in two well-developed cities of Xinjiang, namely Urumqi and Changji. The relatively low labor cost in Xinjiang and the PRC Stores' long-term, sustainable business relationships with established local supermarkets that enjoy high levels of brand loyalty, such as Youhao Supermarket and Huijia Supermarkets, strengthen their power to control front-end product sales, prepare them with a solid foundation to explore new market opportunities, and improve their operation efficiency. The PRC Stores also sell products through third-party online food ordering platforms. To maintain a close connection between the point of sale of each distribution channel and their production team, the PRC Stores primarily use their own transportation team to transport products. Third-party companies sometimes provide ancillary logistic support. The PRC stores have designed and effectively implemented various marketing strategies in their distribution network in Xinjiang to introduce new products and promote marketing campaigns within short periods of time.

Experienced Management and Professional Teams

Our senior management team, led by Mr. Gang Li, our Chief Executive Officer and Chairman, and Ms. Jihong Cai, our Chief Financial Officer, has deep expertise and a proven track of record in managing brands and operating food and retailing businesses. Our professional team is comprised of highly-skilled and dedicated employees with wide ranging experience in services, product development, business development, and marketing. We believe that our management and professional teams will not only be able to effectively grow our business through continued operating improvement and research, but also serve as key drivers of our success and position our Company as an attractive vehicle for future long-term growth in the food industry beyond bakery products.

Our Growth Strategies

We intend to develop our business and strengthen brand loyalty by pursuing the following strategies:

Expand into New Markets by Opening New Stores

The PRC Stores and the U.S. Stores plan to explore new markets while enhancing their current presence in the Xinjiang market and the New York City market by analyzing their sales data and features of customer trends in different regions, continuously focusing on improving customer in-store experience, further expanding their distribution networks, and exploring new partnership opportunities. As of the date of this annual report, the U.S. Stores are negotiating with potential business partners for the opening of new stores, however, they have not entered into any agreements in connection with such new stores that have not been previously disclosed by the Company.

Enhance In-Store Customer Experience and Customer Services

To improve customer in-store experience and the visibility of their brand image across different regions, the PRC Stores and the U.S. Stores seek to renovate their stores when needed. Their vision is to create a store environment consisting of a clean, modern interior design, with open kitchens, relaxing background music, soft light, and the smell of freshly-made bakery products. In addition to implanting fundamental brand values into renovation, the PRC Stores and the U.S. Stores also give individual store managers flexibility in decorating their store and arranging the display of their products in ways that match characteristics of the region where the store is located and cater to local customers' needs. To enhance customer services, the PRC Stores and the U.S. Stores have been systematically training and will continuously provide standardized training to their store employees, so they are able to present themselves in consistent manners and provide high-quality services that uphold their brand image. We firmly believe that a relaxing café environment, which allow customers to use the PRC Stores and the U.S. Stores as their go-to places for multiple social purposes, in-store experiences with elements distinctively associated with their brand, and high-quality services will allow the PRC Stores and the U.S. Stores to stand out from their competitors.

Keep Implementing Healthy and Nutritious Diet Principles in Product Development

As a socially responsible company, the corporate mission of the PRC Stores and the U.S. Stores is to promote healthy, nutritious, and conscious eating. To further align their actions with their vision, the PRC Stores and the U.S. Stores have integrated and plan to keep integrating healthy elements and concepts, such as zero fat or low fat, low calorie, zero or low sugar, high fiber, vitamins and minerals, and low oligosaccharide into their existing and future products through measures and procedures that have been approved by industry experts.

Increase Brand Awareness

The PRC Stores and the U.S. Stores will continue to increase customer awareness and excitement for the “George ● Chanson,” “Patisserie Chanson,” and “Chanson” brands and drive customer loyalty through their marketing efforts, social media presence, continued store expansion, and growing e-commerce sales. Their marketing programs are designed to develop and foster a personal connection with the community and position Chanson as a high-quality, community-conscious brand that provide healthy, nutritious, and ready-to-eat food. The PRC Stores and the U.S. Stores will also continue to leverage their growing social media presence to increase their online sales and drive additional store visits within existing and new markets. The U.S. Stores see a significant opportunity to increase their brand visibility in the New York City market, which will be a key area of focus in their marketing strategy going forward.

The PRC Stores

Products

The PRC Stores currently offer more than 1073 types of bakery products and seasonal products, together with more than 119 types of beverage products. Bakery products of the PRC Stores include packaged bakery products (cakes, bread, and snacks), birthday cakes, and made-in-store pastries. The bestselling bakery products are little puffs, chocolate cakes, cheesecakes, whole-wheat bread, multigrain bread, original-flavor cookies, amber-walnut cookies, seven-inch fruit cakes, croissants, and almond pudding. Seasonal products of the PRC Stores include mooncakes and zongzi (sticky-rice ball stuffed with different fillings and wrapped in bamboo leaves). The bestselling seasonal products are red-bean flavored mooncakes, sweet-date flavored zongzi, and flower flavored zongzi. Beverage products of the PRC Stores include store-made beverages and juice products. The bestselling beverage products are Americano, latte, coconut latte, oatmeal latte, cappuccino, and orange flavored tea and lemon flavored tea.

Manufacturing and Logistics

The PRC Stores produce packaged bakery products at their central factory before shipping them to the stores. For birthday cakes and made-in-store pastries, the PRC Stores primarily produce semi-finished products, such as various sweet dough and plain cakes at their central factory and ship them to the stores, leaving the final processing of made-in-store pastries and the decoration of birthday cakes to their employees at the stores.

The PRC Stores contract third-party producers to produce seasonal products, mainly zongzi (sticky-rice ball stuffed with different fillings and wrapped in bamboo leaves) and mooncakes to meet customer demand during Dragon Boat Festival and Mid-Autumn Festival, which are traditional Chinese holidays and respectively take place at the end of the second quarter and the beginning of the third quarter of a year. Whether the PRC Stores enter into a supply agreement with a third-party producer for a particular year depends on the selling records of seasonal products in previous years, their sales plan during that year, and the production capacity of the third-party producer.

Product transportation to the PRC Stores is carried out by their own transportation team. As of March 31, 2025, their transportation team had the capacity of transporting an aggregate of 22 tons of goods per transition. Depending on product features, the PRC Stores' products are shipped at either room temperature, which is suitable for products that can be preserved at room temperature, or through cold-chain transportation, which is applied to semi-finished products such as frozen dough and desserts. The PRC Stores' -32.8 degree Fahrenheit large freezer and their 323 square feet cold-storage facilities can adequately house the operation of cold-chain transportation.

Distribution Channels

PRC Stores

The PRC Stores consist of 55 stores in two cities of Xinjiang, namely Urumqi and Changji. Instead of franchising, our PRC subsidiary and the VIEs directly operate all of the PRC Stores because it allows them to exercise greater control over product quality, front-end sales, customer service quality, and overall shopping environment. This model also makes it easier to initiate transparent communication between our central management team and employees at the PRC Stores and to more efficiently manage our entire business operation in the PRC through the ERP System. Our subsidiary and the VIEs plan to continue operating the PRC Stores directly in the foreseeable future.

Digital Platforms

The PRC Stores operate an online store that is linked to the official account of the PRC Stores on WeChat and focuses on selling cakes. For the year ended December 31, 2024, the product sales made through the online store of the PRC Stores accounted for approximately 0.35% of their total sales.

Third-Party Platforms

The PRC Stores list their bakery products on third-party online food ordering platforms such as Meituan-Dianping. Customers can order through these platforms, and pick up the ordered bakery products at the PRC Stores or have them delivered by the carriers of these platforms. For the years ended December 31, 2024, 2023, and 2022, the sales made through these third-party platforms accounted for approximately 8.26%, 6.69%, and 5.32% of our total sales, respectively.

Store Experience

Approximately 24 of the PRC Stores have seats, with an average capacity of approximately 5-10 guests. For further details on the size of each PRC Store, see “—Properties—Properties in the PRC.” The PRC Stores are generally open from 10:00 a.m. to 10:30 p.m. daily during the summer and from 10:30 a.m. to 11:00 p.m. during the winter, and benefit from a balanced sales mix across operating hours.

Membership and Customers

The PRC Stores issue free membership cards that are rechargeable with cash in stores to encourage higher spending by customers and strengthen their loyalty to the PRC Stores’ brand. Both corporate and individual customers can get membership cards, add money onto the cards, and use them to purchase products in the PRC Stores. By using these membership cards, customers will enjoy benefits such as free cash vouchers that can be used to purchase products of the PRC Stores and 12% off original prices of all products on member day each week. Once a customer adds at least RMB200 (approximately \$29) to a new membership card, the customer is counted as a member of the PRC Stores. As of December 31, 2024, the PRC Stores had approximately 987,196 members. For the years ended December 31, 2024, 2023, and 2022, the sales to members collectively accounted for 49.40%, 51.47%, and 54% of our total sales, respectively.

Individual customers of the PRC Stores come from a variety of age groups and social backgrounds. There are three methods for these individual customers to purchase products of the PRC Stores, namely, purchasing products at the stores with cash or credit cards, getting membership cards and using membership cards to make a purchase at the stores, and ordering the products on digital platforms and third-party platforms.

Corporate customers of the PRC Stores primarily get membership cards and purchase cash vouchers for products such as seasonal products, cakes, and birthday cakes as part of employment benefits for their employees. During the time of year around Mid-Autumn Festival and Dragon Boat Festival, the majority of customers of the PRC Stores buying seasonal products are corporate customers.

Competition

The PRC bakery products market is highly fragmented, and competition in this market tends to be regionalized due to customers’ localized food preferences. Virtually all of the bakery products of the PRC Stores are sold in Xinjiang. The major competitors of the PRC Stores are international and domestic companies that produce and sell bakery products in Xinjiang, including Tous Les Jours, Vinesweet, Bakery Share, Lanzhou Aili’s Food Company Ltd., Maiquer Group Co., and BreadTalk Group Ltd. The PRC Stores compete for customers primarily on the basis of the price and quality of their products, food safety, brand awareness and loyalty, responsiveness to customer demand and market trends, customer experience, the ability to accurately estimate sales quota and control inventory, production capacity, and operation and management of chain stores.

The PRC Stores also potentially compete with bakery product manufacturers, such as Grupo Bimbo, S.A.B. de C.V., and Toly Bread Co., and bakery chain stores, such as Paris Baguette from Korea, Yamazaki Baking from Japan, and Holiland and Wedome, both of which are PRC based. Although none of the above enterprises has built a dominating presence in Xinjiang, the PRC Stores anticipate to directly compete with them when the PRC Stores expand to other regional markets in the PRC in the future.

The U.S. Stores

The U.S. Stores currently consist of three stores in New York City. The Chanson Greenwich store has been permanently closed since October 31, 2023.

Chanson 23rd Street, which is located in New York City’s Flatiron District, operates Patisserie Chanson on the ground floor and Thyme Bar both on the ground floor and in the underground cellar. Patisserie Chanson was established in 2016 as a modern European-style café and eatery that specializes in the art of making French-style viennoiseries and pastries. With an open display array of innovative gourmet pastries and piquant coffee brews, Patisserie Chanson is committed to offering eat-in services and serving freshly prepared bakery products and extensive beverage products. Thyme Bar is a cocktail bar opened in February 2020, which features various to-go cocktails. Every drink on the opening menu was created with a sustainable and low-waste approach, repurposing waste from nearby restaurants, like coffee grounds from Patisserie Chanson. Thyme Bar was one of the first bars in New York City to pivot and offer to-go cocktails.

Chanson 3rd Ave, which is located in New York City’s Upper East Side, operates Patisserie Chanson (3rd Ave). Patisserie Chanson (3rd Ave) opened in March 2023 and serves freshly prepared bakery products and extensive beverage products.

Chanson Broadway, which is located in New York City’s Upper West Side, operates Patisserie Chanson (Broadway). Patisserie Chanson (Broadway) opened in July 2023 and serves freshly prepared bakery products and extensive beverage products.

Products

The U.S. Stores currently offer 100 types of eat-in menu items and bakery products, together with a large number of beverage products. The U.S. Stores make these products in the kitchen or bar of the store and serve them to eat-in customers or sell them in store. The U.S. Stores’ eat-in menu includes sandwiches, éclairs, tarts, cakes, cookies, croissants, and pastries. Their bestselling menu items include Jambon Eggs & Cheese, Tomato Soup & Grilled Cheese, and Crème Brûlée French Toast. The U.S. Stores’ selection of cakes, cookies, éclairs, tarts, bread, croissants, and pastries is now curated in partnership with premium outside purveyors, following the elimination of our in-house bakery and pastry teams. Their bestselling bakery products include Croissant au Beurre, Pain au Chocolat, and Almond Croissant. The U.S. Stores’ beverage products include coffee, tea, juice, soda, and cocktails, with the recent addition of mimosas and signature cocktails. Their bestselling beverage products include latte, cappuccino, and americano.

Store Design

Chanson 23rd Street has two floors with an aggregate size of approximately 3,900 square feet. Seating in Chanson 23rd Street is comprised of a combination of table seats and bar seats with a capacity of 40 guests.

Chanson 3rd Ave has two floors with an aggregate size of approximately 2,461 square feet. Seating in Chanson 3rd Ave is comprised of table seats with a capacity of 14 guests.

Chanson Broadway has one floor with an aggregate size of approximately 850 square feet. Seating in Chanson Broadway is comprised of table seats with a capacity of ten guests.

For further details on the U.S. Stores, see “—Properties—Properties in the U.S.”

Dining and Shopping Experience

The U.S. Stores offer a variety of dining and purchasing options. Customers can either grab their bakery products and beverage products for take-out or take a seat and stay longer for a relaxed and enjoyable eat-in experience. Chanson 23rd Street is currently providing indoor dining and delivery and pickup services from 8 a.m. to 5 p.m. from Tuesday to Sunday, and its bar is open from 6 p.m. to 2 a.m. from Tuesday to Sunday. Chanson 3rd Avenue is currently selling bakery and beverage products and provide delivery and pickup services from 8 a.m. to 6 p.m. from Tuesday to Sunday. Chanson Broadway is currently selling bakery and beverage products and provide delivery and pickup services from 8 a.m. to 6 p.m. from Tuesday to Sunday.

The U.S. Stores offer delivery and pickup services within New York City (Manhattan and limited areas in Queens and Brooklyn). Customers may order grab-to-go sandwiches, breakfast, desserts, French pastries, brunch, and beverages via their website, patisseriechanson.us, and through third-party delivery partners, including Grubhub, Uber Eats, and Doordash. As of December 31, 2023, the transportation team of the U.S. Stores had a cargo van capable of transporting up to one ton of goods per transition per day.

In addition, the U.S. Stores offer corporate catering services in the New York City area. Their corporate catering focuses on meetings and work celebrations, offering breakfast and lunch boxes, croissant platters, salads, parfaits, sandwiches, sweets, cakes, and beverages. For special events, the U.S. Stores can provide custom cakes with a company logo, personal monogramming, or custom flavors and colors.

Revenue derived from delivery, pickup, and catering services accounted for 13.2%, 15.2%, and 15.5% of the total revenue of the U.S. Stores for the years ended December 31, 2024, 2023, and 2022, respectively.

Customers

Substantially all of sales of the U.S. Stores are to individual customers and the U.S. Stores also supply bread and desserts to corporate customers, including coffee shops and cafes in New York City. The U.S. Stores generated 99.85%, 100%, and 100% of their revenue from sales to individual customers and 0.15%, 0%, and 0% from sales to corporate customers during the years ended December 31, 2024, 2023, and 2022, respectively.

Competition

The New York City bakery products and restaurant business markets are highly competitive and fragmented with a number of small to medium size manufacturers specializing in a wide variety of bakery products and restaurants. All of the products of the U.S. Stores are sold in New York City. Their major competitors are internationally and domestically renowned bakery chain-stores in New York City, including Paris Baguette and Le Pain Quotidien, and bakery product manufacturers including Grupo Bimbo, S.A.B. de C.V., and Toly Bread Co. In addition, the U.S. Stores face significant competition from a variety of locally owned restaurants and national chain restaurants offering bakery products, as well as take-out options from grocery stores. The U.S. Stores compete for customers primarily on the basis of price, quality, product differentiation, marketing strategies, and nutritional values.

Suppliers

The PRC Stores and the U.S. Stores carefully select suppliers based on product quality and authenticity, and they seek to develop long-term relationships with these suppliers. The PRC Stores and the U.S. Stores negotiate and manage supply arrangements separately.

The PRC Stores enter into supply agreements in the ordinary course of business with their suppliers, pursuant to a form of supply agreement typically for a one-year term. For some raw materials, such as butter, the suppliers provide a certain quantity of raw materials at a fixed price and deliver them separately based upon the needs of the PRC Stores; for other raw materials, such as eggs, the suppliers provide raw materials at prices determined when the PRC Stores place their orders. If the price of certain imported raw material is expected to rise, suppliers will provide a written notice to the PRC Stores at least one month in advance and the PRC Stores will then decide whether to order additional raw materials before the price increases. Suppliers deliver to the central factory of the PRC Stores approximately twice per week on Mondays and Fridays. After suppliers deliver, the payment per order is calculated based on the actual number of qualified products that meet the PRC Stores' verification standards. Usually, the PRC Stores are given one to three months to complete the payment per order. Top suppliers of the PRC Stores during the year ended December 31, 2024 included Urumqi Junxin Hongye Commerce and Trade Co., Ltd., Urumqi Zhixin Jiamei Commerce and Trade Co., Ltd., and Xinjiang Zhicheng Dingli Commerce and Trade Co., Ltd.. Their supply constituted 15.30%, 14.02% and 9.10% of the PRC Stores' total raw materials in terms of monetary value in that fiscal year, respectively. Top suppliers of the PRC Stores during the year ended December 31, 2023 included Urumqi Yuxin Jiayuan Commerce and Trade Co., Ltd., Urumqi Junxin Hongye Commerce and Trade Co., Ltd., Xinjiang Meishifu Food Co., Ltd. ("Meishifu"), and Pengcheng Fruit Company. Their supply constituted 11.93%, 6.85%, 6.27%, and 6.05% of the PRC Stores' total raw materials in terms of monetary value in that fiscal year, respectively. Top suppliers of the PRC Stores during the year ended December 31, 2022 included Urumqi Yuxin Commerce and Trade Co., Ltd. ("Yuxin"), Meishifu, Pengcheng Fruit Company, Xinjiang Zhengda Food Co., Ltd. ("Zhengda"), and Peimeirun. Their supply constituted 10%, 10%, 7%, 7%, and 7% of the PRC Stores' total raw materials in terms of monetary value in that fiscal year, respectively.

The U.S. Stores order raw materials from suppliers based on their needs, instead of entering into long-term supply agreements with their suppliers. The U.S. Stores are able to ensure consistent delivery and competitive pricing because of their long-term business relationships with these suppliers. Suppliers of sugar and flour deliver to the U.S. Stores weekly and suppliers of vegetables and fruits do so daily. Top suppliers of the U.S. Stores during the year ended December 31, 2024 included Baldor Specialty Foods Inc, Pain D Avignon and Éclair. Their supply constituted 17.983%, 15.65% and 18.33% of the U.S. Stores' total raw materials in terms of monetary value in that fiscal year, respectively. Top suppliers of the U.S. Stores during the year ended December 31, 2023 included Baldor Specialty Foods, Inc. ("Baldor"), Southern Glaziers of NY Metro, and The Chefs' Warehouse. Their supply constituted 28%, 12%, and 13% of the U.S. Stores' total raw materials in terms of monetary value in that fiscal year, respectively. Top suppliers of the U.S. Stores during the year ended December 31, 2022 included Baldor, Southern Glaziers of NY Metro, and Empire Merchants. Their supply constituted 30%, 7%, and 5% of the U.S. Stores' total raw materials in terms of monetary value in that fiscal year, respectively.

Food Safety

Food safety is essential to the success of the PRC Stores and the U.S. Stores and they have established procedures to help ensure that their customers enjoy safe and quality food.

During the procurement of raw materials, the procurement team and compliance team of the PRC Stores and the U.S. Stores evaluate the quality and applicability of the submitted samples of raw materials, as well as suppliers' capability to meet deadlines. They re-evaluate those suppliers who the PRC Stores and the U.S. Stores have previously collaborated with on a yearly basis to meet the changing production needs. For suppliers who add additives into the products they supply to the PRC Stores or the U.S. Stores, the PRC Stores and the U.S. Stores require them to warrant that additives in their products comply with food safety requirements and standards according to relevant laws and regulations. The PRC Stores and the U.S. Stores also periodically examine the freshness of all raw materials and make sure that their storage conditions are properly to preserve freshness of raw materials.

During the actual production, the PRC Stores and the U.S. Stores have designed and applied rigorous standards and requirements to oversee product formulas, product craftsmanship, and production process. They also regularly organize mandatory firm-wide trainings to teach their employees appropriate ways of applying food safety measures in different scenarios and to enhance awareness and understanding of food safety as a whole. Without the approval of training managers, employees cannot work on production lines or in kitchens. The quality-control team of the PRC Stores and the U.S. Stores also analyzes production sectors that may influence product quality and safety, formulating corresponding methods to prevent potential negative effects. Before transporting or selling their products, the PRC Stores and the U.S. Stores conduct strict final examination on those products according to food industry standards to ensure that their products have high quality and are safe to consume.

The PRC Stores and the U.S. Stores only sell their bakery products on the day when these products are made and their light meals and beverage products on a made-to-order basis, and they make sure that any unsold or leftover products and unused semi-finished products are promptly disposed of, so as to offer their customers the freshest products that conform to stringent food safety standards on a day-to-day basis. The PRC Stores and the U.S. Stores have also established systematic and efficient procedures to swiftly recall any product that imposes potential or existing food safety issues to their customers. As of the date of this annual report, the PRC Stores and the U.S. Stores have never had to recall any product. To further improve their quality and safety control, the PRC Stores and the U.S. Stores conduct periodic customer satisfaction surveys to learn about customers' needs and quality of the products from the customers' perspectives.

Inventory Management

The PRC Stores and central factory have established policies and management procedures and formed a group of specialists to supervise employees working in the inventory team and to review their job performance. These specialists also design emergency plans to deal with critical circumstances under which inventory runs extremely low and conduct monthly reviews to assess differences between inventory accounts and actual amount of remaining inventory through the ERP System. By using an information and expertise-based management method, we are confident that the PRC Stores can effectively reduce costs and production waste.

- For packaged bakery products, the PRC Stores generally adopt a sale-history based method to estimate production quota because it allows the PRC Stores to effectively address the short-lived feature of bakery products, to ensure their customers are presented with fresh bakery products, to maintain flexibility in production planning, and to strengthen their ability to effectively reduce inventory; and
- For their made-in-store pastries and birthday cakes, the PRC Stores alternatively adopt a method that combines sale-history based quota estimation and in-time demand. In addition to delivering a certain number of semi-finished products to the stores, the PRC Stores also deliver raw materials to the stores, so store employees can make extra cakes or further decorate delivered cakes if there are excessive or special customer demand on a particular day.

In the U.S. Stores, the store manager or head chef generally determines the amount of raw materials to be ordered on a weekly or daily basis based on his or her experience and recent sales trends of their products. The U.S. Stores usually keep inventories low and rely on in-time deliveries from suppliers. The U.S. Stores take stock of their inventory at the end of each month to understand the amount of raw material used.

Marketing and Sale Strategies

Pricing and Discounting

The PRC Stores and the U.S. Stores determine their product prices on the basis of various factors, including the consumption power of their targeted customer groups, market demand for specific products, product cost, prices of competitive products, and the macroeconomic environment. Such method gives the PRC Stores and the U.S. Stores the space to change prices flexibly if circumstances require them to do so and allows them to better respond to customers' changing sensitivity to price. This advantageous approach has allowed the PRC Stores and the U.S. Stores, and, we expect will continue, to attract more customers and reinforce and further expand brand loyalty. The PRC Stores and the U.S. Stores plan to further refine their calculation formula to ensure that their product prices accurately and cautiously take into consideration both existing and potential market factors.

On a periodic basis, the PRC Stores and the U.S. Stores design and execute discounting strategies to stimulate sales. The PRC Stores and the U.S. Stores have effectively adopted a number of discounting strategies, including: in the PRC Stores, (i) a member day on which members enjoy 12% off original prices of all products each week, (ii) discounting activities on third-party online food ordering platforms, and (iii) discounting benefits enjoyable only through using credit cards issued by Shanghai Pudong Development Bank Co., Ltd; in Chanson 23rd Street, (i) Seasonal Combo (\$16) : Any Sandwich + Any Hot Barista Drink + Any Macaron (1 piece), (ii) 50% off on all desserts after 3 p.m. on Wednesday, Friday and Sunday to help reduce waste and increase foot traffic, and (iii) 20% off on the first catering order, (iv) discounts to employees of nearby corporations and (v) 20% off first catering order if order through the Patisserie Chanson App.

Social Media

The PRC Stores and the U.S. Stores enhance publicity of their products and the effectiveness of their other marketing strategies on major Chinese and U.S. social media platforms and their own websites.

The PRC Stores operate official accounts on WeChat, Weibo, and Douyin, which had an aggregate of over 59,825 followers as of December 31, 2024, and regularly post information of their new products, discounting activities, and brand development there.

The U.S. Stores operate ten official accounts across different brands and social media platforms (Instagram, Facebook & Tiktok), which had over 103,222 followers in total, as of December, 2024. Overall impressions across all social media platforms have consistently averaged 300,000 per month throughout. The U.S. Stores regularly post pictures and short videos of their stores and products with detailed information about their new products and promotion activities to attract potential customers and promote their image as a modern European-style café and eatery.

Since 2019, the U.S. Stores have partnered with Aranka Media Enterprise, a full-service media agency, to accelerate brand growth and improve customer relationships. Aranka Media Enterprise oversees the U.S. Stores' media strategy and entire online presence, including their presence on digital booking systems, delivery platforms, and social media. Aranka Media Enterprise also implements data collection systems to provide sales reports and market analyses, which help the U.S. Stores discover new consumer trends and optimize physical storefront operations.

Properties

Properties in the PRC

We maintain our headquarters and the central factory of the PRC Stores in Urumqi, Xinjiang.

Pursuant to a Premises Use Agreement dated April 30, 2020 and a Supplemental Agreement dated June 18, 2020, Urumqi Plastic Surgery Hospital Co., Ltd., a PRC company controlled by our Chairman, Mr. Gang Li, provided approximately 5,382 square feet office space for our headquarters without charge. The term of the agreement is from January 1, 2020 to June 25, 2028, unless otherwise terminated by either party.

On June 30, 2021, Xinjiang United Family entered into a lease agreement for approximately 54,638 square feet of building space for the central factory. The term of the lease agreement is from June 15, 2021 to June 14, 2031, unless otherwise terminated by either party. Xinjiang United Family is required to notify the landlord in advance within 90 days prior to the end of the lease term if it would like to renew the lease agreement. The central factory is designed to have an annual production capacity of bakery products, seasonal products, and beverage products worth (on the raw cost basis) RMB150 million. We have put the bakery production line of the central factory into operation. The investment budget for the bakery production line of the central factory is approximately RMB16.1 million (approximately \$2.2 million) after VAT deduction. As of December 31, 2024, we had spent approximately RMB15.16 million (approximately \$2.09 million), and the future minimum expenditure is estimated to be RMB126,400 (approximately \$17,393). Xinjiang United Family plans to use cash flow from the operations of the PRC Stores to fund the future construction. For additional information on our past and expected capital expenditures on the central factory, see "Item 5. Operating and Financial Review and Prospects—B. Liquidity and Capital Resources."

Our PRC subsidiary and the VIEs currently operate 55 stores in Xinjiang. Our PRC subsidiary and the VIEs lease all these store spaces from third-party individuals and corporations, except that the store space of Wenhua is provided by Urumqi Plastic Surgery Hospital Co., Ltd., pursuant to a Premises Use Agreement and a Supplemental Agreement without charge.

The following table shows the information of the 55 PRC Stores in operation as of the date of this annual report:

		City	Size (Square Feet)	Opened
1	Midong	Urumqi	1,506	April 2017
2	Dehui Wanda	Urumqi	1,111	January 2018
3	Changji Huijia	Changji	861	September 2015
4	Hongshan	Urumqi	1,377	November 2017
5	Beimen	Urumqi	936	May 2018
6	Minzhu	Urumqi	1,830	April 2014
7	Riyue Xingguang	Urumqi	1,428	May 2014
8	Wanyancheng	Urumqi	1,152	October 2017
9	Huarun Wanjia	Urumqi	479	January 2015
10	Changchun	Urumqi	1,335	March 2014
11	Huijia Third Floor	Urumqi	920	September 2012
12	Baishang	Urumqi	1,658	February 2019
13	Railway Bureau	Urumqi	1,830	May 2019
14	Economics Development Wanda	Urumqi	1,253	July 2019
15	Hongshan Lifestyle	Urumqi	2,640	November 2019
16	Nanhu	Urumqi	1,291	September 2020
17	Hebei Road Huarun	Urumqi	861	October 2020
18	Degang Wanda	Urumqi	1,153	December 2020
19	Xinbei Yuanchun	Urumqi	807	October 2021
20	Dehui Wangda Fourth Floor	Urumqi	215	November 2021
21	Qingnian Road Haojiaxiang	Urumqi	861	November 2021
22	Vanke Jincheng Huafu	Urumqi	910	November 2021
23	Gaoxin Wanda	Urumqi	1,481	December 2021
24	Soul●Song Meimei No. 2	Urumqi	239	March 2023
25	Soul●Song Wanyan Cheng	Urumqi	2,217	May 2023
26	Soul●Song Wenhua Road	Urumqi	1,076	July 2023
27	Soul●Song Minzhu Road	Urumqi	215	July 2023
28	Vanke Tianshanli	Urumqi	2,045	September 2023
29	Soul●Song Vanke Tianshanli	Urumqi	1,829	September 2023
30	Soul●Song Gaoxin Wanda	Urumqi	2,023	September 2023
31	Wuyue Square	Urumqi	1,770	August 2023
32	Xidan	Urumqi	1,205	January 2024
33	Tianbai	Urumqi	650	October 2015
34	Wenhua	Urumqi	645	October 2012
35	Meimei	Urumqi	824	November 2012
36	Meimei No. 3	Urumqi	1,743	August 2023
37	Ruitai	Urumqi	538	May 2015
38	Soul●Song Mali Hospital	Urumqi	215	July 2024
39	Soul●Song Aidi Dajiang	Urumqi	1,582	September 2024
40	World Champion County No. 1	Urumqi	538	September 2024
41	World Champion County No. 2	Urumqi	874	September 2024
42	World Gongyuan	Urumqi	980	November 2024
43	Mercure Phase 3	Urumqi	664	August 2024
44	Zhongnan Shangyue City	Urumqi	794	September 2024
45	Rhine Manor	Urumqi	369	September 2024
46	Xin Zhou City Garden	Urumqi	807	September 2024
47	Tianshan Vanke	Urumqi	1,385	November 2024
48	Zijin Hui	Urumqi	161	February 2025
49	Soul●Song Zijin Hui	Urumqi	597	February 2025
50	Tongjia Peacock Mansion	Urumqi	868	January 2025
51	Karamay West Street	Urumqi	803	December 2024
52	Jiaheyuan	Urumqi	468	December 2024
53	Yangtze River Road	Urumqi	879	December 2024
54	Kangcheng Golf	Urumqi	485	December 2024
55	Soul●Song Zhongqiao Second Alley	Urumqi	362	December 2024

Subject to specific terms of each lease agreement, lease terms generally range from one to six years. The termination clause provides a lessor the right to terminate a lease agreement under different situations, including but not limited to nonpayment of rent, changed purpose of the lease space without the lessor's permission, and illegal conducts at the lease space. Some lease agreements provide the PRC Stores the right to terminate the agreement if the lessor does not provide access to the leased space upon the PRC Stores' payment of lease fee or has not properly repaired broken areas of the leased space.

Tangible properties of the PRC Stores and central factory include production, transportation, and electronic equipment.

Properties in the U.S.

Chanson 23rd Street leases 3,900 square feet of store space in New York City from a third party for a lease term of 15 years starting from January 2017. Chanson 23rd Street may extend the lease for an additional five years upon its expiration.

Chanson 3rd Ave leases 1,420 square feet of store space and 1,041 square feet of storage space in New York City from a third party for a lease term of 15 years starting from August 9, 2021.

Chanson Broadway leases 850 square feet of store space in New York City from a third party for a lease term of 10 years starting from April 1, 2022.

Chanson NY rents one office in New York City from a third party for a lease term that expired on March 31, 2024. Chanson NY is in the process of communications with the landlord to extend that lease.

Tangible properties of the U.S. Stores include production, transportation, and electronic equipment.

R&D

A considerable portion of sales of the PRC Stores and the U.S. Stores is driven by the introduction of new products, and as a result, product R&D is, and will continue to be, an important component of their business. The PRC Stores and the U.S. Stores take a deliberate approach to new product development, with a primary focus on enhancing the quality, flavor, texture, presentation, and packaging of their products while adjusting product formulas and evolving production methods to meet customers' demand for healthy, nutritious, and ready-to-eat food. In the realm of experimenting with healthy food concepts, such as low in carb, low in sugar, and high in fiber and vitamins, they have been exploring new product categories, including multi-grain products and products enriched with minerals.

The PRC Stores maintain an in-house R&D team to improve their market research and customer insight capabilities. Currently, the R&D team of the PRC Stores has six employees. The PRC Stores and the U.S. Stores expect to invest resources to retain more qualified employees. Their R&D team members frequently participate in industry conferences and engage with industry experts to develop product formulas that follow key customer trends and to enhance their product quality. Their management team also regularly attends industry exhibits in Japan, the U.S., and the European countries to learn about the most up-to-date industry trends and developments, deepening their expertise in brand building and product diversification.

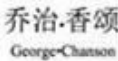
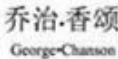
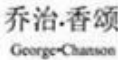
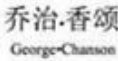
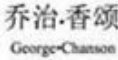
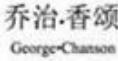
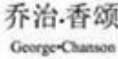
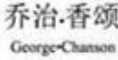
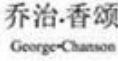
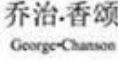
Through years of effort, the PRC Stores and the U.S. Stores have also developed a systematic approach to refine product packaging. They seamlessly combine functionality with aesthetics by integrating automatic packaging and packaging techniques with an exceptional heat-sealing feature with stylish graphic designs.

Intellectual Property



Trademarks



Xinjiang United Family has registered the brand name, “George●Chanson,” as its trademark in 19 categories, its logo as its trademark in six categories, and “The thyme bar” as its trademark in four categories in the PRC. These registrations allow the PRC Stores to exclusively use the trademark in areas under those categories. Chanson 23rd Street has registered “CHANSON,” “PATISSERIE CHANSON,” and “CHANSON NEW YORKTM” as its trademarks in the U.S. The following tables summarize these trademark registrations:

Trademarks Registered in the PRC






	Registration Number	Category	Effective Period	Trademark Logo	
1	17999111	40	11/07/2016-11/06/2026		
2	17999258	43	11/07/2016-11/06/2026		
3	17999032	31	11/07/2016-11/06/2026		
4	17999068	33	11/14/2016-11/13/2026		
5	17998952	5	11/14/2016-11/13/2026		
6	17998971	29	11/14/2016-11/13/2026		
7	13241648	30	04/14/2015-04/13/2025		
8	13241661	32	04/14/2015-04/13/2025		
9	13241679	39	03/28/2015-03/27/2025		
10	12911052	35	08/07/2017-08/06/2027		

	Registration Number	Category	Effective Period	Trademark Logo	
1	17999111	40	11/07/2016-11/06/2026	乔治·香颂 George·Chanson	
2	17999258	43	11/07/2016-11/06/2026	乔治·香颂 George·Chanson	
3	17999032	31	11/07/2016-11/06/2026	乔治·香颂 George·Chanson	
4	17999068	33	11/14/2016-11/13/2026	乔治·香颂 George·Chanson	
5	17998952	5	11/14/2016-11/13/2026	乔治·香颂 George·Chanson	
6	17998971	29	11/14/2016-11/13/2026	乔治·香颂 George·Chanson	
7	13241648	30	04/14/2015-04/13/2025	乔治·香颂 George·Chanson	
8	13241661	32	04/14/2015-04/13/2025	乔治·香颂 George·Chanson	
9	13241679	39	03/28/2015-03/27/2025	乔治·香颂 George·Chanson	
10	12911052	35	08/07/2017-08/06/2027	乔治·香颂 George·Chanson	



	Registration Number	Category	Effective Period	Trademark Logo
11	39954090	35	10/28/2020-10/27/2030	
12	39954063	30	11/07/2020-11/06/2030	
13	44626303	30	12/07/2020-12/06/2030	The thyme bar
14	44629314	32	12/07/2020-12/06/2030	The thyme bar
15	44623341	33	12/07/2020-12/06/2030	The thyme bar
16	44639541	35	12/21/2020-12/20/2030	The thyme bar
17	53288503	8	08/28/2021-08/27/2031	乔治·香颂 GEORGE·CHANSON
18	53317617	11	08/28/2021-08/27/2031	乔治·香颂 GEORGE·CHANSON
19	53296291	21	08/28/2021-08/27/2031	乔治·香颂 GEORGE·CHANSON
20	53302745	16	09/07/2021-09/06/2031	乔治·香颂 GEORGE·CHANSON



	Registration Number	Category	Effective Period	Trademark Logo
11	39954090	35	10/28/2020-10/27/2030	
12	39954063	30	11/07/2020-11/06/2030	
13	44626303	30	12/07/2020-12/06/2030	The thyme bar
14	44629314	32	12/07/2020-12/06/2030	The thyme bar
15	44623341	33	12/07/2020-12/06/2030	The thyme bar

16	44639541	35	12/21/2020-12/20/2030		
17	53288503	8	08/28/2021-08/27/2031	乔治·香颂 GEORGE·CHANSON	
18	53317617	11	08/28/2021-08/27/2031	乔治·香颂 GEORGE·CHANSON	
19	53296291	21	08/28/2021-08/27/2031	乔治·香颂 GEORGE·CHANSON	
20	53302745	16	09/07/2021-09/06/2031	乔治·香颂 GEORGE·CHANSON	
	Registration Number	Category	Effective Period	Trademark Logo	
21	53157597	36	09/07/2021-09/06/2031	乔治·香颂 GEORGE·CHANSON	
22	53310418	44	09/07/2021-09/06/2031	乔治·香颂 GEORGE·CHANSON	
23	53141021	41	09/14/2021-09/13/2031	乔治·香颂 GEORGE·CHANSON	
24	53140661	3	09/21/2021-09/20/2031	乔治·香颂 GEORGE·CHANSON	
25	56986085	25	12/28/2021-12/27/2031	乔治·香颂	
26	53129642	30	03/28/2022-03/27/2032		
27	53145548	32	03/28/2022-03/27/2032		
28	53145551	33	03/28/2022-03/27/2032		
29	53145555	35	03/28/2022-03/27/2032		
30	57960943	30	05/07/2022-05/06/2032	乔治·香颂 	
31	60683235	32	06/07/2022-06/06/2032		

	Registration Number	Category	Effective Period	Trademark Logo
32	60681958	35	06/07/2022-06/06/2032	
33	60676076	32	05/21/2022-05/20/2032	
34	60707165	30	05/21/2022-05/20/2032	
35	60676442	30	06/07/2022-06/06/2032	
36	60707345	35	06/07/2022-06/06/2032	

Trademarks Registered in the U.S.

	Registration Number	Registration Date	Trademark Logo
1	5785931	June 25, 2019	CHANSON™
2	5768100	June 4, 2019	
3	5768096	June 4, 2019	

	Registration Number	Registration Date	Trademark Logo
1	5785931	June 25, 2019	CHANSON™
2	5768100	June 4, 2019	
3	5768096	June 4, 2019	

Chanson 23rd Street is also currently registering a trademark for Thyme Bar in the U.S. and the trademark was published in the Trademark Official Gazette on March 29, 2022.

Domain Names

The operating entities own the internet domain names ir.chanson-international.net, www.patisseriechanson.us, and www.thymebarnyc.com in the U.S.

Patents

As of the date of this annual report, the operating entities do not own any patent and have not applied for the registration of patent design or any other means of patent protection. Nevertheless, the operating entities plan to actively apply for patent protection with respect to their independently designed packaging methods and production methods.

Employees

As of December 31, 2024, 2023, and 2022, our PRC subsidiary and the VIEs had 369, 356, and 294 employees and our subsidiaries in the U.S. had 36, 54, and 60 employees, respectively. The following table sets forth the number of employees of our subsidiaries and the VIEs on December 31, 2024 by area of business:

Employees based in the PRC

	Number of Employees
Management	8
Finance	13
Production and R&D	63
General and Administration	17
Logistics	17
Marketing and Sales	251
Total	369

Employees based in the U.S.

	Number of Employees
Management	2
Cooking and Baking	5
Finance	1
Logistics	3
General and Administration	2
General Store Operation	23
Total	36

Employment Agreements, Non-competition, and Confidentiality

Generally, our PRC subsidiary and the VIEs enter into standard employment agreements with their officers, managers, and other employees, and our subsidiaries in the U.S. enter into at-will employment agreements with their employees. According to the non-competition and confidentiality clause in these agreements, the operating entities ask senior executives and key employees, especially those with the opportunity to deal with their trade secrets and other intellectual property, to enter into separate non-competition and confidentiality agreements with them.

The non-competition and confidentiality agreements prohibit employees from engaging in any other employment during the period of their employment with the operating entities and from soliciting the operating entities' customers on behalf of themselves or any third party. The agreements restrict employees from making any comments that could defame the operating entities' reputation. The agreements further prohibit employees from disclosing any information and knowledge about the operating entities' business, operation, development, and strategies, including trade secrets and their customers' information, to any third party, as long as employees have acquired the information and knowledge during their employment term at the company. Employees of the PRC Stores whose employment agreements are not renewed are prohibited from working for competitors in two years after they leave the PRC Stores. Employees' obligation to confidentially keep the PRC Stores' trade secrets survives beyond the termination or expiration of their employment agreements.

Occupational Health and Safety

The PRC Stores and the U.S. Stores fulfill their legal responsibility to protect the health and safety of their employees by providing a safe workplace that meets the applicable labor and sanitation standards, controlling risks to health, and ensuring that their plants and machinery are safe and that work safety systems and guidelines are both established and adhered to. The PRC Stores and the U.S. Stores also make sure that dangerous articles and substances are transported, stored, and used safely, provide adequate welfare facilities, provide employees the information, instruction, training, and supervision necessary to preserve their health and safety, and consult with employees on health and safety matters.

None of the employees are currently represented by labor unions. In the year ended December 31, 2024, the operating entities did not hire any temporary employees. In general, the PRC Stores and the U.S. Stores consider their relationship with their employees to be good.

Seasonality

Bakery products sold by the PRC Stores and the U.S. Stores and eat-in services offered by the U.S. Stores have not experienced obvious seasonal fluctuations in their sales as these products have been commonly consumed on a daily basis by customers. Beverage products sold by the PRC Stores and the U.S. Stores have experienced in the past, and expect to continuously experience in the future, higher retail sales during summer as a result of higher customer demand. Seasonal products sold by the PRC Stores have experienced in the past, and expect to continuously experience in the future, seasonal fluctuations in their retail sales as a result of customers' increased demand for these seasonal products as gifts and for person consumption during festival seasons. Historically, the PRC Stores generate almost all the retail sales of their seasonal products during the one or two months before Dragon Boat Festival and Mid-Autumn Festival, which respectively take place at the end of the second quarter and the beginning of the third quarter of a year.

Regulations

This section sets forth a summary of the principal laws and regulations relevant to our business and operations in the PRC and the U.S.

PRC Regulations

Regulations on Food Production and Food Business Operation

Food Safety

The Food Safety Law of the People's Republic of China, or the "Food Safety Law," was promulgated by the SCNPC on February 28, 2009, and amended on April 24, 2015, December 29, 2018 and April 29, 2021. The Food Safety Law is formulated for the purposes of ensuring food safety and safeguarding the physical health and life of members of the public. Persons engaging in food manufacturing and processing, circulation of food, and storage and transportation of food in the PRC shall comply with this law. Under the Food Safety Law, food manufacturers and food business operators shall be accountable for the safety of food consumers, comply with food safety standards, and satisfy the specific requirements.

The Food Safety Law establishes a licensing system for food manufacturing and food business operations, which means persons engaging in food manufacturing, foodstuff sale, and food and beverage services shall obtain a permit. According to the Implementation Regulations for the Food Safety Law, which was promulgated by the State Council of the PRC on July 20, 2009, and amended in 2016, a food production permit shall be valid for three years. The Implementation Regulations for the Food Safety Law were amended in 2019, which stipulates that a food production permit shall be valid for five years starting from December 1, 2019.

Food Production Permit and Food Business Permit

The Administrative Measures for Food Production Permitting, or the "Food Production Permitting Measures," were promulgated by the Market Supervision and Management Department on December 23, 2019, which came into effect on March 1, 2020. Pursuant to the Food Production Permitting Measures, an enterprise shall obtain a food production permit prior to engaging in food production activities within the territory of the PRC. The principle of one permit per enterprise is applied to food production permitting, and the Market Supervision and Management Department implements classified permitting on food production, according to the degree of risk of food. When applying for the food production permit, food manufacturers should have places for raw material handling, places for processing, packaging, and storage of food, and manufacturing equipment or facilities, compatible with the category and quantity of the food under production, and a reasonable equipment layout and production process, and other conditions required by laws and regulations. Our PRC subsidiary Xinjiang United Family has obtained a food production permit that allows it to manufacture bakery products. The permit will expire on November 23, 2026, and Xinjiang United Family will file a renewal request 30 business days prior to the expiration date. In general, as long as a business entity operates legally and in good standing, its renewal request will be approved.

The Measures for the Administration of Food Trade Licensing and Registration, or the “Food Trade Licensing and Filing”, were promulgated by SAMR on June 15, 2023, and became effective on December 1, 2023. According to the Food Trade Licensing and Filing, whoever plans to engage in food sales and provide catering services within the PRC shall obtain the food business permits in accordance with the law. However, the food business permits are not required under any of the following circumstances: (i) sale of edible agricultural products; (ii) sale of prepackaged food only; (iii) sale of specific total nutrition formula food in the formula food for special medical purposes by medical institutions and drug retailers; (iv) sale of food produced by a food producer that has obtained a food production permit at its production and processing place or through the Internet; and (v) any other circumstances where the food business permits are not required in accordance with the applicable laws and regulations. Besides the above circumstances, the food enterprise that operates other food business items shall obtain the food business permit in accordance with the PRC law. In addition, the food enterprise who sells prepackaged food only shall file with the relevant market regulatory department.

As of the date of this annual report, (i) the five branch offices of Xinjiang United Family have obtained the food business permits, and (ii) except one UFG Entity which is applying for the renewal of their food business permits, all remaining UFG Entities have obtained the food business permits, which are valid currently, allowing them to retail bakery products and store-made beverages and juice products, although some of them did not have the food business permits at the time of their opening. Pursuant to the Food Safety Law, the failure of these entities to have the food business permit at the time of opening may result in the confiscation of their illegal income, foodstuffs from the illegal business operations, tools, equipment, and ingredients used in the illegal activities. Where the value of foodstuffs from the illegal operations is less than RMB10,000, a fine ranging from RMB50,000 to RMB100,000, shall be imposed; where the value of foodstuffs is RMB10,000 or more, a fine ranging from 10 to 20 times the value of the foodstuffs shall be imposed. Although the PRC Stores have not received any notice of warning or been subject to penalties or other penalties such as income confiscation from the relevant governmental authorities regarding conducting their business without the above-mentioned permits as of the date of this annual report, we cannot assure you that the PRC Stores will not be subject to any penalties in the future. The PRC Stores will file a renewal request 30 business days prior to the expiration date of those permits. In general, as long as a business entity operates legally and is in good standing, its renewal request will be approved, but we cannot assure you that the PRC Stores will be able to renew such permits in the future.

Employee Health Examination System and Health Record System

Under the Food Safety Law and the Implementation Regulations for the Food Safety Law, food manufacturers and food business operators are required to establish and implement an employee health examination system and a health record system. Persons suffering from diseases that may cause food safety issues as prescribed by the health administrative department of the State Council shall not engage in work in contact with ready-to-eat food. Personnel of food manufacturers and food business operators shall undergo annual health checks and may undertake duties only upon obtaining health certificates. The PRC Stores have established an employee health examination system and a health record system, and their employees have obtained the health certificates as required. Their employee health examination system and health record system are updated once a year and no employee is allowed to work in the PRC Stores or central factory without first obtaining a health certificate, which is valid for a year.

Procurement Check Record System and Food Inspection System

Under the Food Safety Law and the Implementation Regulations for the Food Safety Law, food manufacturers and food business operators shall examine the relevant licenses and eligibility certification documents of the suppliers when procuring food ingredients, food additives, food-related products, and food. If the relevant eligibility certification documents are unavailable, food ingredients, food additives, food-related products, and food shall be inspected in accordance with food safety standards and shall not be procured or used if they do not meet these standards. Food manufacturers and food business operators are required to establish a record system for inspection of procured food ingredients, food additives, food-related products, and food, and truthfully record the names, specifications, quantities, production date or batch number, shelf life and purchase date, names and contact information of suppliers of food ingredients, food additives, food-related product and food, and retain the relevant certificates. The inspection records for procured food ingredients, food additives, food-related products, and food shall be true and be retained for at least six months after the expiration of the shelf life of the product. If there is no shelf life, the records and certificates shall be kept for at least two years. Food manufacturers are also required to establish a record system for the inspection of food exiting its factory, check its inspection certificate and safety status, and record the information truthfully. The PRC Stores have established a record system and are currently in compliance with the relevant legal requirements.

Food Recall System

A food recall system has been established in the PRC in accordance with the Food Safety Law and the Implementation Regulations on the Food Safety Law. On March 11, 2015, CFDA promulgated the Administrative Measures for Food Recall, which came into effect on September 1, 2015 and was amended on October 23, 2020. The Administrative Measures for Food Recall provides for detailed rules on the food recall system. A food manufacturer shall, upon discovering that the food produced by itself does not comply with the food safety standards, immediately stop production, recall the food from the market, notify the relevant food business operators and consumers, and record information of the recall and notification. A food business operator shall, upon discovering that the food in its business operations does not comply with the food safety standards, immediately cease business operation, notify the relevant food distributors and consumers, and record information of cessation of business operation and notification. Where the food manufacturer deems that recall of the food is necessary, the food shall be recalled immediately. The food manufacturers and food business operators shall carry out innocuous treatment and destruction measures for recalled food to prevent the recalled food from being re-circulated to the market, and report the information of recall and treatment of the food to the local Market Supervision and Management Department at or above the county level.

Pollutant Discharge Permit

Article 45 of the Environmental Protection Law of the People's Republic of China, which became effective on January 1, 2015, stipulates that enterprises, institutions, and other producers and operators that implement pollution discharge permit management in China shall discharge pollutants in accordance with the requirements of the pollution discharge license; those who have not obtained the discharge license shall not discharge pollutants. Pursuant to the Regulations on the Administration of Pollutant Discharge Permits, which were adopted by the State Council on December 9, 2020, and became effective on March 1, 2021, pollutant discharging entities are subject to the classified management of pollutant discharge permits based on the factors such as the amount of pollutants produced and discharged, and the extent of impact on the environment. At the same time, according to the relevant regulations of the "the List of Classification Management of Emission Permit for Fixed Source of Pollution (2019 Edition)," key management, simplified management, and registration management of pollutant discharge permit have been implemented. Pollutant discharge units that implement registration management do not need to apply for a pollutant discharge permit, but should fill in the pollutant discharge registration form on the national pollutant discharge permit management information platform. Based on the situation of the central factory of the PRC Stores, as well as their production equipment and production process, at least a sewage registration is required. As of the date of this annual report, Xinjiang United Family has completed the sewage registration.

According to Article 63 of the Environmental Protection Law of the People's Republic of China, if an enterprise, institution, or other producer or business operator, in violation of the provisions of the law, discharges pollutants without obtaining a pollutant discharge license, and is ordered to stop discharging pollutants but refuses to carry out the order, which does not constitute a crime, in addition to punishment in accordance with relevant laws and regulations, the Environmental Protection Departments of the People's Governments at or above the county level or other relevant departments shall transfer the case to the Bureau of Public Security. The person in charge and other persons directly responsible shall be detained for not less than 10 days but not more than 15 days; if the circumstances are relatively minor, they shall be detained for not less than five days but not more than 10 days.

Regulations on Product Quality

Manufacturers and sellers of defective products in the PRC may incur liability for losses and injuries caused by such products. In accordance with the Product Quality Law of the PRC, or the "Product Quality Law," promulgated on February 22, 1993, and amended on July 8, 2000, August 27, 2009, and December 29, 2018, manufacturers and sellers are responsible for the product quality.

Under the Product Quality Law, manufacturers and sellers shall establish a sound internal product quality control system. Adulteration of, or mixing of improper elements with products produced or sold, selling fake products as genuine products, or selling products of poor quality as high-quality products is prohibited. Substandard products shall not be sold as products that are up to standard. Product shall have no unreasonable danger to personal safety or the safety of property. Where there are national or industry standards for the protection of health, personal safety, and the safety of property, such standards shall be complied with. Manufacturers shall not produce products that the State has determined should be eliminated. Manufacturers shall not falsify the place of origin of products or falsify or imitate the name or address of another factory. Sellers shall adopt measures to maintain the quality of products sold. Sellers shall not sell any products that the State has determined should be eliminated and whose sale has ceased, or any expired products or deteriorated products.

The Consumer Protection Law of the PRC, which was promulgated on October 31, 1993, and amended on October 25, 2013, and came into effect on March 15, 2014, has also provided protection for customers regarding food safety. Food business operators shall ensure the requisite quality, function, use, and shelf life of their goods under normal use, except where a consumer is aware of a defect before purchasing the goods, and the defect does not violate the mandatory provisions of the law. Food business operators demonstrating the quality of their goods or services through advertisements, product demonstrations, actual samples or any other methods shall ensure that the actual quality of their goods is consistent with the demonstrated quality.

Regulations on Product Liabilities

The Civil Code, which was promulgated by the National People's Congress on May 28, 2020, and became effective on January 1, 2021, provides that where a product endangers life or property due to its defect, the manufacturers and the distributors shall bear the tort liability.

Under the Civil Code, in the event of product defects that have caused damage to others, the manufacturer shall bear tort liability and the infringed person may claim compensation against the manufacturer or the seller of the product. In such event if the defect is caused by the manufacturer, the seller who has paid compensation has the right to indemnification against the manufacturer; if the defect is caused by the fault of the seller, the manufacturer who has paid compensation has the right to indemnification against the seller. If a defect of a product endangers the personal or property safety of another person, the infringed person has the right to request the manufacturer or seller to bear tort liability, such as in forms of cessation of the infringement, removal of the nuisance, or elimination of the danger. Where a defect of a product is discovered after the product is put into circulation, the manufacturer or seller shall take remedial measures, such as stopping sales, providing warnings, or recalling the product, in a timely manner. The manufacturer or seller, who fails to take remedial measures in a timely manner or take ineffective measures so that the damage is aggravated, shall be liable also for the aggravated part of the damage. The manufacturer or seller shall bear the necessary expenses incurred by the infringed person for recalling such defective products. If a manufacturer or seller manufactures or sells a product knowing that the product is defective, or failing to take remedial measures accordingly, so that death or serious physical harm is caused to another person, the infringed person has the right to request for the corresponding punitive damages.

Regulations on Internet Advertising

The Administrative Measures for Internet Advertising, which was promulgated by the SAMR on February 24, 2023, and came into effect on May 1, 2023, governs all advertisements published on the Internet, including but not limited to advertisements in the form of text, image, audio, video or other forms which are published through websites, web pages, internet applications and other internet media. Advertisers shall be responsible for the authenticity of the content of Internet advertisements. Internet advertisement operators and publishers shall establish, improve and implement systems of registration, examination and archives management in respect of Internet advertising business according to the following provisions: (i) verifying and registering the real identity, address, valid contact details and other information of advertisers, establishing advertisement archives and checking and updating them on a regular basis, and recording and keeping the electronic data relating to advertising activities; the relevant archives shall be kept for at least three years from the date of end of advertisement publishing; (ii) verifying relevant supporting documents and checking the content of advertisements, and for advertisements with inconsistent content or incomplete supporting documents, advertising agencies shall not provide design, production and agency services, and advertisement publishers shall not publish such advertisements; and (iii) employing advertisement reviewers who are familiar with advertising laws and regulations or establishing an advertisement review organization.

Regulations relating to Information Security and Privacy Protection

Internet content in China is regulated and restricted from a state security standpoint. On December 28, 2000, the SCNPC enacted the Decisions on Maintaining Internet Security, later amended on August 27, 2009, which subject violators to criminal punishment in China for any effort to: (i) use the Internet to market fake and substandard products or carry out false publicity for any commodity or service; (ii) use the Internet for the purpose of damaging the commercial goodwill and product reputation of any other person; (iii) use the Internet for the purpose of infringing on the intellectual property of any person; (iv) use the Internet for the purpose of fabricating and spreading false information that affects the trading of securities and futures or otherwise jeopardizes the financial order; or (v) create any pornographic website or webpage on the Internet, provide links to pornographic websites, or disseminate pornographic books and magazines, movies, audio-visual products, or images. Pursuant to the Administrative Measures for the Security Protection of Computer Information Networks Linked to the Internet, which was promulgated by the Ministry of Public Security (the "MPS") on December 16, 1997 and later amended and became effective on January 8, 2011, the Internet is prohibited to be used in ways which, among other things, would result in a leakage of state secrets or a spread of socially destabilizing content. On December 13, 2005, the MPS promulgated the Provisions on the Technical Measures for the Protection of the Security of the Internet, which require internet service providers to take proper measures including anti-virus, data back-up, and other related measures, to keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content, and time of posts by users) for at least 60 days, and to detect illegal information, stop transmission of such information, and keep relevant records. If an Internet information service provider violates these measures, the MPS and the local public security bureaus may recommend that the original certificate examination, approval, and issuing organizations revoke its operating license and shut down its websites. Pursuant to the Administrative Measures for the Graded Protection of Information Security promulgated by the MPS, the State Secrecy Bureau, the State Cipher Code Administration, and the Information Office of the State Council on June 22, 2007, the state shall, by formulating nationally effective administrative norms and technical standards for the graded protection of information security, organize citizens, legal persons, and other organizations to grade information systems and protect their security, and supervise and administer the graded protection work. The security protection grade of an information system may be classified into the five grades. To newly build an information system of Grade II or above, its operator or user shall, within 30 days after the information system is put into operation, go through the record-filing procedures at the local public security organ at the level of municipality divided into districts or above.

Trademarks

Trademarks are protected by the PRC Trademark Law adopted on August 23, 1982, and subsequently amended on February 22, 1993, October 27, 2001, August 30, 2013, and April 23, 2019, as well as the Implementation Regulation of the PRC Trademark Law adopted by the State Council on August 3, 2002, and amended on April 29, 2014. The PRC Trademark Office under the SAMR handles trademark registrations and grants a term of 10 years to registered trademarks and another 10 years if requested upon expiration of the first or any renewed 10-year term. Trademark license agreements must be filed with the PRC Trademark Office for record. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark to be registered is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar goods or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. After receiving an application, the PRC Trademark Office will make a public announcement if the relevant trademark passes the preliminary examination. During the three months after this public announcement, any person entitled to prior rights and any interested party may file an objection against the trademark. The PRC Trademark Office’s decisions on rejection, objection, or cancellation of an application may be appealed to the PRC Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings. If no objection is filed within three months after the public announcement or if the objection has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, at which point the trademark is deemed to be registered and will be effective for a renewable 10-year period, unless otherwise revoked. For licensed use of a registered trademark, the licensor shall file record of the licensing with the PRC Trademark Office, and the licensing shall be published by the PRC Trademark Office. Failure of the licensing of a registered trademark shall not be contested against a good faith third party. As of the date of this annual report, Xinjiang United Family holds 36 registered trademarks in the PRC and enjoys the corresponding rights.

Copyrights

In accordance with the Copyright Law of the PRC promulgated by the SCNPC on September 7, 1990, last amended on November 11, 2020, and came into effect on June 1, 2021, Chinese citizens, legal persons, or other entities own the copyright in their works whether published or not, including written works, oral works, music, comedy, arts of talking and singing, dance and acrobatics, work of art and architecture work, photographic works, cinematographic work and work created by the method similar to the film production method, engineering design drawing, product design drawing, map, sketch and other graphic works and model works, computer software, and other works specified by laws and administrative regulations. The rights a copyright owner has include but not limited to the following rights of the person and property rights: the right of publication, right of authorship, right of modification, right of integrity, right of reproduction, distribution right, rental right, right of network communication, translation right, and right of compilation.

In accordance with the Regulations on the Protection of Computer Software promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, Chinese citizens, legal persons, or other entities own the copyright, including the right of publication, right of authorship, right of modification, right of reproduction, distribution right, rental right, right of network communication, translation right, and other rights software copyright owners shall have in software developed by them, regardless of whether the software has been published. In accordance with the Measures for the Registration of Computer Software Copyright promulgated by the National Copyright Administration on April 6, 1992 and last amended on February 20, 2002, software copyrights, exclusive licensing contracts for software copyrights, and software copyright transfer contracts shall be registered, and the National Copyright Administration shall be the competent authority for the administration of software copyright registration and the Copyright Protection Center of China is designated as a software registration authority. The Copyright Protection Center of China shall grant a registration certification to a computer software copyright applicant who complies with relevant regulations.

Domain Name

In accordance with the Measures for the Administration of Internet Domain Names, which was promulgated by the Ministry of Industry and Information Technology (the “MIIT”) on August 24, 2017 and came into effect on November 1, 2017, and the Implementation Rules for National Top-level Domain Name Registration, which were promulgated by China Internet Network Information Center (the “CNNIC”) on June 18, 2019 and came into effect on the same day, domain name registrations are handled through domain name service agencies established under relevant regulations, and an applicant becomes a domain name holder upon successful registration, and domain name disputes shall be submitted to an organization authorized by CNNIC for resolution.

In accordance with the Notice from the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services, which was promulgated by the MIIT on November 27, 2017 and came into effect on January 1, 2018, Internet access service providers shall verify the identity of each Internet information service provider, and shall not provide services to any Internet information service provider which fails to provide real identity information.

Regulations on Patents

Pursuant to the Patent Law of the PRC, or the “Patent Law,” promulgated by the SCNPC on March 12, 1984, most recently amended on October 17, 2020, and effective from June 1, 2021, and the Implementation Rules of the Patent Law of the PRC, promulgated by the State Council on June 15, 2001 and most recently amended on December 11, 2023, which came into effect on January 20, 2024, there are three types of patents in the PRC: invention patent, utility model patent, and design patent. The protection period is 20 years for invention patent, 10 years for utility model patent, and 15 years for design patent, commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activity in infringement of a patent without prior authorization of the patentee shall pay compensation to the patentee and is subject to a fine imposed by relevant administrative authorities and, if the infringement constitutes a crime, shall be held criminally liable. In the event that a patent is owned by two or more co-owners without an agreement regarding the distribution of revenue generated from the exploitation of any co-owner of the patent, such revenue shall be distributed among all the co-owners.

Existing patents can become narrowed, invalid, or unenforceable due to a variety of grounds, including lack of novelty, creativity, and deficiencies in patent application. In China, a patent must have novelty, creativity, and practical applicability. Under the Patent Law, novelty means that before a patent application is filed, no identical invention or utility model has been publicly disclosed in any publication in China or overseas or has been publicly used or made known to the public by any other means, whether in or outside of China, nor has any other person filed with the patent authority an application that describes an identical invention or utility model and is recorded in patent application documents or patent documents published after the filing date. Creativity means that, compared with existing technology, an invention has prominent substantial features and represents notable progress, and a utility model has substantial features and represents any progress. Practical applicability means an invention or utility model can be manufactured or used and may produce positive results. Patents in China are filed with the State Intellectual Property Office, or the “SIPO.” Normally, the SIPO publishes an application for an invention patent within 18 months after the filing date, which may be shortened at the request of applicant. The applicant must apply to the SIPO for a substantive examination within three years from the date of application.

Regulations on Company Establishment

The establishment, operation, and management of companies in the PRC is governed by the PRC Company Law, or the “Company Law,” as promulgated by the SCNPC on December 29, 1993, effective on July 1, 1994, and subsequently amended in 1999, 2004, 2005, 2013, 2018 and 2023. On December 29, 2023, the Standing Committee of the National People’s Congress promulgated the amended PRC Company Law, or the Amended PRC Company Law, which came into effect on July 1, 2024, to supersede the existing PRC Company Law which was amended in October 2018. According to the Company Law, companies established in the PRC are either limited liability companies or joint stock limited liability companies. The Company Law applies to both domestic companies and foreign-invested companies.

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law of the PRC, or the “Foreign Investment Law,” which came into effect on January 1, 2020, repealing simultaneously the Law of the PRC on Sino-foreign Equity Joint Ventures, the Law of the PRC on Wholly Foreign-owned Enterprises, and the Law of the PRC on Sino-foreign Cooperative Joint Ventures. The Foreign Investment Law adopts the management system of pre-establishment national treatment and negative list for foreign investment. Policies in support of enterprises shall apply equally to foreign-funded enterprises according to laws and regulations. Foreign investment enterprises shall be guaranteed that they could equally participate in the setting of standards, and the compulsory standards formulated by the State shall be equally applied. Fair competition for foreign investment enterprises to participate in government procurement activities shall be protected. The Foreign Investment Law also stipulates the protection on intellectual property rights and trade secrets. In addition, Regulations for the Implementation of the Foreign Investment Law of the PRC came into effect as of January 1, 2020.

Notice on the Implementation of Foreign Investment Law and the Registration of Foreign-funded Enterprises was issued by the State Administration for Market Regulation on December 28, 2019. According to such notice, the State Administration for Market Regulation conducts business registration, and the applicant shall apply for the registration of foreign-funded enterprises through the enterprise registration system. The registration authority shall conduct formal examination on relevant application materials. Where a foreign investor or enterprise with foreign investment invests in a field other than those in the negative list, it shall register in accordance with the principle of consistency of domestic and foreign investment.

The Measures for Reporting Foreign Investment Information were adopted by MOFCOM on December 19, 2019, approved by the State Administration for Market Regulation, and became effective on January 1, 2020. According to such measures, when a foreign investor directly or indirectly conducts investment activities in China, the foreign investor or foreign-invested enterprise shall submit investment information to the competent department of commerce in accordance with the measures.

Regulation on Foreign Investment

Investment activities in the PRC by foreign investors were principally governed by the Guidance Catalog of Industries for Foreign Investment, promulgated and as amended from time to time by MOFCOM and National Development and Reform Commission (“NDRC”), which was later divided into two legal documents, including the Catalog of Industries for Encouraged Foreign Investment, or the “Encouraged Catalog,” and the Special Administrative Measures for Access of Foreign Investment (Negative List), or the “Negative List.” The current Encouraged Catalog was promulgated by MOFCOM and NDRC on October 26, 2022 and became effective on January 1, 2023. The current Negative List was promulgated by MOFCOM and NDRC on September 6, 2024, and became effective on November 1, 2024. Industries listed in the Negative List are divided into two categories: restricted and prohibited. Industries not listed in the Negative List are generally constituted “permitted,” and are open to foreign investment unless specifically restricted by other PRC regulations. For restricted industries, some are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to higher-level government approvals. Foreign investors are not allowed to invest in industries in the prohibited category. Pursuant to the current Negative List, manufacturing and selling bakery products is an encouraged industry for foreign investment access.

Regulations on Foreign Exchange

General Administration of Foreign Exchange

According to the Foreign Exchange Control Regulations of the PRC, which were promulgated by the State Council on January 29, 1996, came into effect on April 1, 1996, and were amended on January 14, 1997, and August 1, 2008 (which amendment came into effect on August 5, 2008), payments for transactions that take place within the PRC must be made in Renminbi. PRC companies or individuals may repatriate foreign exchange receipts received overseas or deposit overseas. Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of the PRC, unless prior approval is obtained from SAFE and prior registration with SAFE is made. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaged in settlement and sale of foreign exchange. For foreign exchange proceeds under the capital accounts, approval from SAFE is generally required for the retention or sale of such proceeds to a financial institution engaged in settlement and sale of foreign exchange.

Foreign Investment

According to Provisions on Foreign Exchange Control on Direct Investments in China by Foreign Investors, which were promulgated on May 10, 2013 and amended on October 10, 2018, by SAFE, upon establishment of a foreign investment enterprise pursuant to the law, registration formalities shall be completed with SAFE. In the event of subsequent changes in the capital of the foreign investment enterprise such as increase in capital, capital reduction, and equity transfer, registration change formalities shall be completed with SAFE.

Pursuant to the Circular of SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment, or the “SAFE Circular No. 59,” promulgated by SAFE on November 19, 2012, and was further amended on May 4, 2015, as well as October 10, 2018 and December 30, 2019, approval is not required for opening a foreign exchange account and depositing foreign exchange into the account relating to the direct investments. SAFE Circular No. 59 also simplified foreign exchange-related registration required for the foreign investors to acquire the equity interests of Chinese companies and further improve the administration on foreign exchange settlement for foreign investment enterprises.

The Notice of the State Administration of Foreign Exchange on Reforming the Mode of Management of Settlement of Foreign Exchange Capital of Foreign-Funded Enterprises, or the “SAFE Circular No.19,” which was promulgated by SAFE on March 30, 2015, and became effective on June 1, 2015, and was further amended on December 30, 2019 and March 23, 2023, provides that a foreign investment enterprise may, according to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange administration has confirmed monetary capital contribution rights and interests (or for which the bank has registered the injection of the monetary capital contribution into the account). Pursuant to the SAFE Circular No.19, for the time being, foreign investment enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise shall truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise shall first go through domestic re-investment registration and open a corresponding account for foreign exchange settlement pending payment with the foreign exchange administration or the bank at the place where it is registered.

Overseas Investment and Financing and Round-Trip Investment

Under SAFE Circular 37 issued by SAFE and effective on July 4, 2014, PRC residents are required to register with the local SAFE branch prior to the establishment or control of an offshore SPV, which is defined as offshore enterprises directly established or indirectly controlled by PRC residents for offshore equity financing of the enterprise assets or interests they hold in the PRC. An amendment to registration or subsequent filing with the local SAFE branch by such PRC resident is also required if there is any change in basic information of the offshore company or any material change with respect to the capital of the offshore company. At the same time, SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration over Round-trip Investment regarding the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014, as an attachment of SAFE Circular 37, and provided operational guidance in detail on how to complete the required registration under SAFE Circular 37. Pursuant to the Circular on Further Simplifying and Improving the Foreign Currency Management Policy on Direct Investment, or the “SAFE Circular No. 13,” which was promulgated by SAFE and effective from June 1, 2015, the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment are canceled and the procedure of foreign exchange-related registration are simplified. The investors shall register with banks for direct domestic investment and direct overseas investment.

As of the date of this annual report, all of our beneficial shareholders who are PRC residents have completed registrations in accordance with SAFE Circular 37. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in the PRC—PRC regulations relating to offshore investment activities by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiary to liability or penalties, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary’s ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.”

Dividend Distribution

Under the Company Law, the Foreign Investment Law, and Implementation Regulations of Foreign Investment Law, wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with China accounting standards and regulations. According to the Foreign Investment Law and Implementation Regulations of Foreign Investment Law, foreign investors’ investment, profits, capital gains, assets disposal income, intellectual property license fees, compensation or indemnification obtained according to law, and income from liquidation, among other things, may be freely remitted in or out of China in RMB or foreign currency. In addition, under the Company Law, wholly foreign-owned enterprises in the PRC are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. Wholly foreign-owned enterprises may, at their discretion, allocate a portion of their after-tax profits based on China accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in the PRC—Our PRC subsidiary is subject to restrictions on paying dividends or making other payments to us, which may have a material adverse effect on our ability to conduct our business.”

Regulations on Mergers & Acquisitions and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, including the CSRC, MOFCOM, the State-owned Assets Supervision and Administration Commission, the SAT, the State Administration of Industry and Commerce and SAFE, adopted the M&A Rules, which became effective on September 8, 2006, and were amended on June 22, 2009. Foreign investors shall comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise, when the foreign investors establish a foreign-invested enterprise in the PRC, purchase the assets of a domestic company and operate the assets, or when the foreign investors purchase the assets of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the assets. As for merger and acquisition of a domestic company with a related party relationship by a domestic company, enterprise or natural person in the name of an overseas company legitimately incorporated or controlled by the domestic company, enterprise of natural person, such merger and acquisition shall be subject to examination and approval of MOFCOM. The parties involved shall not use domestic investment by foreign investment enterprises or other methods to circumvent the requirement of examination and approval.

Pursuant to the Manual of Guidance on Administration for Foreign Investment Access, which was issued and became effective on December 18, 2008 by MOFCOM, notwithstanding the fact that (i) the domestic shareholder is connected with the foreign investor or not, or (ii) the foreign investor is the existing shareholder or the new investor, the M&A Rules shall not apply to the transfer of an equity interest in an incorporated foreign-invested enterprise from the domestic shareholder to the foreign investor.

On July 6, 2021, the General Office of the Central Committee of the Communist Party of China and the General Office of the State Council jointly issued the Opinions. The Opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies. The Opinions proposed to take effective measures, such as promoting the construction of relevant regulatory systems, to deal with the risks and incidents facing China-based overseas-listed companies and the demand for cybersecurity and data privacy protection.

On February 17, 2023, the CSRC promulgated the Trial Measures and five supporting guidelines, which came into effect on March 31, 2023. Pursuant to the Trial Measures, domestic companies that seek to offer or list securities overseas, both directly and indirectly, shall complete filing procedures with the CSRC pursuant to the requirements of the Trial Measures within three working days following its submission of initial public offerings or listing application. If a domestic company fails to complete required filing procedures or conceals any material fact or falsifies any major content in its filing documents, such domestic company may be subject to administrative penalties, such as an order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

The Trial Measures establish a list outlining the circumstances where a PRC enterprise is prohibited from offering and listing securities overseas, and the CSRC has the authority to block offshore listings that: (i) are explicitly prohibited by laws; (ii) may endanger national security as determined by relevant competent departments under the State Council; (iii) involve criminal offenses that disrupting PRC economy such as corruption, bribery, embezzlement, or misappropriation of property by the issuer, the controlling shareholder, and/or actual controller in the recent three years; (iv) involve the issuer under investigations for suspicion of criminal offenses or major violations of laws and regulations; or (v) involve material ownership disputes over the shares held by the controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. An issuer seeking direct or indirect overseas listing is also required to undergo national security review or obtain clearance from relevant authorities if necessary before making any application with overseas regulator or listing venue. Where an overseas securities regulator investigates and collects evidence relating to the overseas offering and listing of a PRC enterprise and related activities, and requests the CSRC for cooperation in accordance with the cross-border supervision and management cooperation mechanism, the CSRC may provide necessary assistance according to law and based on the principle of reciprocity.

According to the CSRC Notice, the domestic companies that have already been listed overseas before the effective date of the Trial Measures (namely, March 31, 2023) shall be deemed as existing issuers. Existing issuers are not required to complete the filing procedures immediately, and they shall be required to file with the CSRC for any subsequent offerings. In the event that we undertake new offerings or fundraising activities in the future, we may be required to complete necessary filing procedures pursuant to the Trial Measures.

On February 24, 2023, the CSRC, together with the MOF, National Administration of State Secrets Protection and National Archives Administration of China, revised the Provisions issued by the CSRC and National Administration of State Secrets Protection and National Archives Administration of China in 2009. The revised Provisions were issued under the title the “Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies,” and came into effect on March 31, 2023 together with the Trial Measures. One of the major revisions to the revised Provisions is expanding their application to cover indirect overseas offering and listing, as is consistent with the Trial Measures. The revised Provisions require that, among other things, (a) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals or entities, including securities companies, securities service providers, and overseas regulators, any documents and materials that contain state secrets or working secrets of government agencies, shall first obtain approval from competent authorities according to law, and file with the secrecy administrative department at the same level; and (b) a domestic company that plans to, either directly or indirectly through its overseas listed entity, publicly disclose or provide to relevant individuals and entities, including securities companies, securities service providers, and overseas regulators, any other documents and materials that, if leaked, will be detrimental to national security or public interest, shall strictly fulfill relevant procedures stipulated by applicable national regulations. Any failure or perceived failure by our Company, our subsidiaries, or the VIEs to comply with the above confidentiality and archives administration requirements under the revised Provisions and other PRC laws and regulations may result in the relevant entities being held legally liable by competent authorities, and referred to the judicial organ to be investigated for criminal liability if suspected of committing a crime.

The Opinions, the Trial Measures, the revised Provisions and any related implementing rules to be enacted may subject us to additional compliance requirements in the future. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in the PRC—The Opinions, the Trial Measures, and the revised Provisions recently issued by the PRC authorities may subject us to additional compliance requirements in the future.”

Enterprise Income Tax

According to the EIT Law, which was promulgated by the SCNPC on March 16, 2007, and became effective on January 1, 2008, and then amended on February 24, 2017 as well as December 29, 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC, or the Implementation Rules, which were promulgated by the State Council on December 6, 2007, became effective on January 1, 2008, and were amended on April 23, 2019 as well as December 6, 2024, which came into effect on January 20, 2025, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises pay enterprise income tax on their incomes obtained in and outside the PRC at the rate of 25%. Non-resident enterprises setting up institutions in the PRC pay enterprise income tax on the incomes obtained by such institutions in and outside the PRC at the rate of 25%. Non-resident enterprises with no institutions in the PRC, and non-resident enterprises with income having no substantial connection with their institutions in the PRC, pay enterprise income tax on their income obtained in the PRC at a reduced rate of 10%. An enterprise established outside of the PRC with its “de facto management bodies” located within the PRC is considered a “resident enterprise,” meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The Implementing Rules of the EIT Law define a “de facto management body” as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. It is more likely than not that the Company and its offshore subsidiary would be treated as a non-resident enterprise for PRC tax purposes. Please see “Item 10. Additional Information—E. Taxation—People’s Republic of China Enterprise Taxation.”

Based on the EIT Law, and according to the Notice on Further Expanding the Scope of Income Tax Preferential Policies for Small Low Profit Enterprises issued by MOF and the SAT on July 11, 2018, for the year ended December 31, 2018, once an enterprise meets certain requirements and is identified as a small-scale minimal profit enterprise, the portion of its taxable income not more than RMB1 million is subject to a reduced rate of 10%. According to the Announcement on Issues Related to the Implementation of Inclusive Income Tax Reduction and Exemption Policy for Small and Low Profit Enterprises issued by the SAT on January 18, 2019, from January 1, 2019 to December 31, 2021, the portion of its taxable income not more than RMB1 million is subject to a reduced rate of 5%, which rate is further reduced to 2.5% during the period from January 1, 2021 to December 31, 2022, and the portion above RMB1 million is subject to a reduced rate of 10%. According to the Announcement the Preferential Income Tax Policies for Small and Low Profit Enterprises and Individual Business Households issued by the Ministry of Finance and the SAT on March 26, 2023, effective from January 1, 2023, to December 31, 2024, for small low-profit enterprises, the portion of the annual taxable income that does not exceed RMB1 million will be reduced by 25% for the purpose of calculating the taxable income, and the enterprise income tax will be levied at a rate of 20%. For individual business households, the individual income tax on the portion of the annual taxable income that does not exceed RMB1 million will be collected at a rate that is half of the current preferential rate.

Individual Income Tax of Individual Industrial and Commercial Households

The UFG Entities are individually-owned businesses, which are not subject to the EIT Law. The Measures for Individual Income Tax Calculation of Individual Industrial and Commercial Households, or the “Measures,” was adopted by the SAT on December 19, 2014 and promulgated on December 27, 2014 and was further amended on June 15, 2018. According to Article 7 of the Measures, for the income from production and operation of individually-owned businesses, the amount of taxable income shall be the balance of the total income of each tax year after deducting costs, expenses, taxes, losses and other expenditures, and allowable compensation for losses in previous years, which is generally levied at a fixed-rate income tax at a certain percentage of a deemed TNI as assessed by the local tax authority. For the income tax rate of the UFG Entities, see the relevant information in “Item 5. Operating and Financial Review and Prospects—A. Operating Results—Comparison of Results of Operations for the Years Ended December 31, 2023, 2022, and 2021.”

Value-Added Tax

Pursuant to the Provisional Regulations on Value-added Tax of the PRC, or the “VAT Regulations,” which were promulgated by the State Council on December 13, 1993, and took effect on January 1, 1994, and were amended on November 10, 2008, February 6, 2016, and November 19, 2017, respectively, and the Rules for the Implementation of the Provisional Regulations on Value-added Tax of the PRC, which were promulgated by the MOF on December 25, 1993, and were amended on December 15, 2008, and October 28, 2011, respectively, entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the People’s Republic of China are taxpayers of value-added tax. The VAT rate is 17% for taxpayers selling goods, labor services, or tangible movable property leasing services or importing goods, except otherwise specified; 11% for taxpayers selling transport services, postal services, basic telecommunications services, construction services, or real property leasing services, selling real property, transferring the land use right, or selling or importing the goods within specified scope listed, except otherwise specified; 6% for taxpayers selling services or intangible assets and not falling within the scope as specified in other items; and 3% for small-scale taxpayers, unless otherwise stipulated by the State Council.

According to the Notice on the Adjustment to the Value-added Tax Rates issued by the SAT and the MOF on April 4, 2018, where taxpayers make VAT taxable sales or import goods, the applicable tax rates were adjusted from 17% to 16% and from 11% to 10%, respectively. Subsequently, the Notice on Policies for Deepening Reform of Value-added Tax was issued by SAT, the MOF, and the General Administration of Customs on March 20, 2019, and took effective on April 1, 2019, which further adjusted the applicable tax rates for taxpayers making VAT taxable sales or import goods. The applicable tax rates were adjusted from 16% to 13% and from 10% to 9%, respectively. Pursuant to Announcement on Value-added Tax Policies for Supporting Individual Businesses in Resumption of Business promulgated by SAT and the MOF on February 28, 2020, from March 1, 2020 to May 31, 2020, which was further extended to December 31, 2021, the applicable tax rates for small-scale VAT payers outside Hubei Province were adjusted from 3% to 1%.

Before April 2019, Xinjiang United Family and its branch offices were paying VAT at the rate of 16% for manufacturing and selling bakery products. Currently, Xinjiang United Family and its branch offices are paying VAT at the rate of 13% for manufacturing and selling bakery products. Three of the UFG Entities are currently paying VAT at the rate of 1% and the rest of the UFG Entities are exempted from paying VAT. If customers need to obtain a special VAT invoice, the UFG Entities that are exempted from paying VAT would apply to the local tax authority to issue the special VAT invoice on their behalf, with the tax authority levying VAT at a rate of 1%.

Additional Taxes

Before September 1, 2021, the Provisional Regulations of the People's Republic of China on Urban Maintenance and Construction Tax, or the "Provisional Regulations," promulgated by the State Council on February 8, 1985 and revised on January 8, 2011 governs the payment of urban maintenance and construction tax. According to the Provisional Regulations, all units and individuals paying consumption tax, VAT, and business tax are taxpayers of urban maintenance and construction tax and shall pay urban maintenance and construction tax in accordance with the provisions of these regulations. The Standing Committee of the National People's Congress passed the Tax Law of the People's Republic of China on Urban Maintenance and Construction on August 11, 2020, which came into effect on September 1, 2021. According to this law, the urban maintenance and construction tax is based on VAT and consumption tax actually paid by taxpayers. Therefore, if VAT is exempted, urban construction tax will also be exempted.

The Interim Provisions on Levying Educational Surcharges, or the "Interim Provisions," was issued by the State Council on April 28, 1986 and revised on June 7, 1990, August 20, 2005, and January 8, 2011. According to the Interim Provisions, the educational surcharges shall be calculated and levied on the basis of the actual VAT, business tax, and consumption tax paid by various units and individuals. The education surcharges rate is 3%, which shall be paid at the same time as the VAT, business tax, and consumption tax.

The Notice on Expanding the Exemption Scope of Relevant Government Funds, or "The Notice," was issued by the MOF and the SAT on January 29, 2016 and implemented from February 1, 2016. According to The Notice, with the approval of the State Council, the scope of exemption from education surcharges, local education surcharges, and water conservancy construction funds shall be expanded from the payers whose monthly sales volume or turnover does not exceed RMB30,000 (quarterly sales or turnover paid on a quarterly basis shall not exceed RMB90,000) to RMB100,000 (quarterly sales or turnover paid on a quarterly basis shall not exceed RMB300,000).

Currently, Xinjiang United Family and its branch offices are paying urban maintenance and construction tax at the rate of 7%, educational surcharges at the rate of 3%, and local education surcharges at 2%. Three of the UFG Entities are paying urban maintenance and construction tax at the rate of 7%, educational surcharges at the rate of 3%, and local education surcharges at 2%. All the UFG Entities are exempted from paying such additional taxes.

Dividend Withholding Tax

The EIT Law and the Implementation Rules provide that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Pursuant to the Double Tax Avoidance Arrangement and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the SAT Circular 81 issued on February 20, 2009 by the SAT, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. According to the Circular on Several Questions regarding the "Beneficial Owner" in Tax Treaties, which was issued on February 3, 2018, by the SAT and took effect on April 1, 2018, when determining the applicant's status of the "beneficial owner" regarding tax treatments in connection with dividends, interests, or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in 12 months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. This circular further provides that applicants who intend to prove his or her status of the "beneficial owner" shall submit the relevant documents to the relevant tax bureau according to the Announcement on Issuing the Measures for the Administration of Non-Resident Taxpayers' Enjoyment of the Treatment under Tax Agreements.

Regulations on Employment and Social Welfare

Labor Law of the PRC

The Labor Law of the PRC, or the “Labor Law,” was promulgated on July 5, 1994, and most recently amended on December 29, 2018. The Labor Law stipulates the provisions on the establishment and annulment of employment relationship, essential contents of employment contracts, working hours, remuneration, labor safety and hygiene, social insurance and other welfare, and liabilities for violating the Labor Law. The Labor Contract Law, which was implemented on January 1, 2008, and amended on December 28, 2012, is primarily aimed at regulating the rights and obligations of employers and employees, including the establishment, performance, and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts shall be in writing if labor relationships are to be or have been established between employers and the employees. Employers are prohibited from forcing employees to work above certain time limit and employers shall pay employees for overtime work in accordance with national regulations. In addition, employee wages shall be no lower than local standards on minimum wages and shall be paid to employees timely. Xinjiang United Family and its branch offices and the UFG Entities have entered into written employment contracts with all employees and performed its obligations required under the relevant PRC laws and regulations.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury implemented on January 1, 2004, and amended in 2010, the Provisional Measures for Maternity Insurance of Employees of Corporations implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Pension Insurance of the State Council issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council promulgated on December 14, 1998, the Unemployment Insurance Measures promulgated on January 22, 1999, the Interim Regulations Concerning the Collection and Payment of Social Insurance Premiums implemented on January 22, 1999, and the Social Insurance Law of the PRC implemented on July 1, 2011, employers are required to provide their employees in the PRC with welfare benefits covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance, and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit. Xinjiang United Family has not deposited the social insurance fees in full for all the employees in compliance with the relevant regulations.

In accordance with the Regulations on the Management of Housing Fund, which were promulgated by the State Council in April 3, 1999 and amended in March 24, 2002 and March 24, 2019, employers must register at the designated administrative centers and open bank accounts for depositing employees’ housing funds. Employer and employee are also required to pay and deposit housing funds, with an amount no less than 5% of the monthly average salary of the employee in the preceding year in full and on time. Xinjiang United Family has not yet paid housing funds for all employees.

See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in the PRC—Our PRC subsidiary and the VIEs have not made adequate social insurance and housing fund contributions for all employees as required by PRC regulations, which may subject us to penalties.”

U.S. Regulations

Government Regulations on Food Production and Store Operation

The U.S. Stores are subject to extensive and varied federal, state, and local government regulations, including regulations relating, among others, to public and occupational health and safety, healthcare, environment, sanitation, and fire prevention. The U.S. Stores operate in accordance with standards and procedures designed to comply with applicable codes and regulations. However, an inability to obtain or retain health department or other licenses would adversely affect the operations of the U.S. Stores. Although the U.S. Stores have not experienced, and do not anticipate, any significant difficulties, delays, or failures in obtaining required licenses, permits, or approvals as of the date of this annual report, any such problem could delay or prevent the opening of, or adversely impact the viability of, a particular store or group of stores. Additionally, difficulties, delays, or failures to retain or renew licenses, permits, or approvals, or increased compliance costs due to changed regulations, could adversely affect operations at the U.S. Stores.

In addition, in order to develop and construct additional stores, the U.S. Stores must comply with applicable zoning, land use, and environmental regulations. Federal and state environmental regulations have not had a material effect on our operations to date, but more stringent and varied requirements of local governmental bodies with respect to zoning, land use, and environmental factors could delay or even prevent construction and increase development costs for new stores. The U.S. Stores are also required to comply with the accessibility standards mandated by the U.S. Americans with Disabilities Act, which generally prohibits discrimination in accommodation or employment based on disability. The U.S. Stores may in the future have to modify stores, for example, by adding access ramps or redesigning certain architectural fixtures, to provide service to or make reasonable accommodations for disabled persons. While these expenses could be material, the current expectation is that any such actions will not require the U.S. Stores to expend substantial funds.

A portion of the sales in the U.S. Stores is attributable to the sale of alcoholic beverages. Alcoholic beverage control regulations require the U.S. Stores to apply to the New York State Liquor Authority for a license that must be renewed annually and may be revoked or suspended for cause at any time. Alcoholic beverage control regulations relate to numerous aspects of daily operations of the U.S. Stores, including minimum age of patrons and employees, hours of operation, advertising, trade practices, wholesale purchasing, other relationships with alcohol manufacturers, wholesalers and distributors, inventory control and handling, storage, and dispensing of alcoholic beverages. The U.S. Stores are also subject in certain states to “dram shop” statutes, which generally provide a person injured by an intoxicated person the right to recover damages from an establishment that wrongfully served alcoholic beverages to the intoxicated person. As of the date of this annual report, the U.S. Stores carry liquor liability coverage as part of their existing comprehensive general liability insurance. Currently, the U.S. Stores hold liquor licenses.

Further, the U.S. Stores are subject to the U.S. Fair Labor Standards Act, the U.S. Immigration Reform and Control Act of 1986, the Occupational Safety and Health Act and various other federal and state laws governing similar matters including minimum wages, overtime, workplace safety, and other working conditions. Significant numbers of the food service and preparation personnel employed by the U.S. Stores are paid at rates related to the applicable minimum wage, and further increases in the minimum wage or other changes in these laws could increase its labor costs. The ability of the U.S. Stores to respond to minimum wage increases by increasing menu prices will depend on the responses of their competitors and guests. The suppliers of the U.S. Stores also may be affected by higher minimum wage and benefit standards, which could result in higher costs of goods and services supplied by the U.S. Stores. The U.S. Stores may also be subject to lawsuits from their employees, the U.S. Equal Employment Opportunity Commission, or others alleging violations of federal and state laws regarding workplace and employment matters, discrimination, and similar matters.

There has been increased regulation of certain food establishments in the U.S., and the U.S. Stores may have to expend additional time and resources to comply with new food safety requirements either required by current or future federal food safety regulation or legislation. Additionally, the suppliers of the U.S. Stores may initiate or otherwise be subject to food recalls that may impact the availability of certain products, result in adverse publicity or require the U.S. Stores to take actions that could be costly for them or otherwise harm their business.

Environmental Matters

The U.S. Stores are subject to federal, state, and local environment laws and regulations concerning waste disposal, pollution, protection of the environment, and the presence, discharge, storage, handling, release, and disposal of, or exposure to, hazardous or toxic substances. These environmental laws can provide for significant fines and penalties for non-compliance and liabilities for remediation, sometimes without regard to whether the owner or operator of the property knew of, or was responsible for, the release or presence of the hazardous or toxic substances. Third parties may also make claims against owners or operators of properties for personal injuries and property damage associated with releases of, or actual or alleged exposure to, such substances. As of the date of this annual report, the U.S. Stores are not aware of any environmental laws that will materially affect their earnings or competitive position, or result in material capital expenditures relating to the U.S. Stores. However, we cannot predict what environmental laws will be enacted in the future, how existing or future environmental laws will be administered, interpreted, or enforced, or the amount of future expenditures that the U.S. Stores may need to make to comply with, or to satisfy claims relating to, environmental laws. It is possible that the U.S. Stores will become subject to environmental liabilities at their properties, and any such liabilities could materially affect their business, financial condition, or results of operation.

Other Regulations

The U.S. Stores are also subject to laws and regulations relating to advertising, information security, privacy, cashless payments, online payments, gift cards and consumer credit, protection and fraud, and food delivery, and any failure or perceived failure to comply with these laws could harm their reputation or lead to litigation, which could adversely affect their business, financial condition, or results of operations.

Furthermore, the U.S. Stores are subject to import laws and tariffs which could impact their ability to source and secure food products, other suppliers, and equipment necessary to their operations.

C. Organizational Structure

See “Item 3. Key Information—Our Corporate Structure.”

D. Property, Plants and Equipment

See “—B. Business Overview—Properties.”

Item 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included in this annual report. This report contains forward-looking statements. In evaluating our business, you should carefully consider the information provided under the caption “Item 3. Key Information—D. Risk Factors” in this annual report. We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. Operating Results

Key financial performance indicators

We consider a variety of financial and operating measures in assessing the performance of our business. The key financial performance measures we use are revenue, comparable store sales, gross profit and gross margin, selling, general, and administrative expenses (“SG&A expenses”), and operating income.

Revenue

Our revenue is derived primarily from sales of bakery and other products under the operating entities’ “George ● Chanson,” “Patisserie Chanson,” and “Chanson” brand names. As of December 31, 2024, the operating entities managed and operated 55 stores in the PRC (the “PRC Stores”) and three stores in the U.S. (the “U.S. Stores”). Our revenue is periodically influenced by the efficiency of sales promotions and the introduction and discontinuance of sales and promotion incentives. Growth of our revenue is primarily driven by expansion of the operating entities’ store base in existing and new markets as well as comparable store sales growth, described in “—Comparable Store Sales.” Revenue is impacted by competition, current economic conditions, pricing, inflation, product mix and availability, promotion, and spending habits of the operating entities’ customers. The product offerings of the PRC Stores and the U.S. Stores across diverse product categories support growth in revenue by attracting new customers and encouraging repeat visits from their existing customers.

Comparable Store Sales

Comparable store sales measure the performance of a store during the current reporting period against the performance of the same store in the corresponding period of the previous year. Comparable store sales are important points of analysis for the operating entities, as comparable store sales can be helpful to them in making future decisions regarding existing stores and new locations. The operating entities often drill down into comparable store sales figures to determine the exact cause of changes in revenue. The operating entities also use comparable store sales to evaluate current and likely future performance and as a measure of revenue growth to evaluate how established stores have performed over time compared to new stores.

For simplicity, our comparable store sales consist of revenue from the operating entities' stores only after they have had two full years of operations, which is when we believe comparability is achieved. Our comparable store definition includes stores that have been remodeled, expanded, or relocated in their existing location or respective geographic areas, but excludes stores that have been closed for an extended period or are planned to be closed or disposed of. Comparable store sales figures are presented as a percentage that indicates the relative amount of revenue increase or decrease, excluding the impact of foreign currency translation.

Opening new stores is a primary component of our growth strategy and, as the operating entities continue to execute on their growth strategy, we expect a significant portion of their revenue growth will be attributable to revenue from new stores. Accordingly, comparable store sales are one of the measures the operating entities use to assess the success of their growth strategy.

A variety of factors affect our comparable store sales, including, among others, consumer trends, competition, current economic conditions, pricing, inflation, changes in the operating entities' product mix, the success of their marketing programs, and the COVID-19 pandemic. During the year ended December 31, 2024, the comparable store sales in China (excluding the impact of foreign currency translation) increased by 10.7%. Since the start of fiscal year 2024, the PRC Stores have focused more on increasing their market share and there have been increased promotion activities and price discounts given to our customers, which attracted more customers to make purchases at the PRC Stores in the year ended December 31, 2024. As a result, the comparable store sales in China increased during the year ended December 31, 2024 as compared to last year. During the year ended December 31, 2024, the comparable store sales in the U.S. decreased by 12.6%, mainly due to increased competition from competitors operating in the same area.

Gross Profit and Gross Margin

Gross profit is the difference between revenue and cost of revenue. Our cost of revenue consists of labor costs, costs of ingredients used to prepare the operating entities' bakery products, inventory write-off due to discarded bakery products, packaging costs, freight charges, utility costs, rent expenses of manufacturing space, depreciation of production equipment, and other overhead costs. Ingredients costs account for the largest portion of our cost of revenue. Supplies and prices of the operating entities' various ingredients can be affected by a variety of factors, such as weather, seasonal fluctuations, demand, political environment, and economic conditions. An increase in the price of any ingredients used in the operating entities' bakery products could result in an increase in costs from their suppliers, and the operating entities may not be able to increase prices to cover increased costs, which would have an adverse effect on their operating results and profitability. In order to negotiate more favorable prices on ingredients, the operating entities have been and will continue to be directly involved in sourcing ingredients from qualified suppliers and try to lock in ingredient prices for typically six to twelve months through non-cancelable purchase commitments, when they expect the price to increase. Over the past years, the operating entities have invested significant time and energy to achieve cost reduction and productivity improvement in their supply chain. The operating entities have focused on reducing ingredient and packaging costs through increased volume buying, direct purchasing, and price negotiations, as well as strengthening inventory management from raw materials to finished goods to reduce the spoilage and wastage. On the other hand, labor is a primary component in the cost of operating the operating entities' business. Increased labor costs due to competition, increased minimum wage or employee benefits costs, or otherwise, would adversely impact the operating entities' operating expenses. In addition, the operating entities' success depends on their ability to attract, motivate, and retain qualified employees, including store managers and staff, to keep pace with their growth strategy.

Gross margin is gross profit divided by revenue. Gross margin is a measure used by management to indicate whether the operating entities are selling their products at an appropriate gross profit. Our gross margin is impacted by the operating entities' product mix and availability, as some products provide higher gross margins, and by their merchandise costs, which may vary. Gross margin is also impacted by prices of the operating entities' products. The operating entities typically evaluate the profitability of their products annually or semi-annually. The operating entities consider many factors such as cost of revenue fluctuations and competitive pricing strategies. The operating entities have historically been able to replace less profitable products with similar new products, and refine their product formulas to enhance existing products with higher prices to cover higher ingredient costs. In addition, the operating entities have a dedicated and highly-experienced product development team that constantly creates brand new products that reflect market trends and are attractive to customers.

SG&A Expenses

Our SG&A expenses are comprised of both store-related expenses and corporate expenses. Store-related expenses include payroll and employee benefit expenses and sales commissions paid to sales personnel, store rent, occupancy and maintenance costs, the cost of opening new stores, and marketing and advertising expenses. Corporate expenses include payroll and benefits for corporate and field support, legal, professional, and other consulting fees, travel expenses, and other facility related costs, such as rent and depreciation.

SG&A expenses generally increase as the operating entities grow their store base and invest in corporate infrastructure. The operating entities have made significant investments in talent retention and storefront upgrades over the past years which have resulted in higher SG&A expenses. Our SG&A expenses are expected to continue increasing in the future as the operating entities invest to open new stores, launch new products, increase brand awareness, attract new customers, and increase their market penetration. To support their growth, the operating entities will continue to increase headcount, particularly in the sales and marketing departments. This increase in headcount will drive higher payroll and employee-related expenses. Our operating entities also continue to invest in product innovation and promote sales growth. We expect our SG&A expenses to continue to increase in absolute dollars as we incur increased costs related to the growth of our business and our operation.

Operating Income

Operating income is the difference between gross profit and SG&A expenses. Operating income excludes interest income (expenses), other income, interest income from long term debt investment, and income tax expenses. We use operating income as an indicator of the productivity of our business and our ability to manage expenses.

Comparison of Results of Operations for the Years Ended December 31, 2024, 2023 and 2022

The following table summarizes the results of our operations during the years ended December 31, 2024, 2023 and 2022, respectively, and provides information regarding the dollar and percentage increase or decrease during such years.

	For the years ended December 31,		
	2024	2023	2022
Revenue	\$ 18,227,537	\$ 17,252,662	\$ 13,272,075
Cost of revenue	11,033,219	9,105,337	7,169,404
Gross profit	7,194,318	8,147,325	6,102,671
OPERATING EXPENSES			
Selling expenses	4,757,279	4,882,958	3,697,909
General and administrative expenses	2,966,659	3,874,868	3,842,787
Total operating expenses	7,723,938	8,757,826	7,540,696
LOSS FROM OPERATIONS	(529,620)	(610,501)	(1,438,025)
OTHER INCOME (EXPENSES)			
Interest (expense) income, net	(50,928)	35,505	(35,457)
Other income, net	687,492	193,425	194,824
Interest income from long term debt investment	723,945	534,575	-
Total other income, net	1,360,509	763,505	159,367
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	830,889	153,004	(1,278,658)
INCOME TAX EXPENSE	74,604	119,416	9,547
NET INCOME (LOSS)	\$ 756,285	\$ 33,588	\$ (1,288,205)

Revenue

We generate revenue primarily from bakery products and other products sold in China and the U.S. In the PRC Stores, bakery products consist of packaged bakery products (cakes, bread, and snacks), birthday cakes, and made-in-store pastries, and other products consist of seasonal products (mooncakes and zongzi) and beverage products. In the U.S. Stores, bakery products consist of cakes, bread, sweets, birthday cakes, and pastries, and other products consist of eat-in menu items (sandwiches, salads, toasts, croissants, soups, and desserts) and beverage products.

Our total revenue increased by \$974,875, or 5.7%, from \$17,252,662 for the year ended December 31, 2023 to \$18,227,537 for the year ended December 31, 2024. The increase in our revenue was due to increased revenue from the PRC Stores, which was partially offset by decreased revenue from the U.S. Stores.

Our total revenue increased by \$3,980,587, or 30.0%, from \$13,272,075 for the year ended December 31, 2022 to \$17,252,662 for the year ended December 31, 2023. The increase in our revenue was due to increased revenue from the PRC Stores, which was partially offset by decreased revenue from the U.S. Stores.

The following table sets forth the breakdown of our revenue for the years ended December 31, 2024, 2023 and 2022, respectively:

	For the Years Ended December 31,					
	2024	%	2023	%	2022	%
China						
Bakery products	\$ 14,793,850	81.1%	\$ 12,532,127	72.6%	\$ 8,705,218	65.7%
Other products	1,348,844	7.4%	1,782,030	10.3%	785,990	5.9%
Subtotal: revenue from China	<u>16,142,694</u>	88.5%	<u>14,314,157</u>	82.9%	<u>9,491,208</u>	71.6%
United States						
Bakery products	506,264	2.8%	444,958	2.6%	612,819	4.6%
Beverage products	1,276,306	7.0%	1,700,974	9.9%	2,047,670	15.4%
Eat-in services	302,273	1.7%	792,573	4.6%	1,120,378	8.4%
Subtotal: revenue from the United States	<u>2,084,843</u>	11.5%	<u>2,938,505</u>	17.1%	<u>3,780,867</u>	28.4%
Total Revenue	<u>\$ 18,227,537</u>	100.0%	<u>\$ 17,252,662</u>	100.0%	<u>\$ 13,272,075</u>	100.0%

China

The PRC Stores accounted for 88.5%, 82.9% and 71.6% of our total revenue for the years ended December 31, 2024, 2023 and 2022, respectively.

Revenue from China increased by \$1,828,537, or 12.8%, from \$14,314,157 for the year ended December 31, 2023 to \$16,142,694 for the year ended December 31, 2024. The increase was mainly due to the increased revenue from bakery products, which was partially offset by the decrease revenue from other products. Revenue from bakery products increased by \$2,261,723, or 18.0%, from \$12,532,127 for the year ended December 31, 2023 to \$14,793,850 for the year ended December 31, 2024. The increase was mainly attributed to the increased revenue generated by the newly opened bakery stores, as fifteen bakery stores were opened during the year ended December 31, 2024. Furthermore, since the start of fiscal year 2024, the PRC Stores have focused more on increasing their market share and there have been increased promotion activities and price discounts given to our customers, which attracted more customers to make purchases at the PRC Stores in the year ended December 31, 2024. Revenue from other products decreased by \$433,186, or 24.3%, from \$1,782,030 for the year ended December 31, 2023 to \$1,348,844 for the year ended December 31, 2024. The decrease was mainly due to decreased revenue from seasonal products as well as from beverage products. Revenue from seasonal products decreased by \$329,975, or 25.3%, from \$1,306,822 for the year ended December 31, 2023 to \$976,847 for the year ended December 31, 2024. The post-COVID-19 economy in China has recovered at a slower pace than expected, and the spending behavior of consumers have been affected by various factors such as the economic downward pressure and lack of consumer confidence. As a result, our revenue from seasonal products decreased due to the consumption downgrade during the year ended December 31, 2024. Our customers were more sensitive to the selling price and preferred lower-priced seasonal products with same quality during the year ended December 31, 2024. Revenue from beverage products decreased by \$103,211, or 21.7%, from \$475,208 for the year ended December 31, 2023 to \$371,997 for the year ended December 31, 2024, mainly due to the decreased revenue from one of our popular coffee bakery stores of approximately \$144,000. Due to the renovation of the shopping mall where our store located, our business was adversely affected, hence, we closed its business operation during the year ended December 31, 2024. However, the decrease in revenue from beverage products was partially offset by the increased revenue from freshly brewed coffee products, as the PRC Stores are focusing on expanding the business of coffee beverages and more coffee bakery stores were opened in the year ended December 31, 2024.

Revenue from China increased by \$4,822,949, or 50.8%, from \$9,491,208 for the year ended December 31, 2022 to \$14,314,157 for the year ended December 31, 2023. The increase was mainly due to the increased revenue from bakery products as well as from other products. Revenue from bakery products increased by \$3,826,909, or 44.0%, from \$8,705,218 for the year ended December 31, 2022 to \$12,532,127 for the year ended December 31, 2023, mainly because the PRC Stores' business operations fully recovered from the COVID-19 pandemic during the year ended December 31, 2023. Due to the 2022 Outbreak, which resulted in the implementation of significant governmental measures, including lockdowns, closures, quarantines, and travel bans, the operations of the PRC Stores and the production of the PRC Stores' central factory were adversely affected starting from August 10, 2022 and all of the PRC Stores and the central factory were closed between October 5, 2022 and November 30, 2022, during which time the PRC Stores only managed to generate limited online sales and group sales. In early December 2022, China announced a nationwide loosening of its zero-COVID policy and experienced a wave in infections after the lifting of these restrictions, but the spread of the COVID-19 has appeared to be under control since January 2023, and the PRC Stores' business operations have gradually recovered and the revenue from bakery products increased significantly thereafter. Revenue from other products increased by \$996,040, or 126.7%, from \$785,990 for the year ended December 31, 2022 to \$1,782,030 for the year ended December 31, 2023, due to increased revenue from seasonal products and beverage products. As the PRC Stores' business operations fully recovered from the negative impact of the 2022 Outbreak, revenue from seasonal products and beverage products both increased. Revenue from seasonal products increased by \$615,792, or 89.1%, from \$691,030 for the year ended December 31, 2022 to \$1,306,822 for the year ended December 31, 2023, mainly due to increased customer orders of seasonal products. As the PRC Stores upgraded packaging for seasonal products, the seasonal products were more appealing to the customers. Revenue from beverage products significantly increased by \$380,248, or 400.4%, from \$94,960 for the year ended December 31, 2022 to \$475,208 for the year ended December 31, 2023, mainly due to the increased revenue from freshly brewed coffee products, as the PRC Stores are focusing on expanding the business of coffee beverages. As of December 31, 2023, seven coffee bakery stores were opened, including one store opened in June 2022 and six stores opened in the year ended December 31, 2023.

United States

Revenue from the U.S. decreased by \$853,662, or 29.1%, from \$2,938,505 for the year ended December 31, 2023 to \$2,084,843 for the year ended December 31, 2024. The decrease was mainly due to decreased revenue from beverage products and eat-in services, which was partially offset by the increased revenue from bakery products. Revenue from bakery products increased by \$61,306, or 13.8%, from \$444,958 for the year ended December 31, 2023 to \$506,264 for the year ended December 31, 2024. The increase was due to the increased revenue from bakery products of approximately \$183,000, generated by Chanson 23rd Street and Chanson Broadway. During the year ended December 31, 2024, we upgraded our bakery products, making the products more appealing to our customers. In addition, as Chanson Broadway opened in July 2023, twelve months revenue were recognized in the year ended December 31, 2024, as compared to only six months revenue were recognized in the year ended December 31, 2023. The increase in revenue from bakery products was partially offset by the decreased revenue from Chanson Greenwich of approximately \$87,000 and Chanson 3rd Ave of approximately \$33,000. Many famous bakery brands have opened new stores in New York City, customers now have more choices and revenue from bakery products of Chanson 3rd Ave and Chanson Greenwich were affected. With the increased competition, Chanson Greenwich closed its business operation in the second half of fiscal year 2023. Revenue from beverage products decreased by \$424,668, or 25.0%, from \$1,700,974 for the year ended December 31, 2023 to \$1,276,306 for the year ended December 31, 2024, primarily due to the closure of Chanson Greenwich as mentioned above. The decrease was also attributable to increased competition from competitors operating in the same area. After the cocktail bars of the U.S. Stores launched several new types of cocktail products with new flavors and styles, such products became popular among customers and the cocktail bars were often fully booked by reservation. However, our competitors operating in the same area also launched many types of attractive cocktail products, so customers had more choices, and revenue from beverage products were adversely affected during the year ended December 31, 2024. Revenue from eat-in services decreased by \$490,300, or 61.9%, from \$792,573 for the year ended December 31, 2023 to \$302,273 for the year ended December 31, 2024. The decrease was mainly due to the decreased revenue from Chanson Greenwich of approximately \$436,000 as a result of the closure of its business as mentioned above. Moreover, the decrease was due to the decreased revenue from Chanson 23rd Street of approximately \$158,000, as Chanson 23rd Street adjusted its menu items and customers were adjusting to the new products. Additionally, the interior design of Chanson 23rd Street was outdated, which made it harder to attract customer visits. The decrease in revenue from eat-in services was partially offset by the increased revenue from eat-in services of approximately \$104,000, generated by Chanson 3rd Ave and Chanson Broadway.

Revenue from the U.S. decreased by \$842,362, or 22.3%, from \$3,780,867 for the year ended December 31, 2022 to \$2,938,505 for the year ended December 31, 2023. The decrease was mainly due to decreased revenue from beverage products, bakery products, and eat-in services. Revenue from bakery products decreased by \$167,861, or 27.4%, from \$612,819 for the year ended December 31, 2022 to \$444,958 for the year ended December 31, 2023, primarily due to increased competition from competitors operating in the same area. After the COVID-19 pandemic, many famous bakery brands have opened new stores in New York City, customers now have more choices and revenue from bakery products of Chanson 23rd Street and Chanson Greenwich were affected. With the increased competition, Chanson Greenwich closed its business operation in the second half of fiscal year 2023, which resulted in the decrease in revenue from bakery products. The decrease was partially offset by the increased revenue from bakery products of approximately \$140,000, generated by Chanson 3rd Ave and Chanson Broadway, the new stores opened in March 2023 and July 2023, respectively. Revenue from beverage products decreased by \$346,696, or 16.9%, from \$2,047,670 for the year ended December 31, 2022 to \$1,700,974 for the year ended December 31, 2023. After the cocktail bars of the U.S. Stores launched several new types of cocktail products with new flavors and styles, such products became popular among customers and the cocktail bars were often fully booked by reservation. However, during the year ended December 31, 2023, our competitors operating in the same area also launched many types of attractive cocktail products, so customers currently have more choices and revenue from beverage products were adversely affected. In addition, the decrease in revenue from beverage products was attributable to the closure of Chanson Greenwich as mentioned above. Revenue from eat-in services decreased by \$327,805, or 29.3%, from \$1,120,378 for the year ended December 31, 2022 to \$792,573 for the year ended December 31, 2023. The decrease was mainly due to the decreased revenue from Chanson Greenwich of approximately \$345,000 as a result of the closure of its business as mentioned above. Moreover, the decrease was due to the slightly decreased revenue from Chanson 23rd Street of approximately \$24,000, as Chanson 23rd Street adjusted its menu items and customers were adjusting to the new products. The decrease in revenue from eat-in services was partially offset by the increased revenue from eat-in services of approximately \$41,000, generated by the two newly opened stores, Chanson 3rd Ave and Chanson Broadway.

Cost of Revenue

Our cost of revenue consists of food ingredient costs, packaging costs, workforce related costs, overhead costs such as store rental and utilities for food production and processing, depreciation, and amortization.

Our overall cost of revenue increased by \$1,927,882, or 21.2%, from \$9,105,337 for the year ended December 31, 2023 to \$11,033,219 for the year ended December 31, 2024. The increase in our cost of revenue was due to increased cost of revenue from the PRC Stores and the U.S. Stores.

Our overall cost of revenue increased by \$1,935,933, or 27.0%, from \$7,169,404 for the year ended December 31, 2022 to \$9,105,337 for the year ended December 31, 2023. The increase in our cost of revenue was mainly due to increased cost of revenue from the PRC Stores.

The following table sets forth the breakdown of our cost of revenue for the years ended December 31, 2024, 2023 and 2022, respectively:

	For the Years Ended December 31,					
	2024	%	2023	%	2022	%
China						
Bakery products	\$ 8,345,235	75.6%	\$ 6,459,617	70.9%	\$ 4,686,808	65.4%
Other products	616,001	5.6%	736,694	8.1%	393,808	5.5%
Subtotal: cost of revenue from China	<u>8,961,236</u>	81.2%	<u>7,196,311</u>	79.0%	<u>5,080,616</u>	70.9%
United States						
Bakery products	646,945	5.9%	409,552	4.5%	404,535	5.6%
Beverage products	876,237	7.9%	891,033	9.8%	1,013,181	14.1%
Eat-in services	548,801	5.0%	608,441	6.7%	671,072	9.4%
Subtotal: cost of revenue from the United States	<u>2,071,983</u>	18.8%	<u>1,909,026</u>	21.0%	<u>2,088,788</u>	29.1%
Total Cost of Revenue	<u>\$ 11,033,219</u>	100.0%	<u>\$ 9,105,337</u>	100.0%	<u>\$ 7,169,404</u>	100.0%

China

Cost of revenue from China increased by \$1,764,925, or 24.5%, from \$7,196,311 for the year ended December 31, 2023 to \$8,961,236 for the year ended December 31, 2024. The increase was primarily due to the increased cost of revenue of bakery products, which was partially offset by the decreased cost of revenue of other products. Cost of revenue from sales of bakery products increased by \$1,885,618, or 29.2%, from \$6,459,617 for the year ended December 31, 2023 to \$8,345,235 for the year ended December 31, 2024, mainly due to the increase in sales of bakery products. The percentage of increase in cost of revenue was more than that in revenue during the same period, due to more discounts offered to our customers in the year ended December 31, 2024, as discussed in “—Gross Profit and Gross Margin” below in more details. Cost of revenue from other products decreased by \$120,693, or 16.4%, from \$736,694 for the year ended December 31, 2023 to \$616,001 for the year ended December 31, 2024. Cost of revenue from seasonal products decreased by \$95,529, or 19.1%, from \$501,231 for the year ended December 31, 2023 to \$405,702 for the year ended December 31, 2024, mainly due to the decrease in sales of seasonal products. The percentage of decrease in cost of revenue was less than that in revenue during the same period, due to more discounts offered to our customers in the year ended December 31, 2024 as discussed in “—Gross Profit and Gross Margin” below. The cost of revenue from beverage products decreased by \$25,164, or 10.7%, from \$235,463 for the year ended December 31, 2023 to \$210,299 for the year ended December 31, 2024, mainly due to the decrease in sales of coffee products. The percentage of decrease in cost of revenue was less than that in revenue during the same period, due to more discounts offered to our customers in the year ended December 31, 2024, as discussed in “—Gross Profit and Gross Margin” below.

Cost of revenue from China increased by \$2,115,695, or 41.6%, from \$5,080,616 for the year ended December 31, 2022 to \$7,196,311 for the year ended December 31, 2023. The increase was primarily due to the increased cost of revenue of other products and bakery products. Cost of revenue from sales of bakery products increased by \$1,772,809, or 37.8%, from \$4,686,808 for the year ended December 31, 2022 to \$6,459,617 for the year ended December 31, 2023, mainly due to the increase in sales of bakery products. The percentage of increase in cost of revenue was less than that in revenue during the same period, due to less spoilage and wastage of inventory incurred in the year ended December 31, 2023, as discussed in “—Gross Profit and Gross Margin” below in more details. Cost of revenue from other products increased by \$342,886, or 87.1%, from \$393,808 for the year ended December 31, 2022 to \$736,694 for the year ended December 31, 2023. Cost of revenue from seasonal products increased by \$165,616, or 49.3%, from \$335,615 for the year ended December 31, 2022 to \$501,231 for the year ended December 31, 2023, mainly due to the increase in sales of seasonal products. The percentage of increase in cost of revenue was less than that in revenue during the same period, due to more discounts offered to our customers in the year ended December 31, 2022 as discussed in “—Gross Profit and Gross Margin” below. The cost of revenue from beverage products increased by \$177,270, or 304.6%, from \$58,193 for the year ended December 31, 2022 to \$235,463 for the year ended December 31, 2023, mainly due to the increase in sales of coffee products. The percentage of increase in cost of revenue was less than that in revenue during the same period, due to the higher gross margin of coffee products, as discussed in “—Gross Profit and Gross Margin” below.

United States

Cost of revenue from the U.S. increased by \$162,957, or 8.5%, from \$1,909,026 for the year ended December 31, 2023 to \$2,071,983 for the year ended December 31, 2024. The increase was due to the increased cost of revenue from bakery products, which was partially offset by the decreased cost of revenue from beverage products and eat-in services. Cost of revenue from sales of bakery products increased by \$237,393, or 58.0%, from \$409,552 for the year ended December 31, 2023 to \$646,945 for the year ended December 31, 2024. The increase was primarily due to the increased cost of revenue from Chanson 23rd Street and Chanson Broadway. The increase in cost of revenue from sales of bakery products was partially offset by the decreased cost of revenue from Chanson 3rd Ave and Chanson Greenwich, which was in line with their decreased revenue from bakery products. The percentage of increase in cost of revenue was more than that in revenue during the same period, due to the increased spoilage and wastage of inventory, and the high fixed costs of Chanson 3rd Ave and Chanson Broadway, as discussed in “—Gross Profit and Gross Margin” below. Cost of revenue from sales of beverage products decreased by \$14,796, or 1.7%, from \$891,033 for the year ended December 31, 2023 to \$876,237 for the year ended December 31, 2024, due to the decrease in sales of beverage products from the U.S. Stores. The percentage of decrease in cost of revenue was less than that in revenue during the same period, due to more discounts offered to our customers, and the high fixed costs of Chanson 3rd Ave and Chanson Broadway in the year ended December 31, 2024, as discussed in “—Gross Profit and Gross Margin” below. Cost of revenue from eat-in services decreased by \$59,640, or 9.8%, from \$608,441 for the year ended December 31, 2023 to \$548,801 for the year ended December 31, 2024. The percentage of decrease in cost of revenue was less than that in revenue, due to the increased spoilage and wastage of inventory, and the high fixed costs of Chanson 3rd Ave and Chanson Broadway, as discussed in “—Gross Profit and Gross Margin” below.

Cost of revenue from the U.S. decreased by \$179,762, or 8.6%, from \$2,088,788 for the year ended December 31, 2022 to \$1,909,026 for the year ended December 31, 2023. The decrease was due to the decreased cost of revenue from beverage products and eat-in services, which was partially offset by the increased cost of revenue from bakery products. Cost of revenue from sales of bakery products increased by \$5,017, or 1.2%, from \$404,535 for the year ended December 31, 2022 to \$409,552 for the year ended December 31, 2023. The increase was primarily due to the increased cost of revenue from bakery products of approximately \$240,000, generated by the two newly opened stores, Chanson 3rd Ave and Chanson Broadway. The increase in cost of revenue from sales of bakery products was partially offset by the decreased cost of revenue from Chanson 23rd Street and Chanson Greenwich, which was in line with their decreased revenue from bakery products. The cost of revenue increased despite the decreased revenue during the same period, due to the increased spoilage and wastage of inventory, and the fixed costs of the two new stores with higher proportion, as discussed in “—Gross Profit and Gross Margin” below. Cost of revenue from sales of beverage products decreased by \$122,148, or 12.1%, from \$1,013,181 for the year ended December 31, 2022 to \$891,033 for the year ended December 31, 2023, due to the decrease in sales of beverage products from the U.S. Stores. The percentage of decrease in cost of revenue was less than that in revenue during the same period, due to more discounts offered to our customers in the year ended December 31, 2023, as discussed in “—Gross Profit and Gross Margin” below. The cost of revenue from eat-in services decreased by \$62,631, or 9.3%, from \$671,072 for the year ended December 31, 2022 to \$608,441 for the year ended December 31, 2023. The percentage of decrease in cost of revenue was less than that in revenue, due to the increased spoilage and wastage of inventory, and the fixed costs of the two new stores with higher proportion, as discussed in “—Gross Profit and Gross Margin” below.

Gross Profit (Loss) and Gross Margin

Our gross profit decreased by \$953,007, or 11.7%, from \$8,147,325 for the year ended December 31, 2023 to \$7,194,318 for the year ended December 31, 2024. The decrease was mainly attributable to the increase in revenue from the PRC Stores, and partially offset by the decrease in revenue from the U.S. Stores. Our gross margin decreased by 7.7 percentage points from 47.2% for the year ended December 31, 2023 to 39.5% for the year ended December 31, 2024.

Our gross profit increased by \$2,044,654, or 33.5%, from \$6,102,671 for the year ended December 31, 2022 to \$8,147,325 for the year ended December 31, 2023. The increase was mainly attributable to the increase in revenue from the PRC Stores, and partially offset by the decrease in revenue from the U.S. Stores. Our gross margin remained relatively stable with a slight increase by 1.2 percentage points from 46.0% for the year ended December 31, 2022 to 47.2% for the year ended December 31, 2023.

The following table sets forth the breakdown of our gross profit for the years ended December 31, 2024, 2023 and 2022, respectively:

	For the Years Ended December 31,					
	2024	Margin %	2023	Margin %	2022	Margin %
China						
Bakery products	\$ 6,448,615	43.6%	\$ 6,072,510	48.5%	\$ 4,018,410	46.2%
Other products	732,843	54.3%	1,045,336	58.7%	392,182	49.9%
Subtotal: gross profit and margin % from China	7,181,458	44.5%	7,117,846	49.7%	4,410,592	46.5%
United States						
Bakery products	(140,681)	(27.8)%	35,406	8.0%	208,284	34.0%
Beverage products	400,069	31.3%	809,941	47.6%	1,034,489	50.5%
Eat-in services	(246,528)	(81.6)%	184,132	23.2%	449,306	40.1%
Subtotal: gross profit and margin % from the United States	12,860	0.6%	1,029,479	35.0%	1,692,079	44.8%
Total Gross Profit and Margin %	\$ 7,194,318	39.5%	\$ 8,147,325	47.2%	\$ 6,102,671	46.0%

China

Gross profit from China remained relatively stable with a slight increase by \$63,612, or 0.9%, from \$7,117,846 for the year ended December 31, 2023 to \$7,181,458 for the year ended December 31, 2024. The increase was mainly attributable to the overall increase in sales. The gross margin decreased by 5.2 percentage points from 49.7% for the year ended December 31, 2023 to 44.5% for the year ended December 31, 2024. The gross profit of bakery products increased by \$376,105, or 6.2%, from \$6,072,510 for the year ended December 31, 2023 to \$6,448,615 for the year ended December 31, 2024, and the gross margin of bakery products decreased by 4.9 percentage points from 48.5% for the year ended December 31, 2023 to 43.6% for the year ended December 31, 2024. Since the start of fiscal year 2024, the PRC Stores have focused more on increasing their market share, and due to the consumption downgrade as mentioned above, there have been increased promotion activities and price discounts given to their customers, which resulted in a decrease in gross margin of bakery products for the year ended December 31, 2024. The gross profit of other products decreased by \$312,493, or 29.9%, from \$1,045,336 for the year ended December 31, 2023 to \$732,843 for the year ended December 31, 2024, and the gross margin decreased by 4.4 percentage points from 58.7% for the year ended December 31, 2023 to 54.3% for the year ended December 31, 2024. The gross margin of seasonal products decreased by 3.1 percentage points from 61.6% for the year ended December 31, 2023 to 58.5% for the year ended December 31, 2024. As a result of consumption downgrade as mentioned above, we offered more sales promotions and price discounts to attract more customers, which resulted in a decrease in gross margin of seasonal products for the year ended December 31, 2024 as compared to last year. The gross margin of beverage products decreased by 7.0 percentage points from 50.5% for the year ended December 31, 2023 to 43.5% for the year ended December 31, 2024. Many famous coffee chain brands opened new stores in Xinjiang and offers products at very low prices to expand their market shares. With the increased competition we faced, we had to offer more sales promotions and price discounts to attract more customers. Therefore, our gross margin of beverage products decreased during the year ended December 31, 2024 as compared to fiscal year 2023.

Gross profit from China increased by \$2,707,254, or 61.4%, from \$4,410,592 for the year ended December 31, 2022 to \$7,117,846 for the year ended December 31, 2023. The increase was mainly attributable to the overall increase in sales. The gross margin increased by 3.2 percentage points from 46.5% for the year ended December 31, 2022 to 49.7% for the year ended December 31, 2023. The gross profit of bakery products increased by \$2,054,100, or 51.1%, from \$4,018,410 for the year ended December 31, 2022 to \$6,072,510 for the year ended December 31, 2023, and the gross margin of bakery products increased by 2.3 percentage points from 46.2% for the year ended December 31, 2022 to 48.5% for the year ended December 31, 2023. During the year ended December 31, 2022, the PRC Stores experienced temporary closures in compliance with the COVID-19 regional lockdowns and the difficulty in estimating customer demand, which resulted in spoilage and wastage of excess bakery products, fresh ingredients, and ingredients with shorter storage life. During the year ended December 31, 2023, the PRC Stores gradually returned to normal operation, and less spoilage and wastage of inventory was incurred. The gross profit of other products increased by \$653,154, or 166.5%, from \$392,182 for the year ended December 31, 2022 to \$1,045,336 for the year ended December 31, 2023, and the gross margin increased by 8.8 percentage points from 49.9% for the year ended December 31, 2022 to 58.7% for the year ended December 31, 2023. The gross margin of seasonal products increased by 10.2 percentage points from 51.4% for the year ended December 31, 2022 to 61.6% for the year ended December 31, 2023. As the Mid-autumn Festival fell in September 2022, the PRC Stores' sales of mooncakes were adversely affected by the 2022 Outbreak. In order to increase the sales and clear our stocks, the PRC Stores had to offer more discounts to customers, which resulted in a decrease in gross margin of seasonal products for the year ended December 31, 2022 as compared to the fiscal year of 2023. The gross margin of beverage products increased by 11.8 percentage points from 38.7% for the year ended December 31, 2022 to 50.5% for the year ended December 31, 2023. The increase in gross margin of beverage products was primarily due to a decrease in spoilage and wastage of raw materials during the year ended December 31, 2023, as the staff at the PRC stores have become more experienced in preparing coffee products since the launch of the coffee business in the year ended December 31, 2022. Moreover, due to the increased prices of raw materials such as fresh fruit and the increased inventory spoilage of fresh ingredients caused by the irregular opening hours and store closure during the 2022 Outbreak, the gross margin of beverage products decreased in the year ended December 31, 2022.

United States

Gross profit from the U.S. decreased by \$1,016,619, or 98.8%, from \$1,029,479 for the year ended December 31, 2023 to \$12,860 for the year ended December 31, 2024. The decrease was mainly attributable to the overall decrease in revenue. The gross margin decreased by 34.4 percentage points from 35.0% for the year ended December 31, 2023 to 0.6% for the year ended December 31, 2024. The gross profit of bakery products decreased by \$176,087, or 497.3%, from gross profit of \$35,406 for the year ended December 31, 2023 to gross loss of \$140,681 for the year ended December 31, 2024, and the gross margin of bakery products decreased by 35.8 percentage points, from 8.0% for the year ended December 31, 2023 to (27.8)% for the year ended December 31, 2024. The decrease in gross margin was mainly attributable to Chanson 3rd Ave and Chanson Broadway. Revenue generated by Chanson 3rd Ave and Chanson Broadway were relatively low at the starting stage, and in addition, the customer visits were adversely affected as the building where Chanson 3rd Ave was located was under renovation in the year ended December 31, 2024. However, the fixed costs we incurred, such as rental expense, salaries related expenses as well as other overhead expenses were much higher than the revenue earned, which led to negative gross margin from Chanson 3rd Ave and Chanson Broadway for the year ended December 31, 2024. Meanwhile, due to the increased competition as mentioned above, customer demand was harder to estimate and higher spoilage of inventory, excess raw materials and bakery products with short storage life was incurred. Together with the increased price of raw materials, the gross margin of bakery products significantly decreased in the year ended December 31, 2024. The gross profit of beverage products decreased by \$409,872, or 50.6%, from \$809,941 for the year ended December 31, 2023 to \$400,069 for the year ended December 31, 2024, and the gross margin of beverage products decreased by 16.3 percentage points, from 47.6% for the year ended December 31, 2023 to 31.3% for the year ended December 31, 2024. The decreased gross margin was primarily attributable to the negative gross margin contributed from Chanson 3rd Ave and Chanson Broadway due to the reasons as mentioned above. Meanwhile, due to increased competition in our market, the U.S. Stores offered more promotions and discounts in order to make their beverage products more appealing to the customers. Therefore, the gross margin of beverage products decreased during the year ended December 31, 2024. The gross profit of eat-in services decreased by \$430,660, or 233.9%, from \$184,132 for the year ended December 31, 2023 to gross loss of \$246,528 for the year ended December 31, 2024, and the gross margin of eat-in services decreased by 104.8 percentage points from 23.2% for the year ended December 31, 2023 to (81.6)% for the year ended December 31, 2024. The decreased gross margin was mainly due to the negative gross margin contributed from Chanson 23rd Street, Chanson 3rd Ave and Chanson Broadway, which resulted from higher spoilage of inventory as well as increased price of raw materials as mentioned above.

Gross profit from the U.S. decreased by \$662,600, or 39.2%, from \$1,692,079 for the year ended December 31, 2022 to \$1,029,479 for the year ended December 31, 2023. The decrease was mainly attributable to the overall decrease in revenue. The gross margin decreased by 9.8 percentage points from 44.8% for the year ended December 31, 2022 to 35.0% for the year ended December 31, 2023. The gross profit of bakery products decreased by \$172,878, or 83.0%, from \$208,284 for the year ended December 31, 2022 to \$35,406 for the year ended December 31, 2023, and the gross margin of bakery products decreased by 26.0 percentage points, from 34.0% for the year ended December 31, 2022 to 8.0% for the year ended December 31, 2023. The decrease in gross margin was mainly attributable to our two newly opened stores, Chanson 3rd Ave and Chanson Broadway. During the first few months after their opening, there were limited revenue generated, however, the fixed costs incurred, such as rental expense, salaries related expenses as well as other overhead expenses were much higher than the revenue earned, which led to negative gross margin from these two newly opened stores for the year ended December 31, 2023. Meanwhile, due to the increased competition in our market as mentioned above, customer demand was harder to estimate and higher spoilage of inventory, excess raw materials and bakery products with short storage life was incurred. Together with the increased price of raw materials, the gross margin of bakery products decreased in the year ended December 31, 2023. The gross profit of beverage products decreased by \$224,548, or 21.7%, from \$1,034,489 for the year ended December 31, 2022 to \$809,941 for the year ended December 31, 2023, and the gross margin of beverage products decreased by 2.9 percentage points, from 50.5% for the year ended December 31, 2022 to 47.6% for the year ended December 31, 2023. Due to increased competition, the U.S. Stores launched more promotions and offered more discounts in order to make their beverage products more appealing to the customers. Therefore, the gross margin of beverage products decreased during the year ended December 31, 2023. The gross profit of eat-in services decreased by \$265,174, or 59.0%, from \$449,306 for the year ended December 31, 2022 to \$184,132 for the year ended December 31, 2023, and the gross margin of eat-in services decreased by 16.9 percentage points from 40.1% for the year ended December 31, 2022 to 23.2% for the year ended December 31, 2023. The decreased gross margin was mainly due to the negative gross margin contributed from Chanson 3rd Ave and Chanson Broadway, higher spoilage of inventory as well as increased price of raw materials as mentioned above.

Operating Expenses

The following table sets forth the breakdown of our operating expenses for the years ended December 31, 2024, 2023 and 2022.

	For the Years Ended December 31,					
	2024		2023		2022	
	Amount	% of revenue	Amount	% of revenue	Amount	% of revenue
Total revenue	\$ 18,227,537	100.0%	\$ 17,252,662	100.0%	\$ 13,272,075	100.0%
Total operating expenses:						
Selling expenses	4,757,279	26.1%	4,882,958	28.3%	3,697,909	27.9%
General and administrative expenses	2,966,659	16.3%	3,874,868	22.5%	3,842,787	29.0%
Total operating expenses	<u>\$ 7,723,938</u>	<u>42.4%</u>	<u>\$ 8,757,826</u>	<u>50.8%</u>	<u>\$ 7,540,696</u>	<u>56.9%</u>

Selling Expenses

Our selling expenses primarily include payroll and sales commission expenses paid to our sales and marketing personnel, store operating expenses, store rental, store decoration and maintenance expenses, utility expenses, and other expenses related to sales activities. Our selling expenses accounted for 26.1%, 28.3% and 27.9%, of our revenue for the years ended December 31, 2024, 2023 and 2022, respectively.

Selling expenses decreased by \$125,679, or 2.6%, from \$4,882,958 for the year ended December 31, 2023 to \$4,757,279 for the year ended December 31, 2024. The decrease was mainly due to the decreased selling expenses of approximately \$245,000 incurred by Chanson Greenwich, as Chanson Greenwich was closed in the second half of fiscal year 2023. The decrease was also due to the decreased salary and social security expenses of approximately \$293,000 from the PRC Stores as a result of streamlining of headcount to improve our operating efficiency during the year ended December 31, 2024. The decrease in selling expenses was partially offset by (i) the increased selling expenses of approximately \$140,000 generated by the Chanson 3rd Ave and Chanson Broadway, the new stores opened in March 2023 and July 2023, respectively; (ii) the increased rent expense of approximately \$82,000, as we opened twenty stores in the year ended December 31, 2024; and (iii) an increase in online platform service fees of approximately \$135,000, resulting from the increased online sales on the third-party platform during the year ended December 31, 2024.

Selling expenses increased by \$1,185,049, or 32.0%, from \$3,697,909 for the year ended December 31, 2022 to \$4,882,958 for the year ended December 31, 2023. The increase was primarily due to the increase in selling expenses of \$1,335,251 from the PRC Stores, partially offset by the decrease of \$150,202 from the U.S. Stores. The increase in selling expenses from the PRC Stores was mainly because the business operations in China fully recovered from the negative impact of the 2022 Outbreak. The increase was also due to the opening of new PRC Stores in the year ended December 31, 2023. The decrease in selling expenses from the U.S. Stores was mainly attributable to the increased lease concession of \$127,500 received by Chanson 23rd Street and Chanson Greenwich in the year ended December 31, 2023.

General and Administrative Expenses

Our general and administrative expenses primarily consist of administrative employee salaries, welfare and insurance expenses, depreciation, and professional service expenses. Our general and administrative expenses accounted for 16.3%, 22.5% and 29.0% of our revenue for the years ended December 31, 2024, 2023 and 2022, respectively.

General and administrative expenses decreased by \$908,209, or 23.4%, from \$3,874,868 for the year ended December 31, 2023 to \$2,966,659 for the year ended December 31, 2024. The decrease was primarily due to the decreased general and administrative expenses of approximately \$659,000 incurred by Chanson Greenwich as result of its closure as mentioned above. The decrease was also attributable to the decreased fees paid for professional services such as financial consulting services in the year ended December 31, 2024.

General and administrative expenses increased by \$32,081, or 0.8%, from \$3,842,787 for the year ended December 31, 2022 to \$3,874,868 for the year ended December 31, 2023. The increase was mainly due to the increased general and administrative expenses of \$380,915 incurred by the PRC Stores. The increase in general and administrative expenses from the PRC Stores was mainly because the business operations in China fully recovered from the negative impact of the 2022 Outbreak. The increase was also due to the increased salaries related costs, as more employees were hired for the newly opened stores. The increase was also attributable to the increased consulting and professional service fee as we became a public company upon the completion of initial public offering in the year ended December 31, 2023. The increase was partially offset by the decreased general and administrative expenses of \$348,834 incurred by the U.S. Stores. The decrease in general and administrative expenses from the U.S. Stores was primarily due to decreased salary and social security expenses, mainly resulting from optimization of management team of our U.S. Stores. In addition, the decrease was due to the decreased general and administrative expenses incurred by Chanson Greenwich, as Chanson Greenwich was closed in the second half of fiscal year 2023.

Other Income, Net

Our other income, net primarily consists of gain or loss from disposal of fixed assets, rental income and government subsidies.

Other income, net significantly increased by \$494,067, or 255.4%, from other income, net of \$193,425 for the year ended December 31, 2023 to other income, net of \$687,492 for the year ended December 31, 2024. During the year ended December 31, 2023, the Company entered into a cooperation agreement with a third party, and granted the third party a license to use the Chanson Greenwich's store for events from August 1, 2023 to July 31, 2024, which resulted in seven months of net other income recorded during the year ended December 31, 2024, compared to five months of net other income during the year ended December 31, 2023. The increase was also attributable to a gain of approximately \$153,000 from the disposal of property and equipment by Chanson Greenwich during the year ended December 31, 2024.

Other income, net remained relatively stable with a slight decrease by \$1,399, or 0.7%, from other income, net of \$194,824 for the year ended December 31, 2022 to other income, net of \$193,425 for the year ended December 31, 2023.

Interest Income from Long Term Debt Investment

On March 31, 2023, the Company entered into a five-year agreement with Worthy Credit Limited (“Worthy Credit”), pursuant to which, the Company made payment of \$6.0 million to Worthy Credit, and authorized Worthy Credit to invest the Company’s funds to provide loan services for housing mortgage applicants, with rates of return of 12% per annum. The Company recorded interest income of \$723,945, \$534,575 and \$nil for the years ended December 31, 2024, 2023 and 2022, respectively.

Provision for Income Taxes

Our provision for income taxes was \$74,604, \$119,416 and \$9,547 for the years ended December 31, 2024, 2023 and 2022, respectively. Under the PRC Enterprise Income Tax Law (the “EIT Law”), domestic enterprises and foreign investment enterprises are usually subject to a unified 25% EIT rate while preferential tax rates, tax holidays, or exemptions may be granted on a case-by-case basis.

Xinjiang United Family Trading Co., Ltd. (“Xinjiang United Family”) and its five branch offices were incorporated in the PRC. During the year ended December 31, 2022, Xinjiang United Family and its three branch offices qualified as small-scaled minimal profit enterprises. According to the Announcement on Implementing the Preferential Income Tax Policies for Small-Scale Minimal Profit Enterprise on March 14, 2022, March 26, 2023 and August 2, 2023, the taxable income not more than RMB3 million is subject to a reduced rate of 5% during the period from January 1, 2023 to December 31, 2027. During the years ended December 31, 2024 and 2023, Xinjiang United Family and all its branch offices did not qualify as small-scaled minimal profit enterprises and were subject to 25% income tax rate.

The association between Xinjiang United Family and the VIEs is known as the “United Family Group” or “UFG.” The UFG entities are individually-owned businesses, which are not subject to the EIT Law of the PRC, but the Individual Income Tax. The Measures for Individual Income Tax Calculation of Individual Industrial and Commercial Households, or the “Measures,” were adopted by the State Administration of Taxation on December 19, 2014 and promulgated on December 27, 2014, and amended on June 15, 2018. According to Article 7 of the Measures, for the income from production and operation of individually-owned businesses, the amount of taxable income shall be the balance of the total income of each tax year after deducting costs, expenses, taxes, losses and other expenditures, and allowable compensation for losses in previous years. Income tax for an individually-owned business can generally be assessed on an actual basis or a deemed basis, which the UFG entities apply. Therefore, income tax for the UFG entities is levied as a fixed-rate income tax at 1% of TNI as assessed by the local tax authority. According to Announcement No. 12 [2021], Announcement No. 6 [2023] and Announcement No. 12 [2023] of the State Taxation Administration, the tax rate is reduced by half to 0.5% during the period from January 1, 2021 to December 31, 2027. For the year ended December 31, 2024, 13 of these UFG entities were subject to income tax assessed at 0.5% of TNI that ranged from RMB33,000 to RMB180,000 per month. For the years ended December 31, 2023 and 2022, 13 of these UFG entities were subject to income tax assessed at 0.5% of TNI that ranged from RMB33,000 to RMB180,000 per month. The rest of these UFG entities were exempted from paying income tax. As of December 31, 2024, for the tax years ended December 31, 2020 through December 31, 2024 the Company’s UFG entities remained open for statutory examination by PRC tax authorities. In addition, the TNI and tax rate of the Company’s UFG entities are subject to periodical reassessment by the local tax authority. If the local tax authority determined that income tax for the UFG Entities should be levied at a higher TNI or higher tax rate, the UFG Entities would be obligated to pay additional income tax. Along with the continuing growth of business, we expect that the tax rates of these UFG Entities are likely to increase in the future in the annual assessment by the local tax authority based on past performance. If these UFG Entities change their forms of organization from individually-owned businesses to other corporate forms (such as limited liability company) as a result of their business development requirement, they will no longer enjoy the favorable tax rates and will be subject to the EIT Law, though we currently do not expect their forms of organization to change in the foreseeable future.

For the years ended December 31, 2024, 2023 and 2022, the tax saving as the result of the favorable tax rates and tax exemption amounted to \$480,781, \$339,626 and \$223,920, respectively, and per share effect of the favorable tax rate and tax exemption was \$0.03, \$0.03 and \$0.02, respectively.

Net Income

As a result of the foregoing, we reported net income of \$756,285 for the year ended December 31, 2024, net income of \$33,588 for the year ended December 31, 2023, and net loss of \$1,288,205 for the year ended December 31, 2022.

Key Factors that Affect Our Results of Operations

We believe the following key factors may affect our financial condition and results of operations:

The operating entities' business is affected by changes in consumer preferences and discretionary spending.

The operating entities' success depends, in part, upon the popularity of their bakery products and their ability to develop new bakery products that appeal to consumers. Shifts in consumer preferences away from their bakery stores or their product offerings and mix, their inability to develop new products that appeal to consumers could harm the operating entities' business. The operating entities' success depends in large part on their customers' continued belief that food made with high-quality ingredients, including selected proteins raised without antibiotics, their artisan breads, cakes, pastries, and other bakery treats made without artificial preservatives, flavors, sweeteners, or colors from artificial sources are worth the prices charged at the operating entities' bakery stores relative to the lower prices offered by some of their competitors. The operating entities' inability to successfully educate customers about the quality of their bakery products or their customers' rejection of the operating entities' pricing approach could result in decreased demand for their products or require the operating entities to change their pricing, marketing, or promotional strategies, which could materially and adversely affect our consolidated financial results or the brand identity that the operating entities have created. In addition, the operating entities' success depends to a significant extent on discretionary consumer spending, which is influenced by general economic conditions and the availability of discretionary income. Accordingly, the operating entities may experience declines in sales during economic downturns or during periods of uncertainty. Any material decline in the amount of discretionary spending could have a material adverse effect on the operating entities' sales, results of operations, business, and financial condition.

The operating entities' revenue and growth could be adversely affected if their comparable store sales are less than expected.

The operating entities' success depends on increasing comparable store sales. To increase sales and profits, and therefore comparable store sales growth, the operating entities must focus on delivering value and generating customer excitement by strengthening opportunistic purchasing, optimizing inventory management, maintaining strong store conditions, and effectively marketing current products and new product offerings. The operating entities may not be able to maintain or improve the levels of comparable store sales that they have experienced in the past, and the operating entities' comparable store sales growth is a significant driver of their profitability and overall business results. In addition, competition and pricing pressures from competitors may materially adversely impact the operating entities' operating margins. The operating entities' comparable store sales growth could be lower than their historical average or their future target for many reasons, including general economic conditions, operational performance, price inflation or deflation, new competitive entrants near their stores, price changes in response to competitive factors, the impact of new stores entering the comparable store base, possible supply shortages or other operational disruptions, the number and dollar amount of customer transactions in their stores, and their ability to provide product or service offerings that generate new and repeat visits to their stores. Opening new stores in the operating entities' established markets may result in inadvertent oversaturation, temporarily or permanently diverting customers and sales from their existing stores to new stores and reduce comparable store sales, thus adversely affecting their overall financial performance. These factors may cause the operating entities' comparable store sales results to be materially lower than in recent periods, which could harm their profitability and business. Changes in their average store sales or their inability to increase their average store sales could cause their operating results to vary adversely from expectations, which could adversely affect their results of operations.

Fluctuations in various food and supply costs, including dairy, could adversely affect the operating entities' operating results.

Supplies and prices of the various ingredient materials that are used to prepare the operating entities' bakery products (including flour, milk, sugar, and eggs) can be affected by a variety of factors, such as weather, seasonal fluctuations, demand, politics, and economics factors, and such prices may fluctuate. An increase in pricing of any ingredient that is used in the operating entities' bakery products could result in an increase in costs from their suppliers, and the operating entities may not be able to increase prices to cover increased costs which would have an adverse effect on their operating results and profitability.

The geographic concentration of the operating entities' stores primarily in Xinjiang and New York City subjects the operating entities to an increased risk of loss of revenue from events beyond their control or conditions affecting that region.

As of the date of this annual report, the PRC Stores are exclusively located in Xinjiang. In addition, the U.S. Stores' current operations are limited to New York City. As a result, they are particularly susceptible to adverse trends, severe weather, competition, and economic conditions in these areas. Any unforeseen events or circumstances that negatively affect these areas could materially adversely affect the operating entities' sales and profitability. These factors include, among other things, epidemics, changes in demographics, population and employee bases, wage increases, changes in economic conditions, severe weather conditions, and climate change. Such conditions may result in reduced customer traffic and spending in the operating entities' stores, physical damage to their stores, loss of inventory, closure of one or more of their stores, inadequate workforce in their markets, temporary disruption in the supply of products, delays in the delivery of goods to their stores, increased expenses, and a reduction in the availability of products in their stores. Any of these factors may disrupt the operating entities' business and materially adversely affect their financial condition and results of operations.

If the operating entities are unable to compete successfully, their financial condition and results of operations may be harmed.

The industry in which the operating entities conduct their business is intensely competitive. The operating entities' bakery stores compete with well-established national, regional, and locally-owned traditional bakeries, cafés, and other companies providing bakery products. Additionally, the operating entities also compete with certain quick-service restaurants, specialty food stores, supermarkets, and convenience stores. The principal factors on which they compete are taste, quality, prices of products offered, customer service, atmosphere, location, convenience, and overall customer experience. The operating entities also compete for retail space in desirable locations. Many competitors or potential competitors have substantially greater financial and other resources, which may allow them to react more quickly to changes in pricing, marketing, and other changing tastes of consumers. In the event that the operating entities cannot effectively compete on a continuing basis or competitive pressures arise, such inability to compete or competitive pressures could have a material adverse effect on their business, results of operations and financial condition.

COVID-19 Affecting Our Results of Operations

In December 2019, a novel strain of coronavirus was reported in Wuhan, China. On March 11, 2020, the World Health Organization categorized it as a pandemic. The COVID-19 outbreak caused lockdowns, travel restrictions, and closures of businesses across the globe, and our business was adversely affected by COVID-19. In early December 2022, China announced a nationwide loosening of its zero-COVID policy, and the country faced a wave in infections after the lifting of these restrictions, but the spread of the COVID-19 appears to be under control currently. However, burdened by protracted property crisis, weak consumer and business confidence, mounting local government debts, and slow global growth, the post-COVID-19 economy in China has recovered at a slower pace than expected. The spending behavior of consumers have been affected by various factors, such as the economic downward pressure and lack of consumer confidence. Furthermore, since the start of fiscal year 2024, the PRC Stores have focused more on increasing their market share and there have been increased promotion activities and price discounts given to their customers, which attracted more customers to make purchases at the PRC Stores in 2024. As a result, our revenue from the PRC Stores increased by \$1,828,537, or 12.8% for the year ended December 31, 2024. As we face many challenges from increased competition and changes in consumer behavior, we will continue to modify our business strategy and boost our revenue by opening more stores and developing more affordable products.

B. Liquidity and Capital Resources

On April 3, 2023, we closed our initial public offering (“IPO”) of 3,390,000 Class A ordinary shares at a public offering price of \$4.00 per Class A ordinary share for the total gross proceeds of \$13.6 million before deducting underwriting discounts and other related expenses. Net proceeds of our IPO were approximately \$12.0 million. Our Class A ordinary shares began trading on the Nasdaq Capital Market under the ticker symbol “CHSN” on March 30, 2023.

As of December 31, 2024, we had \$12,102,763 in cash and cash equivalents as compared to \$1,481,302 as of December 31, 2023. As of December 31, 2024, we had \$991,467 accounts receivable balance, approximately 35.9%, or \$0.4 million, of which has been subsequently collected. The remaining balance is expected to be collected before December 31, 2025. The collection of such receivables made cash available for use in our operations as working capital, if necessary.

As of December 31, 2024, we had approximately \$1.5 million in short-term bank loans. We expect that we will be able to renew all of the existing bank loans upon their maturity based on our past experience and credit history.

During the year ended December 31, 2024, five coffee bakery stores and fifteen bakery stores were opened. We currently plan to open another ten stores, with a total budget of approximately RMB5.0 million (approximately \$0.7 million) in fiscal year 2025. We plan to use our cash on hand, cash flows from operations and equity financing from outside investors to fund the new stores.

As of December 31, 2024, our working capital of approximately \$4.3 million. In assessing our liquidity, our management monitors and analyzes our cash on hand, the proceeds we received from our IPO, our ability to generate sufficient revenue sources in the future, and our operating and capital expenditure commitments. As of December 31, 2024, we had cash and cash equivalents of approximately \$12.1 million. We believe that we would be able to make additional borrowings from banks based on past experience and our good credit history when necessary. In addition, we will further implement initiatives to control costs and improve our operating efficiency in fiscal year 2025. Therefore, revenue and net income are expected to increase in fiscal year 2025 as compared to fiscal year 2024. Furthermore, our controlling shareholder, Mr. Gang Li, has made pledges to provide continuous financial support to our Company for at least 12 months from the issuance of our consolidated financial statements as of and for the year ended December 31, 2024. In order to fully implement its business plan and sustain continued growth, the Company may also seek equity financing from outside investors when necessary. We believe our cash and cash equivalents on hand, our operating cash flows, the available bank facilities, the continuous support from our shareholder, the proceeds we received from the IPO and equity financing will be sufficient to meet our working capital needs over the next 12 months.

Currently, our main operations are conducted in China and a large portion of our revenue, expenses, cash and cash equivalents are denominated in RMB. Our holding company, however, may need dividends and other distributions on equity from our PRC subsidiary and the VIEs to satisfy its liquidity requirements. Although dividends may be freely remitted in or out of China in RMB or foreign currency according to the PRC regulations, our PRC subsidiary and the VIEs are restricted in their ability to transfer a portion of their net assets, equivalent to their reserves and their share capital, to the holding company in the form of loans, advances, or cash dividends. As of December 31, 2024 and 2023, the total restricted net assets equivalent amounted to \$3,516,301 and \$1,325,631, respectively.

Cash Flows for the Years Ended December 31, 2024, 2023 and 2022

The following table sets forth summary of our cash flows for the periods indicated:

	For the Years Ended December 31,		
	2024	2023	2022
Net cash provided by (used in) operating activities	\$ 3,538,038	\$ (2,953,853)	\$ 551,348
Net cash provided by (used in) investing activities	1,909,460	(10,463,416)	(860,034)
Net cash provided by financing activities	5,350,746	12,059,025	9,929
Effect of exchange rate change on cash	(176,783)	(75,924)	(682,585)
Net increase (decrease) in cash and cash equivalents	10,621,461	(1,434,168)	(981,342)
Cash and cash equivalents at beginning of year	1,481,302	2,915,470	3,896,812
Cash and cash equivalents at end of year	<u>\$ 12,102,763</u>	<u>\$ 1,481,302</u>	<u>\$ 2,915,470</u>

Operating Activities

Net cash provided by operating activities was \$3,538,038 for the year ended December 31, 2024, mainly derived from net income of \$756,285 for the year, and net changes in our operating assets and liabilities, which mainly included a decrease in prepaid expenses and other current assets of \$2,552,891 due to the decreased other receivable from a third party for using Chanson Greenwich's store for events. The decrease in prepaid expenses and other current assets was also attributable to the decreased advance to suppliers resulting from cancellation of our cooperation with certain suppliers, which resulting in the refund of prepayments. Accounts receivable decreased by \$959,859 due to the enhanced collection efforts for accounts receivable during the year ended December 31, 2024.

Net cash used in operating activities was \$2,953,853 for the year ended December 31, 2023, mainly derived from net income of \$33,588 for the year, and net changes in our operating assets and liabilities, which mainly included an increase in prepaid expenses and other current assets of \$3,573,002 due to the increased advance to suppliers as we made more advance payments paid to suppliers for purchases of raw materials for bakery products as a result of the increased revenue during the year ended December 31, 2023. The increase in prepaid expenses and other current assets was also attributable to the increased prepaid expenses as a result of the increased prepaid rental expenses and other miscellaneous expenses, generated by the newly opened stores in the PRC.

Net cash provided by operating activities was \$551,348 for the year ended December 31, 2022, mainly derived from net loss of \$1,288,205 for the year, and net changes in our operating assets and liabilities, which mainly included an increase in deferred revenue of \$1,411,004 due to the growing prepaid membership cards sales during the year ended December 31, 2022. Accounts payable increased by \$247,015 due to higher outstanding payments to our suppliers.

Investing Activities

Net cash provided by investing activities amounted to \$1,909,460 for the year ended December 31, 2024, which primarily consisted of repayment from loans to third parties of \$907,704, repayment of interest income from long term debt investment of \$899,507, and refund of prepayment for the product development of \$650,000, and was partially offset by the purchase of property and equipment of \$583,313.

Net cash used in investing activities amounted to \$10,463,416 for the year ended December 31, 2023, which primarily consisted of payment made for long term debt investment of \$6,000,000, payments made for loans to third parties of \$3,900,000, prepayments for the software, equipment and product development of \$1,190,000, purchase of property and equipment of \$773,964 and purchase of intangible assets of \$150,000, which was partially offset by the repayment from loans to third parties of \$1,150,104.

Net cash used in investing activities amounted to \$860,034 for the year ended December 31, 2022, due to purchases of property and equipment and leasehold improvement for the new stores, and payment for construction in progress.

Financing Activities

Net cash provided by financing activities was \$5,350,746 for the year ended December 31, 2024, which primarily consisted of proceeds from sales of ordinary shares of \$5,938,994, proceeds from short-term bank loans of \$2,225,715, and funds provided by a shareholder of \$524,610, and was partially offset by the repayments of short-term bank loans of \$3,338,573.

Net cash provided by financing activities was \$12,059,025 for the year ended December 31, 2023, which primarily consisted of gross proceeds from IPO of \$13,560,000 and proceeds from short-term bank loans of \$2,685,588, which was partially offset by costs disbursed from IPO proceeds of \$1,529,631 and repayment of funds provided by a shareholder of \$1,892,423.

Net cash provided by financing activities was \$9,929 for the year ended December 31, 2022, which primarily consisted of repayments of short-term bank loans of \$1,474,129 and was partially offset by proceeds from short-term bank loans of \$445,831 and funds provided by a shareholder of \$1,076,717.

Contractual Obligations

As of December 31, 2024, our contractual obligations were as follows:

Contractual obligations	Total	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Thereafter
Short-term bank loans (1)	\$ 1,530,831	\$ 1,530,831	\$ -	\$ -	\$ -	\$ -	\$ -
Future lease payments (2)	13,411,967	2,786,503	2,100,975	1,976,286	1,748,639	1,428,027	3,371,537
Total	<u>\$ 14,942,798</u>	<u>\$ 4,317,334</u>	<u>\$ 2,100,975</u>	<u>\$ 1,976,286</u>	<u>\$ 1,748,639</u>	<u>\$ 1,428,027</u>	<u>\$ 3,371,537</u>

- (1) Repayment of short-term bank loans: as of December 31, 2024, our contractual obligation to repay the outstanding short-term bank loans totaled \$1,530,831 and related to the following bank loans:

On December 20, 2024, Xinjiang United Family entered into a loan agreement with Huaxia Bank to borrow RMB3.0 million (\$411,043) as working capital for three months, with a maturity date of March 19, 2025. The loan was repaid on March 19, 2025. The loan bears a fixed interest rate of 5.00% per annum. The loan was guaranteed by Ms. Baolin Wang, the legal representative of Xinjiang United Family, and Urumqi Plastic Surgery Hospital Co., Ltd., a related party that is controlled by Mr. Gang Li, the Chairman of the Company.

On September 12, 2024, Xinjiang United Family entered into a loan agreement with Bank of China to borrow RMB10.0 million (\$1,370,145) as working capital for a year, with a maturity date of September 11, 2025. The loan bears a fixed interest rate of 3.45% per annum. The Company is required to make a quarterly installment payment of RMB 2.0 million (\$274,029) within the term of the loan, with last installment of RMB 4.0 million (\$548,058) to be paid at maturity date. The loan is guaranteed by Mr. Gang Li and his family member, Ms. Ying Xiong. In addition, Xinjiang United Family pledged its trademark rights as collateral to guarantee the Company's loan from Bank of China. As of date of this annual report, the loan was repaid as scheduled.

- (2) We lease office spaces, bakery stores facilities, and employee dormitories, which are classified as operating leases in accordance with ASC Topic 842. As of December 31, 2024, our future lease payments totaled \$13,411,967.

Off-Balance Sheet Arrangements

As of December 31, 2024 and 2023, we had not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties.

C. Research and Development, Patents and Licenses, etc.

See “Item 4. Information on the Company—B. Business Overview—R&D” and “Item 4. Information on the Company—B. Business Overview—Intellectual Property.”

D. Trend Information

Other than as disclosed elsewhere in this annual report on Form 20-F, we are not aware of any trends, uncertainties, demands, commitments, or events for the period from January 1, 2024 to December 31, 2024 that are reasonably likely to have a material adverse effect on our net revenue, income, profitability, liquidity, or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial condition.

E. Critical Accounting Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. These financial statements are prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect the reported amounts of our assets and liabilities and revenue and expenses, to disclose contingent assets and liabilities on the date of the consolidated financial statements, and to disclose the reported amounts of revenue and expenses incurred during the financial reporting period. The most significant estimates and assumptions include the valuation of accounts receivable and inventories, useful lives of property and equipment, the recoverability of long-lived assets, provision necessary for contingent liabilities, realization of deferred tax assets and revenue recognition. We continue to evaluate these estimates and assumptions that we believe to be reasonable under the circumstances. We rely on these evaluations as the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates. Some of our accounting policies require higher degrees of judgment than others in their application. We believe critical accounting policies as disclosed in this report reflect the more significant judgments and estimates used in preparation of our consolidated financial statements.

The following critical accounting policies rely upon assumptions and estimates and were used in the preparation of our consolidated financial statements:

Uses of estimates

In preparing the consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are based on information as of the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, the assessment of the current expected credit losses for receivables, valuation of inventories, useful lives of property and equipment and intangible assets, the recoverability of long-lived assets, realization of deferred tax assets and revenue recognition. Actual results could differ from those estimates.

Accounts receivable

Accounts receivable are recognized and carried at original invoiced amount less an estimated allowance for credit losses, as necessary. Accounts are written off against the allowance after efforts at collection prove unsuccessful. As of December 31, 2024 and 2023, the allowance for credit losses was both \$nil.

Credit Losses

On January 1, 2023, the Company adopted Accounting Standards Update 2016-13 “Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,” which replaces the incurred loss methodology with a current expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The adoption of the credit loss accounting standard has no material impact on the Company’s consolidated financial statements as of January 1, 2023.

The Company’s account receivables and other receivables included in prepaid expenses and other current assets on the consolidated balance sheets are within the scope of ASC Topic 326. The Company makes estimates of expected credit and collectability trends for the allowance for credit losses based upon assessment of various factors, including historical experience, the age of the accounts receivable and other receivables balances, credit-worthiness of the customers and other debtors, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from the customers and other debtors. The Company also provides specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected.

ASC Topic 326 is also applicable to short-term and long-term loans to third parties. Management estimates the allowance for credit losses on loans not sharing similar risk characteristics on an individual basis. The key factors considered when determining the above allowances for credit losses include estimated loan collection schedule, discount rate, and assets and financial performance of the borrowers.

Current expected credit losses are recorded as allowance for credit losses on the consolidated statements of operations and comprehensive income (loss). After all attempts to collect a receivable have failed, the receivable is written off against the allowance. In the event the Company recovers amounts previously reserved for, the Company will reduce the specific allowance for credit losses.

Inventories

Inventories consist of ingredient materials, finished goods, packaging materials and other materials. Inventories are stated at the lower of cost or net realizable value, on a weighted average basis. Costs include the cost of ingredient materials, direct labor, and related production overhead. Any excess of the cost over the net realizable value of each item of inventories is recognized as a provision for diminution in the value of inventories. Net realizable value is the estimated selling price in the normal course of business less any costs to complete and sell products. We periodically evaluate inventories for their net realizable value adjustments, and reduces the carrying value of those inventories that are obsolete or in excess of the forecasted usage to their estimated net realizable value based on various factors including aging and expiration dates, as applicable, taking into consideration historical and expected future product sales. For the years ended December 31, 2024, 2023 and 2022, no inventory reserve was recorded because no slow-moving, obsolete, or damaged inventory was identified.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment are provided using the straight-line method over their expected useful lives, as follows:

	Useful life
Bakery production equipment	5-8 years
Office equipment and furniture	3-5 years
Automobiles	5 years
Leasehold improvement	Lesser of useful life and lease term

Expenditures for repair and maintenance, which do not materially extend the useful lives of the assets, are charged to expenses as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the consolidated statements of operations and comprehensive income (loss) in other income or expenses.

Intangible assets

Intangible assets consist primarily of purchased software. Intangible assets are stated at cost less accumulated amortization, which are amortized using the straight-line method with the estimated useful lives of 8 years.

Impairment of long-lived assets

Long-lived assets with finite lives, primarily property and equipment, and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated cash flows from the use of the asset and its eventual disposition are below the asset’s carrying value, then the asset is deemed to be impaired and written down to its fair value. Impairment of long-lived assets was \$nil and \$272,350 as of December 31, 2024 and 2023, respectively.

Revenue recognition

We follow Accounting Standards Codification 606, *Revenue from Contracts with Customers* (“ASC 606”), for revenue recognition. ASC 606 establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized, as performance obligations are satisfied.

We currently generate our revenue through our bakery/café stores as well as through online sales. We recognize revenue from bakery/café sales upon delivery of the related food and other products to the customer and fulfillment of all performance obligations. Revenue is recognized net of any discounts, sales incentives, sales taxes, and value added taxes that are collected from customers and remitted to tax authorities.

The PRC Stores sell membership cards that do not have an expiration date and from which the PRC Stores do not deduct non-usage fees from outstanding card balances. Membership cards are reloadable and redeemable at any of our store locations. Amounts loaded into these cards are initially recorded as deferred revenue. When membership cards are redeemed at stores, the PRC Stores recognize revenue and reduce the deferred revenue. While the PRC Stores continue to honor all membership cards presented for payments, management determines the likelihood of redemption to be remote for certain cards with long periods of inactivity ("breakage"), which is five years after the last usage based upon our historical redemption patterns. Membership card breakage is recorded as revenue in the consolidated statements of operations and comprehensive income (loss). Membership card breakage was immaterial for the years ended December 31, 2024, 2023 and 2022.

The PRC Stores maintain a customer loyalty program in which customers earn free cash vouchers when purchasing or reloading membership cards at certain amount. These cash vouchers typically do not expire, except for certain vouchers given out at special occasions, which usually state an expiration date and can only be exchanged for certain seasonal products or specialty cakes. We establish corresponding liabilities in deferred revenue for the membership cards and the free cash vouchers upon issuance. We allocate the consideration received proportionately between the membership cards and cash vouchers based on their face values. Revenue is recognized at the allocated amount upon redemption of membership cards and cash vouchers, at which point the PRC Stores deliver products to customers and reduce the deferred revenue. Unredeemed cash vouchers will be recognized as revenue upon their expiration dates, if any, or five years after their issuance if there are no stated expiration dates, when management determines the likelihood of redemption to be remote.

Contract balances and remaining performance obligations

Contract balances typically arise when a difference in timing between the transfer of control to the customer and receipt of consideration occurs. We did not have contract assets as of December 31, 2024 and 2023. Our contract liabilities, which are reflected in its consolidated balance sheets as deferred revenue of \$6,697,964 and \$7,085,696 as of December 31, 2024 and 2023, respectively, consist primarily of customer payments for the membership cards and the fair value of the cash vouchers under our customer loyalty programs. These amounts represent our unsatisfied performance obligations as of the balance sheet dates. The amount of revenue recognized in the years ended December 31, 2024, 2023 and 2022 that was included in the opening deferred revenue was \$5,449,243, \$6,559,028 and \$4,920,442, respectively. As of December 31, 2024, the aggregate amount of unredeemed membership cards and cash vouchers was \$6,697,964. We will recognize revenue when customers redeem the membership cards or cash vouchers in store purchases. Based on our historical experience, a significant portion of the redemption is expected to occur during the first two years after December 31, 2024 and the remaining between the third and fifth year.

Income taxes

We account for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

An uncertain tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No penalties or interest relating to income taxes were incurred during the years ended December 31, 2024, 2023 and 2022. We do not believe there was any uncertain tax provision at December 31, 2024 and 2023.

Our operating subsidiary in China is subject to the income tax laws of the PRC. Our operating subsidiaries in United States are subject to the tax law of the United States. As of December 31, 2024, for the tax years ended December 31, 2020 through December 31, 2024, our PRC subsidiaries remained open for statutory examination by PRC tax authorities, and for the tax years ended December 31, 2022 through December 31, 2024, our United States subsidiaries remained open for statutory examination by U.S. tax authorities.

Recent accounting pronouncements

In December 2023, the FASB issued ASU No. 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures”. This ASU requires additional quantitative and qualitative income tax disclosures to enable financial statements users better assess how an entity’s operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. This ASU is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. We adopted this guidance effective January 1, 2025 and the adoption of this ASU did not have a material impact on our financial statements.

In November 2024, the FASB issued ASU No. 2024-03, “Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures. This ASU requires entities to 1. disclose amounts of (a) purchase of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and, (e) depreciation, depletion, and amortization recognized as part of oil-and gas-producing activities, 2. include certain amounts that are already required to be disclosed under current Generally Accepted Accounting Principles in the same disclosures as other disaggregation requirements, 3. disclose a qualitative description of the amounts remaining in relevant expense captions that are not necessarily disaggregated quantitatively, and 4. disclose the total amount of selling expenses, in annual reporting periods, an entity’s definition of selling expense. The ASU is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Additionally, in January 2025, the FASB issued ASU No. 2025-01 to clarify the effective date of ASU 2024-03. The standard provides guidance to expand disclosures related to the disaggregation of income statement expenses. The standard requires, in the notes to the financial statements, disclosure of specified information about certain costs and expenses which includes purchases of inventory, employee compensation, depreciation, and intangible asset amortization included in each relevant expense caption. This guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, on a retrospective or prospective basis, with early adoption permitted. We plan to adopt this guidance effective January 1, 2027 and we are currently evaluating the impact of adopting this ASU on our financial statements.

Except for the above-mentioned pronouncements, there are no new recently issued accounting standards that will have material impact on our consolidated financial position, statements of operations, and cash flows

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our directors and executive officers as of the date of this annual report.

Name	Age	Position(s)
Gang Li	58	Chairman and Chief Executive Officer
Jihong Cai	54	Chief Financial Officer
Yong Du	52	Independent Director
Shuaiheng Zhang	61	Independent Director
Jie Li	37	Independent Director
Jin Wang	45	Independent Director

The following is a brief biography of each of the executive officers and directors listed above:

Mr. Gang Li has been our chief executive officer since September 2022, our Chairman since September 2020, and our director since July 2019. Mr. Li served as the chief executive officer of Xinjiang United Family from May 2016 to January 2018 and from August 2015 to January 2016. Mr. Li has been the chief executive officer of Urumqi Plastic Surgery Hospital Co., Ltd. since July 2011 and the chief executive officer of Urumqi Marie Gynecological and Obstetrical Hospital (Limited) since August 2009, responsible for the operations and investment of the companies. Mr. Li received his bachelor's degree in Chinese Literature from Xinjiang University in 1989.

Ms. Jihong Cai has been our chief financial officer since September 2020. Ms. Cai has served as the chief financial officer of Xinjiang United Family since September 2018. Prior to joining Xinjiang United Family, Ms. Cai served as the chief financial officer of Xinjiang Dongbao Group from June 2016 to August 2018, as the chief financial officer of Xinjiang Fudi Yuan Real Estate Development Co., Ltd. from June 2011 to May 2016, and as the chief financial officer of Xinjiang Osman Biotechnology Co., Ltd. from July 2002 to January 2011. Ms. Cai is a Chinese Certified Tax Agent, accountant, and financial planner. Ms. Cai received her bachelor's degree in Accounting from Hubei University in 1991.

Mr. Yong Du has served as our independent director since March 2023. Mr. Du has been an accounting professor, doctoral supervisor, and academic leader in the field of accounting and the director of the New Economics and Management Research Institute at Guangdong University of Foreign Studies South China Business College since September 2019. His research focuses in areas such as accounting and investor protection, budget management, capital market accounting and finance, and capital market auditing. From July 2004 to August 2019, Mr. Du taught at Xinjiang University of Finance and Economics and had been an accounting professor since December 2017, a doctoral supervisor since August 2018, and the academic leader in the field of accounting since March 2019. From October 2013 to November 2015, Mr. Du served as a postdoctoral researcher of Peking University. Mr. Du has served as an expert on the Academic Committee of Silk Road Economics and Management Research Institute at Xinjiang University of Finance and Economics since March 2019, an expert on the Academic Committee of the Commerce Economy Association of China since June 2017, a senior researcher of the Audit Research Institute of WUYIGE Certified Public Accountants LLP since July 2016, a part-time researcher of Financial Analysis and Investment Research Center at Peking University, a researcher of Beijing State-Owned Asset Management and Innovation Center, and a special researcher of Accounting and Investor Protection Research Center at Beijing Technology and Business University since October 2013. Mr. Du received his doctoral degree in Accounting from Central University of Finance and Economics in 2011.

Mr. Shuaiheng Zhang has served as our independent director since August 2023. Mr. Zhang has over 40 years of business and managerial experience in electronic components manufacturing and new energy industries. Since September 2019, Mr. Zhang has been serving as the General Manager at Sunwoda Electronic Co., Ltd, a company listed on the Growth Enterprise Market of Shenzhen Stock Exchange since 2011 and a developer and manufacturer of lithium-ion battery cells and modules. From December 2015 to September 2019, Mr. Zhang served as the General Manager and Chairman of the Board of Directors of Shenzhen SEG Longyan Energy Technology Co., Ltd., a company engaged in the development and sales of solar power plants and accessories. Prior to that, Mr. Zhang served as the General Manager of Shenzhen SI Semiconductors Co., Ltd, a power semiconductor device manufacturer with international presence from July 2013 to December 2015. Mr. Zhang received his EMBA degree from Tsinghua University in 1998 and a bachelor's degree from Xidian University in 1986.

Mr. Jie Li has served as our independent director since August 2024. Mr. Li has worked as a lawyer at Beijing DeHeng Law Offices (Urumqi) since April 2016. He received his Bachelor of Laws degree from Shandong University of Finance and Economics in 2008.

Mr. Jin Wang has served as our independent director since November 2023. Mr. Wang served as the Financial Manager at JunYe Investment Company from January 2019 to December 2022 and his major responsibilities included financial policy making and human resources management. Mr. Wang served as the Compliance Manager at Xiangcai Securities Co., Ltd. from January 2015 to December 2018, where he supervised industry compliance matters. He received his Bachelor of Arts degree in Literature from Xiangtan University in 2002.

Family Relationships

None of our directors or executive officers has a family relationship as defined in Item 401 of Regulation S-K.

Controlled Company

Mr. Gang Li, our chief executive officer, director, and Chairman, beneficially own approximately 93.80% of the aggregate voting power of our outstanding ordinary shares as of the date of this annual report. As a result, we are a “controlled company” within the meaning of the Nasdaq listing rules. As a controlled company, we are permitted to elect to rely on certain exemptions from the obligations to comply with certain corporate governance requirements, including:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that our director nominees be selected or recommended solely by independent directors; and
- the requirement that we have a nominating and corporate governance committee and a compensation committee that are composed entirely of independent directors with a written charter addressing the purposes and responsibilities of the committees.

Although we do not intend to rely on the controlled company exemptions under the Nasdaq listing rules even if we are a controlled company, we could elect to rely on these exemptions in the future, and if so, you would not have the same protection afforded to shareholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

B. Compensation

For the year ended December 31, 2024, we paid an aggregate of approximately \$235,750 as compensation to our executive officers and directors. None of our non-employee directors have any service contracts with us that provide for benefits upon termination of employment. We have not set aside or accrued any amount to provide pension, retirement, or other similar benefits to our directors and executive officers. Our PRC subsidiary and the VIEs are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance, and other statutory benefits and a housing provident fund.

C. Board Practices

Board of Directors

Our board of directors consists of five directors. Our board of directors have determined that our four independent directors, Yong Du, Shuaiheng Zhang, Jie Li, and Jin Wang satisfy the "independence" requirements of the Nasdaq corporate governance rules.

Duties of Directors

Under Cayman Islands law, all of our directors owe three types of duties to us: (i) statutory duties, (ii) fiduciary duties, and (iii) common law duties. The Companies Act (Revised) of the Cayman Islands imposes a number of statutory duties on a director. A Cayman Islands director's fiduciary duties are not codified, however the courts of the Cayman Islands have held that a director owes the following fiduciary duties: (a) a duty to act in what the director *bona fide* considers to be in the best interests of the company, (b) a duty to exercise their powers for the purposes they were conferred, (c) a duty to avoid fettering his or her discretion in the future and (d) a duty to avoid conflicts of interest and of duty. The common law duties owed by a director are those to act with skill, care and diligence that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and, also, to act with the skill, care and diligence in keeping with a standard of care commensurate with any particular skill they have which enables them to meet a higher standard than a director without those skills. In fulfilling their duty of care to us, our directors must ensure compliance with our amended and restated articles of association. We have the right to seek damages if a duty owed by any of our directors is breached.

Subject to the Companies Act and our amended and restated memorandum and articles of association, our business shall be managed by our board of directors who may for that purpose exercise all the powers of the Company.

Terms of Directors and Executive Officers

Our directors may be elected by a resolution of our board of directors or by an ordinary resolution of our shareholders. Unless re-appointed or removed from office pursuant to the provisions of our amended and restated articles of association, each of our directors shall hold office for a term expiring at the next-following annual general meeting of the Company, at which such director is eligible for reelection. A director will cease to be a director if he (i) is prohibited by the law of the Cayman Islands from acting as a Director; (ii) becomes bankrupt or makes any arrangement or composition with his creditors; (iii) resigns his office by notice to the company; (iv) only held office as a director for a fixed term and such term expires; (v) in the opinion of a registered medical practitioner by whom the director is being treated, the director becomes physically or mentally incapable of acting as a director; (vi) is given notice by the majority of the other directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such director); (vii) is made subject to any law relating to mental health or incompetence, whether by court order or otherwise; or (viii) without the consent of the other directors, is absent from meetings of directors for a continuous period of six months. All of our executive officers are appointed by and serve at the discretion of our board of directors.

Qualification

There is currently no shareholding qualification for directors, although a shareholding qualification for directors may be fixed by our shareholders by ordinary resolution.

Employment Agreements

We have entered into employment agreements with each of our executive officers. Pursuant to such employment agreements, we have agreed to employ each of our executive officers for a specified time period, which will be automatically renewed unless either party gives the other party a written notice to terminate the agreement six months prior to the end of the current employment term. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including but not limited to the commitments of any serious or persistent breach or non-observance of the terms and conditions of the employment, conviction of a criminal offense, willful disobedience of a lawful and reasonable order, fraud or dishonesty, receipt of bribery, or severe neglect of his or her duties. An executive officer may terminate his or her employment at any time with a three-month prior written notice. Each executive officer agrees to hold, both during and after the employment agreement expires, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information.

Insider Participation Concerning Executive Compensation

Prior to March 2023, our Chairman, Mr. Gang Li, was making all determinations regarding executive officer compensation. After March 2023, when our compensation committee was set up, the compensation committee is making all determination regarding executive officer compensation (please see below).

Committees of the Board of Directors

We have established three committees under the board of directors: an audit committee, a compensation committee, and a nominating and corporate governance committee. Each of the committees is comprised of our independent directors. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of our three independent directors, Yong Du, Jie Li, and Shuaiheng Zhang. Yong Du is the chairperson of our audit committee. We have determined that each of our independent directors also satisfy the "independence" requirements of Rule 10A-3 under the Securities Exchange Act. Our board also has determined that Yong Du qualifies as an audit committee financial expert within the meaning of the SEC rules or possesses financial sophistication within the meaning of the Nasdaq listing rules. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our Company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee consists of our three independent directors, Yong Du, Jie Li, and Shuaiheng Zhang. Jie Li is the chairperson of our compensation committee. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving the total compensation package for our most senior executive officers;
- approving and overseeing the total compensation package for our executives other than the most senior executive officers;
- reviewing and recommending to the board with respect to the compensation of our directors;
- reviewing periodically and approving any long-term incentive compensation or equity plans;
- selecting compensation consultants, legal counsel or other advisors after taking into consideration all factors relevant to that person's independence from management; and
- reviewing programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of our three independent directors, Yong Du, Jie Li, and Shuaiheng Zhang. Shuaiheng Zhang is the chairperson of our nominating and corporate governance committee. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- identifying and recommending nominees for election or re-election to our board of directors or for appointment to fill any vacancy;
- reviewing annually with our board of directors its current composition in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to our board the directors to serve as members of committees;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to our board of directors on all matters of corporate governance and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

D. Employees

See “Item 4. Information on the Company—B. Business Overview—Employees.”

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 under the Exchange Act, of our Class A Ordinary Shares and Class B Ordinary Shares as of the date of this annual report for:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our Class A Ordinary Shares or Class B Ordinary Shares.

Beneficial ownership includes voting or investment power with respect to the securities. Except as indicated below, and subject to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all Class A Ordinary Shares or Class B Ordinary Shares shown as beneficially owned by them. Percentage of beneficial ownership of each listed person is based on 21,629,707 Class A Ordinary Shares and 5,670,000 Class B Ordinary Shares outstanding as of the date of this annual report.

Information with respect to beneficial ownership has been furnished by each director, officer, or beneficial owner of 5% or more of our Class A Ordinary Shares or Class B Ordinary Shares. Beneficial ownership is determined in accordance with the rules of the SEC and generally requires that such person have voting or investment power with respect to securities. In computing the number of Class A Ordinary Shares beneficially owned by a person listed below and the percentage ownership of such person, Class A Ordinary Shares underlying options, warrants, or convertible securities, including Class B Ordinary Shares, held by each such person that are exercisable or convertible within 60 days of the date of this annual report are deemed outstanding, but are not deemed outstanding for computing the percentage ownership of any other person.

	Class A Ordinary Shares Beneficially Owned		Class B Ordinary Shares Beneficially Owned		Voting Power#
	Number	%	Number	%	%
Directors and Executive Officers⁽¹⁾:					
Gang Li ⁽²⁾	2,700,000	12.5	5,670,000	100.0	93.8
Jihong Cai ⁽³⁾	270,000	1.2	—	—	*
Yong Du	—	—	—	—	—
Shuaiheng Zhang	—	—	—	—	—
Jie Li	—	—	—	—	—
Jin Wang	—	—	—	—	—
All directors and executive officers as a group (six individuals):	2,970,000	13.7	5,670,000	100.0	93.9
5% Shareholders:					
Danton Global Limited ⁽²⁾	2,700,000	12.5	5,670,000	100.0	93.8
Ma Jingjing ⁽⁴⁾	1,234,568	7.8	—	—	*
Wang Gehuang ⁽⁵⁾	1,838,452	11.2	—	—	*
Zhou Yingjia ⁽⁶⁾	1,639,645	10.0	—	—	*
Kong Yong ⁽⁷⁾	2,016,762	12.2	—	—	*
Zhang Minghui ⁽⁸⁾	1,972,840	11.8	—	—	*
Wei Xiushen ⁽⁹⁾	1,627,347	9.9	—	—	*

* Less than 1%

Represents the voting power with respect to all of our Class A Ordinary Shares and Class B Ordinary Shares, voting as a single class. Each holder of Class A Ordinary Shares is entitled to one vote per one Class A Ordinary Share and each holder of Class B Ordinary Shares is entitled to 50 votes per one Class B Ordinary Share.

The Class B Ordinary Shares are convertible into Class A Ordinary Shares at any time after issuance at the option of the holder on a one-to-one basis. The number and percentage of Class A Ordinary Shares exclude Class A Ordinary Shares convertible from Class B Ordinary Shares as the beneficial ownership of Class B Ordinary Shares is presented separately.

- (1) Unless otherwise indicated, the business address of each of the individuals is B9 Xinjiang Chuangbo Zhigu Industrial Park, No. 100 Guangyuan Road, Shuimogou District, Urumqi, Xinjiang, China.
- (2) Represents 2,700,000 Class A Ordinary Shares and 5,670,000 Class B Ordinary Shares held by Danton Global Limited, a British Virgin Islands company, which is 100% owned by Mr. Gang Li. The registered address of Danton Global Limited is 3rd Floor, J & C Building, Road Town, Tortola, British Virgin Islands, VG1110.
- (3) Represents 270,000 Class A Ordinary Shares held by Haily Global Limited, a British Virgin Islands company, which is 100% owned by Ms. Jihong Cai. The registered address of Haily Global Limited is 3rd Floor, J & C Building, Road Town, Tortola, British Virgin Islands, VG1110.
- (4) Information regarding beneficial ownership is based on the information contained in Schedule 13G/A filed by Ma Jingjing, whose address is Building 48, No. 60, Lane 399, Jiangwancheng Road, Yangpu District, Shanghai, China 200438, with the SEC on September 27, 2024.
- (5) Information regarding beneficial ownership is based on the information contained in Schedule 13G/A filed by Wang Gehuang, whose address is No.153, Wang Jia Wan Zu, Wang Jia Wan Cun, Yun Hu Qiao Zhen, Xian Tan County, Hunan Province, China 411100, with the SEC on September 27, 2024.
- (6) Information regarding beneficial ownership is based on the information contained in Schedule 13G/A filed by Zhou Yingjia, whose address is 28F, Block A, Yuan Zhong Hua Yuan, 6 Yuan Ling Si Street, Fu Tian District, Shenzhen City, Guangdong Province, China 518000, with the SEC on September 27, 2024.
- (7) Information regarding beneficial ownership is based on the information contained in Schedule 13G/A filed by Kong Yong, whose address is Group 3, Ping'ao Village, Shadui Town, Tongcheng County, Hubei Province, China 437400, with the SEC on September 27, 2024.
- (8) Information regarding beneficial ownership is based on the information contained in Schedule 13G filed by Zhang Minghui, whose address is No.2713, Block 2, Jin Run Dong Fang Gong Yu, 3 Da Ya Wan Road, Da Ya Wan District, Huizhou City, Guangdong Province, China 516200, with the SEC on September 24, 2024.
- (9) Information regarding beneficial ownership is based on the information contained in Schedule 13G/A filed by Wei Xiushen, whose address is 22 Fourth Avenue, Singapore 268663, with the SEC on September 27, 2024.

On February 5, 2024, Haily Global Limited elected to convert on a one-for-one basis 270,000 Class B Ordinary Shares into 270,000 Class A Ordinary Shares, which was duly approved by our board of directors.

As of the date of this annual report, approximately 98.8% of our issued and outstanding Class A Ordinary Shares are held in the United States by two record holders, Danton Global Limited, a British Virgin Islands company which is 100% owned by Mr. Gang Li and Cede and Company, and 100% of our issued and outstanding Class B Ordinary Shares are held by one record holder, Danton Global Limited, in the United States.

To our knowledge, the Company is not directly or indirectly owned or controlled by another corporation(s), by any foreign government, or by any other natural or legal person(s) severally or jointly. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our Company.

F. Disclosure of a registrant’s action to recover erroneously awarded compensation

Not applicable.

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

The VIE Agreements

See “Item 3. Key Information—Our Corporate Structure—The United Family Group.”

Material Transactions with Related Parties

During the year ended December 31, 2024 and as of the date of this annual report, we have engaged in the following related party transactions. The relationship and the nature of related party transactions are summarized as follow:

Name of Related Party	Relationship to Us
Gang Li	Our chief executive officer, director, and chairman of the board of directors
Ying Xiong	Mr. Gang Li’s family member
Urumqi Plastic Surgery Hospital Co., Ltd.	Controlled by Mr. Gang Li
Baolin Wang	the legal representative of Xinjiang United Family

Premises Use Agreement

Pursuant to a Premises Use Agreement dated April 30, 2020 and a Supplemental Agreement dated June 18, 2020, Urumqi Plastic Surgery Hospital Co., Ltd., a PRC company controlled by our Chairman, Mr. Gang Li, provided approximately 5,382 square feet office space for our headquarters and 10,763 square feet for the old central factory of the PRC Stores without charge. The term of the agreement is from January 1, 2020 to June 25, 2028, unless otherwise terminated by either party.

Due to a Related Party

As of December 31, 2024, due to a related party of \$772,489 primarily represented advances provided by Mr. Gang Li, to fund the Company's operations. These payables were unsecured, non-interest bearing, and due on demand. All expenses and liabilities were paid by Mr. Gang Li on behalf of the Company, and recorded in the Company's consolidated financial statements in a timely manner. The outstanding amount is expected to be repaid before June 30, 2025.

Guarantees by Related Parties

On September 7, 2023, Xinjiang United Family entered into a loan agreement with Bank of China to borrow RMB10.0 million (\$1,412,469) as working capital for a year, with a maturity date of September 6, 2024. The loan bears a fixed interest rate of 3.55% per annum. The loan is guaranteed by Mr. Gang Li and his family member, Ms. Ying Xiong. In addition, Xinjiang United Family pledged its trademark rights as collateral to guarantee the Company's loan from Bank of China. The loan was repaid in full upon maturity.

On November 15, 2023, Xinjiang United Family entered into a loan agreement with Tianshan Rural Commercial Bank to borrow RMB3.0 million (\$423,741) as working capital for a year, with a maturity date of November 14, 2024. The loan bears a fixed interest rate of 5.50% per annum. The loan is guaranteed by Mr. Gang Li and his family member, Ms. Ying Xiong. The loan was repaid in full upon maturity.

On December 19, 2023, Xinjiang United Family entered into another loan agreement with Tianshan Rural Commercial Bank to borrow RMB3.0 million (\$423,741) as working capital for a year, with a maturity date of December 18, 2024. The loan was withdrawn on January 29, 2024 and bears a fixed interest rate of 5.50% per annum. The loan is guaranteed by Mr. Gang Li and his family member, Ms. Ying Xiong, and two third parties. The loan was repaid in full upon maturity.

On December 22, 2023, Xinjiang United Family entered into a loan agreement with Huaxia Bank to borrow RMB3.0 million (\$423,741) as working capital for a year, with a maturity date of December 20, 2024. The loan was repaid on December 17, 2024. Subsequently, on December 20, 2024, Xinjiang United Family entered into another loan agreement with Huaxia Bank to borrow RMB3.0 million (\$411,043) as working capital for three months, with a maturity date of March 19, 2025. The loan was also repaid on March 19, 2025. These two loans both bear a fixed interest rate of 5.00% per annum. The loans were guaranteed by Ms. Baolin Wang, the legal representative of Xinjiang United Family, and Urumqi Plastic Surgery Hospital Co., Ltd., a related party that is controlled by Mr. Gang Li, the Chairman of the Company.

On September 12, 2024, Xinjiang Xinjiang United Family entered into a loan agreement with Bank of China to borrow RMB10.0 million (\$1,370,145) as working capital for a year, with a maturity date of September 11, 2025. The loan bears a fixed interest rate of 3.45% per annum. The Company is required to make a quarterly installment payment of RMB 2.0 million (\$274,029) within the term of the loan, with last installment of RMB 4.0 million (\$548,058) to be paid at maturity date. The loan is guaranteed by Mr. Gang Li and his family member, Ms. Ying Xiong. In addition, Xinjiang United Family pledged its trademark rights as collateral to guarantee the Company's loan from Bank of China. As of date of this annual report, the loan was repaid as scheduled.

C. Interests of Experts and Counsel

Not applicable.

Item 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report. See "Item 18. Financial Statements."

Legal and Administrative Proceedings

From time to time, we may become a party to various legal or administrative proceedings arising in the ordinary course of our business, including actions with respect to intellectual property infringement, violation of third-party licenses or other rights, breach of contract, and labor and employment claims. We are currently not a party to, and we are not aware of any threat of, any legal or administrative proceedings that, in the opinion of our management, are likely to have any material and adverse effect on our business, financial condition, cash flow, or results of operations.

Dividend Policy

For cash transfers and transfers of other assets between our Company, our subsidiaries, and the VIEs, see “Item 3. Key Information—Asset Transfers Between Our Company, Our Subsidiaries, and the VIEs.”

For our policy on dividend distributions, see “Item 3. Key Information—Dividends or Distributions Made to our Company and U.S. Investors and Tax Consequences.”

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

Item 9. THE OFFER AND LISTING

A. Offer and Listing Details.

Our Class A Ordinary Shares are listed on the Nasdaq Capital Market under the symbol “CHSN.”

On October 7, 2024, the Company received from the SEC an order suspending trading in the Company’s securities for the period from 4:00 a.m. EDT on October 8, 2024, through 11:59 p.m. EDT on October 21, 2024, which order is available at <https://www.sec.gov/enforcement-litigation/trading-suspensions>. The details of the foregoing suspension in trading are described in the report of foreign private issuer on Form 6-K filed with the SEC on October 8, 2024 (File No. 001-41663), which is incorporated by reference herein.

On March 10, 2025, we received a notice from the Listing Qualifications Department of Nasdaq notifying the Company that based upon the closing bid price of the Class A Ordinary Shares of the Company for the last 30 consecutive business days, the Company no longer meets the continued listing requirement of Nasdaq under Nasdaq Listing Rules 5550(a)(2) to maintain a minimum bid price of \$1 per share. Nasdaq has provided the Company with an 180 calendar days compliance period, or until September 8, 2025, in which to regain compliance with Nasdaq continued listing requirement. The details of the foregoing notice are described in the report of foreign private issuer on Form 6-K filed with the SEC on March 13, 2025 (File No. 001-41663), which is incorporated by reference herein.

B. Plan of Distribution

Not applicable.

C. Markets

Our Class A Ordinary Shares are listed on the Nasdaq Capital Market under the symbol “CHSN.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

Item 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Amended and Restated Memorandum and Articles of Association

We incorporate by reference into this annual report the description of our amended and restated memorandum and articles of association, Exhibit 3.1, and the description of differences in corporate laws contained in our registration statement on Form F-1 (File No. 333-254909), as amended, initially filed with the SEC on March 31, 2021. Also see Exhibit 1.1 attached to this annual report.

At the extraordinary general meeting of shareholders of the Company held on March 12, 2025, the shareholders of the Company resolved to increase the Company’s authorized share capital from US\$50,000 divided into 44,000,000 Class A Ordinary Shares of US\$0.001 par value each and 6,000,000 Class B Ordinary Shares of US\$0.001 par value each, to US\$5,000,000 divided into 4,400,000,000 Class A Ordinary Shares of US\$0.001 par value each and 600,000,000 Class B Ordinary Shares of US\$0.001 par value each. The details of such increase of the Company’s authorized capital are described in the report of foreign private issuer on Form 6-K filed with the SEC on March 17, 2025 (File No. 001-41663), which is incorporated by reference herein. At the same extraordinary general meeting, the Company’s shareholders also resolved that the board of directors of the Company may at its sole discretion determine a consolidation of the Company’s shares at a ratio ranging from a minimum of 2:1 to a maximum of 250:1.

C. Material Contracts

On September 13, 2024, the Company entered into a securities purchase agreement with certain investors identified therein for a best efforts follow-on public offering of (i) 8,980,251 Class A Ordinary Shares of the Company and (ii) 8,980,251 common warrants to purchase 8,980,251 Class A Ordinary Shares, at an exercise price of \$0.972 per share (after reflecting amendment on September 24, 2024), exercisable within one year anniversary of the closing of the offering. During the year ended December 31, 2024, all the common warrants were exercised on a cashless basis. Also see Exhibits 4.15, 4.16 and 4.17 attached to this annual report.

D. Exchange Controls

See “Item 4. Information on the Company—B. Business Overview—Regulations—Regulations on Foreign Exchange.”

E. Taxation

People’s Republic of China Enterprise Taxation

The following brief description of Chinese enterprise income taxation is designed to highlight the enterprise-level taxation on our earnings, which will affect the amount of dividends, if any, we are ultimately able to pay to our shareholders. See “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Dividend Policy.”

According to the EIT Law, which was promulgated by the SCNPC on March 16, 2007, became effective on January 1, 2008, amended on February 24, 2017, and most recently amended on December 29, 2018, and the *Implementation Rules of the EIT Law*, which were promulgated by the State Council on December 6, 2007, became effective on January 1, 2008, and were amended on April 23, 2019 as well as December 6, 2024, with the most recent amendment effective on January 20, 2025, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises pay enterprise income tax on their incomes obtained in and outside the PRC at the rate of 25%. Non-resident enterprises setting up institutions in the PRC pay enterprise income tax on the incomes obtained by such institutions in and outside the PRC at the rate of 25%. Non-resident enterprises with no institutions in the PRC, and non-resident enterprises with income having no substantial connection with their institutions in the PRC, pay enterprise income tax on their income obtained in the PRC at a reduced rate of 10%.

We are a holding company incorporated in the Cayman Islands and we gain substantial income by way of dividends paid to us from our PRC subsidiary. The EIT Law and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor’s jurisdiction of incorporation has a tax treaty with China that provides for a preferential tax rate or a tax exemption.

Under the EIT Law, an enterprise established outside of China with a “de facto management body” within China is considered a “resident enterprise,” which means that it is treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. Although the implementation rules of the EIT Law define “de facto management body” as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise, the only official guidance for this definition currently available is set forth in SAT Notice 82, which provides guidance on the determination of the tax residence status of a PRC-controlled offshore incorporated enterprise, defined as an enterprise that is incorporated under the laws of a foreign country or territory and that has a PRC enterprise or enterprise group as its primary controlling shareholder. Although Chanson International does not have a PRC enterprise or enterprise group as our primary controlling shareholder and is therefore not a PRC-controlled offshore incorporated enterprise within the meaning of SAT Notice 82, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in SAT Notice 82 to evaluate the tax residence status of Chanson International and its subsidiaries organized outside the PRC.

According to SAT Notice 82, a PRC-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following criteria are met: (i) the places where senior management and senior management departments that are responsible for daily production, operation and management of the enterprise perform their duties are mainly located within the territory of China; (ii) financial decisions (such as money borrowing, lending, financing and financial risk management) and personnel decisions (such as appointment, dismissal and salary and wages) are decided or need to be decided by organizations or persons located within the territory of China; (iii) main property, accounting books, corporate seal, the board of directors and files of the minutes of shareholders’ meetings of the enterprise are located or preserved within the territory of China; and (iv) one half (or more) of the directors or senior management staff having the right to vote habitually reside within the territory of China.

We believe that we do not meet some of the conditions outlined in the immediately preceding paragraph. For example, as a holding company, the key assets and records of Chanson International, including the resolutions and meeting minutes of our board of directors and the resolutions and meeting minutes of our shareholders, are located and maintained outside the PRC. For the same reasons, we believe our other entities outside China are not PRC resident enterprises either. In addition, we are not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC “resident enterprise” by the PRC tax authorities. Accordingly, we believe that Chanson International and its offshore subsidiaries should not be treated as a “resident enterprise” for PRC tax purposes if the criteria for “de facto management body” as set forth in SAT Notice 82 were deemed applicable to us. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body” as applicable to our offshore entities, we will continue to monitor our tax status.

The implementation rules of the EIT Law provide that, (i) if an enterprise that distributes dividends is domiciled in the PRC or (ii) if gains are realized from transferring equity interests of enterprises domiciled in the PRC, then such dividends or gains are treated as PRC-sourced income. It is not clear how “domicile” may be interpreted under the EIT Law, and it may be interpreted as the jurisdiction where the enterprise is a tax resident. Therefore, if we are considered as a PRC tax resident enterprise for PRC tax purposes, any dividends we pay to our overseas shareholders which are non-resident enterprises as well as gains realized by such shareholders from the transfer of our shares may be regarded as PRC-sourced income and as a result become subject to PRC withholding tax at a rate of up to 10%. Beijing Dacheng Law Offices, LLP (Guangzhou) (“Dacheng”), our PRC counsel, is unable to provide a “will” opinion because it believes that it is more likely than not that we and our offshore subsidiaries would be treated as non-resident enterprises for PRC tax purposes because we do not meet some of the conditions outlined in SAT Notice 82. In addition, Dacheng is not aware of any offshore holding companies with a corporate structure similar to ours that has been deemed a PRC “resident enterprise” by the PRC tax authorities as of the date of this annual report. Therefore, Dacheng believes that it is possible but highly unlikely that income received by our overseas shareholders will be regarded as PRC-sourced income.

See “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in the PRC—Under the EIT Law, we may be classified as a PRC ‘resident enterprise’ for PRC enterprise income tax purposes. Such classification would likely result in unfavorable tax consequences to us and our non-PRC shareholders and have a material adverse effect on our results of operations and the value of your investment.”

If the PRC tax authorities determine that Chanson International is a PRC resident enterprise for enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, we will be subject to the uniform 25% enterprise income tax on our world-wide income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Finally, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises. In addition, non-resident enterprise shareholders may be subject to a 10% PRC tax on gains realized on the sale or other disposition of Class A Ordinary Shares or Class B Ordinary Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC individual shareholders would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. It is also unclear whether non-PRC shareholders of Chanson International would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that Chanson International is treated as a PRC resident enterprise.

Hong Kong Taxation

Entities incorporated in Hong Kong are subject to profits tax in Hong Kong at the rate of 16.5%.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. No stamp duty is payable in the Cayman Islands on the issue of shares by, or any transfers of shares of, Cayman Islands companies (except those which hold interests in land in the Cayman Islands). There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our Class A Ordinary Shares or Class B Ordinary Shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our Class A Ordinary Shares or Class B Ordinary Shares, as the case may be, nor will gains derived from the disposal of our Class A Ordinary Shares or Class B Ordinary Shares be subject to Cayman Islands income or corporation tax.

United States Federal Income Taxation

The following does not address the tax consequences to any particular investor or to persons in special tax situations such as:

- banks;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- broker-dealers;
- persons that elect to mark their securities to market;
- U.S. expatriates or former long-term residents of the U.S.;
- governments or agencies or instrumentalities thereof;
- tax-exempt entities;
- persons liable for alternative minimum tax;
- persons holding our Class A Ordinary Shares as part of a straddle, hedging, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our voting power or value (including by reason of owning our Class A Ordinary Shares);
- persons who acquired our Class A Ordinary Shares pursuant to the exercise of any employee share option or otherwise as compensation;
- persons holding our Class A Ordinary Shares through partnerships or other pass-through entities;
- beneficiaries of a Trust holding our Class A Ordinary Shares; or
- persons holding our Class A Ordinary Shares through a trust.

The discussion set forth below is addressed only to U.S. Holders that purchase Class A Ordinary Shares. Prospective purchasers are urged to consult their own tax advisors about the application of the U.S. federal income tax rules to their particular circumstances as well as the state, local, foreign, and other tax consequences to them of the purchase, ownership, and disposition of our Class A Ordinary Shares.

Material Tax Consequences Applicable to U.S. Holders of Our Class A Ordinary Shares

The following sets forth the material U.S. federal income tax consequences related to the ownership and disposition of our Class A Ordinary Shares. It is directed to U.S. Holders (as defined below) of our Class A Ordinary Shares and is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This description does not deal with all possible tax consequences relating to ownership and disposition of our Class A Ordinary Shares or U.S. tax laws, other than the U.S. federal income tax laws, such as the tax consequences under non-U.S. tax laws, state, local, and other tax laws.

The following brief description applies only to U.S. Holders that hold Class A Ordinary Shares as capital assets and that have the U.S. dollar as their functional currency. This brief description is based on the federal income tax laws of the United States in effect as of the date of this annual report and on U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this annual report, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The brief description below of the U.S. federal income tax consequences to “U.S. Holders” will apply to you if you are a beneficial owner of Class A Ordinary Shares and you are, for U.S. federal income tax purposes,

- an individual who is a citizen or resident of the United States;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

If a partnership (or other entities treated as a partnership for United States federal income tax purposes) is a beneficial owner of our Class A Ordinary Shares, the tax treatment of a partner in the partnership will depend upon the status of the partner and the activities of the partnership. Partnerships and partners of a partnership holding our Class A Ordinary Shares are urged to consult their tax advisors regarding an investment in our Class A Ordinary Shares.

An individual is considered a resident of the U.S. for federal income tax purposes if he or she meets either the “Green Card Test” or the “Substantial Presence Test” described as follows:

The Green Card Test: You are a lawful permanent resident of the United States, at any time, if you have been given the privilege, according to the immigration laws of the United States, of residing permanently in the United States as an immigrant. You generally have this status if the U.S. Citizenship and Immigration Services issued you an alien registration card, Form I-551, also known as a “green card.”

The Substantial Presence Test: If an alien is present in the United States on at least 31 days of the current calendar year, he or she will (absent an applicable exception) be classified as a resident alien if the sum of the following equals 183 days or more (*See* §7701(b)(3)(A) of the Internal Revenue Code and related Treasury Regulations):

1. The actual days in the United States in the current year; plus
2. One-third of his or her days in the United States in the immediately preceding year; plus
3. One-sixth of his or her days in the United States in the second preceding year.

Taxation of Dividends and Other Distributions on Our Class A Ordinary Shares

Subject to the PFIC rules discussed below, the gross amount of distributions made by us to you with respect to the Class A Ordinary Shares (including the amount of any taxes withheld therefrom) will generally be includable in your gross income as dividend income on the date of receipt by you, but only to the extent that the distribution is paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). With respect to corporate U.S. Holders, the dividends will not be eligible for the dividends-received deduction allowed to corporations in respect of dividends received from other U.S. corporations. We have not declared any dividends to our shareholders as of the date of this annual report.

With respect to non-corporate U.S. Holders, including individual U.S. Holders, dividends will be taxed at the lower capital gains rate applicable to qualified dividend income, provided that (1) the Class A Ordinary Shares are readily tradable on an established securities market in the United States, or we are eligible for the benefits of an approved qualifying income tax treaty with the United States that includes an exchange of information program, (2) we are not a PFIC for either our taxable year in which the dividend is paid or the preceding taxable year, and (3) certain holding period requirements are met. Because there is no income tax treaty between the United States and the Cayman Islands, clause (1) above can be satisfied only if the Class A Ordinary Shares are readily tradable on an established securities market in the United States. Under U.S. Internal Revenue Service authority, Class A Ordinary Shares are considered for purpose of clause (1) above to be readily tradable on an established securities market in the United States if they are listed on certain exchanges, which presently include the NYSE and the Nasdaq Stock Market LLC. Our Class A Ordinary Shares are presently traded on the Nasdaq Stock Market LLC. You are urged to consult your tax advisors regarding the availability of the lower rate for dividends paid with respect to our Class A Ordinary Shares, including the effects of any change in law after the date of this annual report.

Dividends will constitute foreign source income for foreign tax credit limitation purposes. If the dividends are taxed as qualified dividend income (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends distributed by us with respect to our Class A Ordinary Shares will constitute “passive category income” but could, in the case of certain U.S. Holders, constitute “general category income.”

To the extent that the amount of the distribution exceeds our current and accumulated earnings and profits (as determined under U.S. federal income tax principles), it will be treated first as a tax-free return of your tax basis in your Class A Ordinary Shares, and to the extent the amount of the distribution exceeds your tax basis, the excess will be taxed as capital gain. We do not calculate our earnings and profits under U.S. federal income tax principles. Therefore, a U.S. Holder should expect that a distribution will be treated as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above.

Taxation of Dispositions of Class A Ordinary Shares

Subject to the PFIC rules discussed below, you will recognize taxable gain or loss on any sale, exchange, or other taxable disposition of a share equal to the difference between the amount realized (in U.S. dollars) for the share and your tax basis (in U.S. dollars) in the Class A Ordinary Shares. The gain or loss will be capital gain or loss. If you are a non-corporate U.S. Holder, including an individual U.S. Holder, who has held the Class A Ordinary Shares for more than one year, you will generally be eligible for reduced tax rates. The deductibility of capital losses is subject to limitations. Any such gain or loss that you recognize will generally be treated as United States source income or loss for foreign tax credit limitation purposes which will generally limit the availability of foreign tax credits.

PFIC Consequences

A non-U.S. corporation is considered a PFIC, as defined in Section 1297(a) of the US Internal Revenue Code, for any taxable year if either:

- at least 75% of its gross income for such taxable year is passive income; or
- at least 50% of the value of its assets (based on an average of the quarterly values of the assets during a taxable year) is attributable to assets that produce or are held for the production of passive income (the “asset test”).

Passive income generally includes dividends, interest, rents and royalties (other than rents or royalties derived from the active conduct of a trade or business) and gains from the disposition of passive assets. We will be treated as owning our proportionate share of the assets and earning our proportionate share of the income of any other corporation in which we own, directly or indirectly, at least 25% (by value) of the stock. In determining the value and composition of our assets for purposes of the PFIC asset test, (1) the cash we raise in our offerings will generally be considered to be held for the production of passive income and (2) the value of our assets must be determined based on the market value of our Class A Ordinary Shares from time to time, which could cause the value of our non-passive assets to be less than 50% of the value of all of our assets on any particular quarterly testing date for purposes of the asset test.

Based on our operations and the composition of our assets, it appears we are not a PFIC under the current PFIC rules. We must make a separate determination each year as to whether we are a PFIC, however, and there can be no assurance with respect to our status as a PFIC for any future taxable year. Depending on the amount of cash and any other assets held for the production of passive income, it is possible that, for any subsequent taxable year, more than 50% of our assets may be assets held for the production of passive income. We will make this determination following the end of any particular tax year. Although the law in this regard is unclear, we are treating the UFG Entities as being owned by us for United States federal income tax purposes, not only because we control their management decisions, but also because we are entitled to the economic benefits associated with the UFG Entities, and as a result, we are treating the UFG Entities as our wholly-owned subsidiary for U.S. federal income tax purposes. If we are not treated as owning the UFG Entities for United States federal income tax purposes, we would likely be treated as a PFIC. In addition, because the value of our assets for purposes of the asset test will generally be determined based on the market price of our Class A Ordinary Shares and because cash is generally considered to be an asset held for the production of passive income, our PFIC status will depend in large part on the market price of our Class A Ordinary Shares and the amount of cash we raised in our offerings. Accordingly, fluctuations in the market price of the Class A Ordinary Shares may cause us to become a PFIC. In addition, the application of the PFIC rules is subject to uncertainty in several respects and the composition of our income and assets will be affected by how, and how quickly, we spend the cash we raised in our offerings. We are under no obligation to take steps to reduce the risk of our being classified as a PFIC, and as stated above, the determination of the value of our assets will depend upon material facts (including the market price of our Class A Ordinary Shares from time to time and the amount of cash we raised in our offerings) that may not be within our control. If we are a PFIC for any year during which you hold Class A Ordinary Shares, we will continue to be treated as a PFIC for all succeeding years during which you hold Class A Ordinary Shares. If we cease to be a PFIC and you did not previously make a timely “mark-to-market” election as described below, you may avoid some of the adverse effects of the PFIC regime by making a “purging election” (as described below) with respect to the Class A Ordinary Shares.

If we are a PFIC for your taxable year(s) during which you hold Class A Ordinary Shares, you will be subject to special tax rules with respect to any “excess distribution” that you receive and any gain you realize from a sale or other disposition (including a pledge) of the Class A Ordinary Shares, unless you make a “mark-to-market” election as discussed below. Distributions you receive in a taxable year that are greater than 125% of the average annual distributions you received during the shorter of the three preceding taxable years or your holding period for the Class A Ordinary Shares will be treated as an excess distribution. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the Class A Ordinary Shares;
- the amount allocated to your current taxable year, and any amount allocated to any of your taxable year(s) prior to the first taxable year in which we were a PFIC, will be treated as ordinary income, and
- the amount allocated to each of your other taxable year(s) will be subject to the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

The tax liability for amounts allocated to years prior to the year of disposition or “excess distribution” cannot be offset by any net operating losses for such years, and gains (but not losses) realized on the sale of the Class A Ordinary Shares cannot be treated as capital, even if you hold the Class A Ordinary Shares as capital assets.

A U.S. Holder of “marketable stock” (as defined below) in a PFIC may make a mark-to-market election under Section 1296 of the US Internal Revenue Code for such stock to elect out of the tax treatment discussed above. If you make a mark-to-market election for first taxable year which you hold (or are deemed to hold) Class A Ordinary Shares and for which we are determined to be a PFIC, you will include in your income each year an amount equal to the excess, if any, of the fair market value of the Class A Ordinary Shares as of the close of such taxable year over your adjusted basis in such Class A Ordinary Shares, which excess will be treated as ordinary income and not capital gain. You are allowed an ordinary loss for the excess, if any, of the adjusted basis of the Class A Ordinary Shares over their fair market value as of the close of the taxable year. Such ordinary loss, however, is allowable only to the extent of any net mark-to-market gains on the Class A Ordinary Shares included in your income for prior taxable years. Amounts included in your income under a mark-to-market election, as well as gain on the actual sale or other disposition of the Class A Ordinary Shares, are treated as ordinary income. Ordinary loss treatment also applies to any loss realized on the actual sale or disposition of the Class A Ordinary Shares, to the extent that the amount of such loss does not exceed the net mark-to-market gains previously included for such Class A Ordinary Shares. Your basis in the Class A Ordinary Shares will be adjusted to reflect any such income or loss amounts. If you make a valid mark-to-market election, the tax rules that apply to distributions by corporations which are not PFICs would apply to distributions by us, except that the lower applicable capital gains rate for qualified dividend income discussed above under “—Taxation of Dividends and Other Distributions on our Class A Ordinary Shares” generally would not apply.

The mark-to-market election is available only for “marketable stock,” which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter (“regularly traded”) on a qualified exchange or other market (as defined in applicable U.S. Treasury regulations), including the Nasdaq Capital Market. If the Class A Ordinary Shares are regularly traded on the Nasdaq Capital Market and if you are a holder of Class A Ordinary Shares, the mark-to-market election would be available to you were we to be or become a PFIC. Our Class A Ordinary Shares are presently traded on the Nasdaq Capital Market.

Alternatively, a U.S. Holder of stock in a PFIC may make a “qualified electing fund” election under Section 1295(b) of the U.S. Internal Revenue Code with respect to such PFIC to elect out of the tax treatment discussed above. A U.S. Holder who makes a valid qualified electing fund election with respect to a PFIC will generally include in gross income for a taxable year such holder’s pro rata share of the corporation’s earnings and profits for the taxable year. The qualified electing fund election, however, is available only if such PFIC provides such U.S. Holder with certain information regarding its earnings and profits as required under applicable U.S. Treasury regulations. We do not prepare or provide the information that would enable you to make a qualified electing fund election. If you hold Class A Ordinary Shares in any taxable year in which we are a PFIC, you will be required to file U.S. Internal Revenue Service Form 8621 in each such year and provide certain annual information regarding such Class A Ordinary Shares, including regarding distributions received on the Class A Ordinary Shares and any gain realized on the disposition of the Class A Ordinary Shares.

If you do not make a timely “mark-to-market” election (as described above), and if we were a PFIC at any time during the period you hold our Class A Ordinary Shares, then such Class A Ordinary Shares will continue to be treated as stock of a PFIC with respect to you even if we cease to be a PFIC in a future year, unless you make a “purging election” for the year we cease to be a PFIC. A “purging election” creates a deemed sale of such Class A Ordinary Shares at their fair market value on the last day of the last year in which we are treated as a PFIC. The gain recognized by the purging election will be subject to the special tax and interest charge rules treating the gain as an excess distribution, as described above. As a result of the purging election, you will have a new basis (equal to the fair market value of the Class A Ordinary Shares on the last day of the last year in which we are treated as a PFIC) and holding period (which new holding period will begin the day after such last day) in your Class A Ordinary Shares for tax purposes.

IRC Section 1014(a) provides for a step-up in basis to the fair market value for our Class A Ordinary Shares when inherited from a decedent that was previously a holder of our Class A Ordinary Shares. However, if we are determined to be a PFIC and a decedent that was a U.S. Holder did not make either a timely qualified electing fund election for our first taxable year as a PFIC in which the U.S. Holder held (or was deemed to hold) our Class A Ordinary Shares, or a mark-to-market election and ownership of those Class A Ordinary Shares are inherited, a special provision in IRC Section 1291(e) provides that the new U.S. Holder's basis should be reduced by an amount equal to the Section 1014 basis minus the decedent's adjusted basis just before death. As such if we are determined to be a PFIC at any time prior to a decedent's passing, the PFIC rules will cause any new U.S. Holder that inherits our Class A Ordinary Shares from a U.S. Holder to not get a step-up in basis under Section 1014 and instead will receive a carryover basis in those Class A Ordinary Shares.

You are urged to consult your tax advisors regarding the application of the PFIC rules to your investment in our Class A Ordinary Shares and the elections discussed above.

Information Reporting and Backup Withholding

Dividend payments with respect to our Class A Ordinary Shares and proceeds from the sale, exchange, or redemption of our Class A Ordinary Shares may be subject to information reporting to the U.S. Internal Revenue Service and possible U.S. backup withholding under Section 3406 of the U.S. Internal Revenue Code with at a current flat rate of 24%. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification on U.S. Internal Revenue Service Form W-9 or who is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status generally must provide such certification on U.S. Internal Revenue Service Form W-9. U.S. Holders are urged to consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against your U.S. federal income tax liability, and you may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the U.S. Internal Revenue Service and furnishing any required information. We do not intend to withhold taxes for individual shareholders. Transactions effected through certain brokers or other intermediaries, however, may be subject to withholding taxes (including backup withholding), and such brokers or intermediaries may be required by law to withhold such taxes.

Under the Hiring Incentives to Restore Employment Act of 2010, certain U.S. Holders are required to report information relating to our Class A Ordinary Shares, subject to certain exceptions (including an exception for Class A Ordinary Shares held in accounts maintained by certain financial institutions), by attaching a complete Internal Revenue Service Form 8938, Statement of Specified Foreign Financial Assets, with their tax return for each year in which they hold Class A Ordinary Shares. Failure to report such information could result in substantial penalties. You should consult your own tax advisor regarding your obligation to file a Form 8938.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing, among other things, the furnishing and content of proxy statements to shareholders, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

I. Subsidiary Information

For a listing of our subsidiaries and the VIEs, see “Item 3. Key Information—Our Corporate Structure—Corporate Structure.”

J. Annual Report to Security Holders

Not applicable.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Most of our business is conducted in the PRC, and most of our books and records are maintained in RMB. The financial statements that we file with the SEC and provide to our shareholders are presented in U.S. dollars. Changes in the exchange rates between the RMB and U.S. dollar affect the value of the PRC Stores’ assets and results of operations, when presented in U.S. dollars.

The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in the PRC’s political and economic conditions and perceived changes in the economy of the PRC and the United States. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenue, and financial condition. Further, our Class A Ordinary Shares offered in the U.S. are offered in U.S. dollars, and we need to convert the net proceeds we receive into RMB in order to use the funds for the PRC Stores’ business. Changes in the conversion rate among the U.S. dollar and the RMB will affect the amount of proceeds we will have available for the PRC Stores’ business.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into more hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Credit Risk

Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash. As of December 31, 2024 and 2023, \$11,943,199 and \$864,426 of our cash was on deposit at financial institutions in the PRC, where there currently is no rule or regulation requiring such financial institutions to maintain insurance to cover bank deposits in the event of bank failure. As of December 31, 2024 and 2023, \$107,550 and \$555,799 of our cash was on deposit at financial institutions in the U.S. which were insured by the Federal Deposit Insurance Corporation subject to certain limitations. While management believes that these financial institutions are of high credit quality, it also continually monitors their credit worthiness.

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposed to credit risk. The risk is mitigated by our assessment of its customers’ creditworthiness and its ongoing monitoring of outstanding balances.

Interest Rate Risk

We have not used derivative financial instruments to hedge interest risk. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed to material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

Inflation and Supply Chain Impacts

As of the date of this annual report, the PRC Stores have not been materially impacted by inflation or supply chain disruptions as their raw material, electricity, and fuel prices and labor costs remain stable and the PRC Stores have been regularly introducing new products and adjusting the prices for their existing products.

Rising inflation, geopolitical conflicts, including the recent war in Ukraine, and the related supply chain disruptions have had a direct or indirect impact on the business and operations of the U.S. Stores.

The annual inflation rate in the U.S. was 2.9% in 2024, according to the Council of Economic Advisers. Increases in the inflation rate of prices of commodities that are inputs to the products and services of the U.S. Stores, such as agricultural and energy commodities, have led to higher raw material, fuel, freight, warehousing, and labor costs and operating expenses. If the disposable income of the customers of the U.S. Stores does not increase at a similar rate as inflation does, the U.S. Stores' sales could suffer, which could materially and adversely affect their business and financial condition and cause the U.S. Stores to have additional working capital needs. However, the U.S. Stores cannot predict whether or how long the higher inflation rates will persist. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—The operating entities' inability to source raw materials or other inputs of an acceptable type or quality could adversely affect their results of operations."

In addition, although the U.S. Stores do not have any operations outside of the U.S. nor any business relationships, connections to, or assets in, Russia, Belarus, or Ukraine, their business, financial condition, and results of operations have been, and could continue to be, indirectly and adversely affected by the ongoing military conflict between Russia and Ukraine. Such impact arises from: (i) volatility in the global supply of wheat, corn, barley, sunflower oil, and other agricultural commodities; (ii) higher food prices due to supply constraints and the general inflationary impact of the war; (iii) increases in energy prices globally, in particular for electricity and fossil fuels, such as crude oil and natural gas, and related transportation, freight, and warehousing costs; and (iv) disruptions to logistics and supply chains. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—The PRC Stores and the U.S. Stores are currently operating in a period of economic uncertainty and capital markets disruption, which has been significantly impacted by geopolitical instability due to the ongoing military conflict between Russia and Ukraine. Their business, financial condition, and results of operations may be materially and adversely affected by any negative impact on the global economy and capital markets resulting from the conflict in Ukraine or any other geopolitical tensions."

The impact of supply chains of the U.S. Stores from rising inflation and geopolitical tensions primarily consists of (i) higher purchase prices and fuel, freight, and warehousing costs for raw materials and other products, (ii) delays in the manufacturing, processing, and transportation of raw materials and other products; and (iii) logistics and operational disruptions. Future interruptions or friction in the supply chains of the U.S. Stores, as well as anticipation of interruptions or friction, may cause them to be unable to meet customer demand, retain extra inventory, and make operational plans with less precision. Each of these impacts, if the U.S. Stores are affected more than their competitors, could materially and adversely affect their business, adversely impact their prices and/or margins, and cause them to have additional working capital needs.

In 2022, to mitigate the increases in costs and expenses described above, the U.S. Stores implemented more stringent and accurate inventory management and upgraded their menus to introduce new products, such as the cocktail products, with higher prices and increase the prices of existing products. However, if the costs and expenses described above continue to increase, there can be assurance that the U.S. Stores can continue to increase prices to maintain their margins. Lower margins could adversely impact the profitability of the businesses of the U.S. Stores. If the amounts the U.S. Stores charge their customers increase at a rate that is either unaffordable to their customers or insufficient to compensate for the rise in their material costs and operational expenses, their business may be materially and adversely affected, their product margin may deteriorate, and they may have additional working capital needs. We do not believe that such mitigation efforts have introduced any other new material risks, including, but not limited to, those related to product quality or reliability or regulatory approval. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—The inability of the PRC Stores and the U.S. Stores to pass on price increases for materials or other inputs to their customers could adversely affect our results of operations.” In order to mitigate the potential adverse impact of price increases on their financial condition and results of operations, the U.S. Stores plan to continue to improve their operating efficiency and further strengthen their bargaining power with their suppliers through the continued expansion of their store network.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Not applicable.

Part II

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

On December 26, 2024, the shareholders of the Company approved amendment to the Company's then-effective articles of association where the number of votes holders of Class B Ordinary Shares that are entitled to cast on a poll had been increased from 10 votes to 50 votes. The details of the increase of the number of votes attached to the Class B Ordinary Shares are described in the report of foreign private issuer on Form 6-K filed with the SEC on December 27, 2024 (File No. 001-41663), which is incorporated by reference herein.

At the extraordinary general meeting of shareholders of the Company held on March 12, 2025, the shareholders of the Company resolved to increase the Company's authorized share capital from US\$50,000 divided into 44,000,000 Class A Ordinary Shares of US\$0.001 par value each and 6,000,000 Class B Ordinary Shares of US\$0.001 par value each, to US\$5,000,000 divided into 4,400,000,000 Class A Ordinary Shares of US\$0.001 par value each and 600,000,000 Class B Ordinary Shares of US\$0.001 par value each. The details of such increase of the Company's authorized capital are described in the report of foreign private issuer on Form 6-K filed with the SEC on March 17, 2025 (File No. 001-41663), which is incorporated by reference herein.

Item 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of December 31, 2024.

Based on that evaluation, our management has concluded that, due to the material weakness described below, as of December 31, 2024, our disclosure controls and procedures were not effective. Our conclusion is based on the fact that we do not have sufficient in-house personnel in our accounting department with sufficient knowledge of the U.S. GAAP and SEC reporting rules, which led to a material weakness. Our management is currently in the process of evaluating the steps necessary to remediate the material weakness, such as (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework, and (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Rule 13a-15(c) of the Exchange Act, our management conducted an evaluation of our company’s internal control over financial reporting as of December 31, 2024 based on the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was ineffective as of December 31, 2024.

In accordance with reporting requirements set forth by the SEC, a “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual consolidated financial statements will not be prevented or detected on a timely basis.

The material weakness identified was that we do not have sufficient in-house personnel in our accounting department with sufficient knowledge of the U.S. GAAP and SEC reporting rules. Due to the foregoing material weakness, management concluded that as of December 31, 2024, our internal control over financial reporting was ineffective.

To remedy our identified material weakness identified to date, we plan to undertake steps to strengthen our internal control over financial reporting, including (i) hiring more qualified accounting personnel with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework, and (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel.

However, we cannot assure you that we will remediate our material weakness in a timely manner, or at all. See “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Class A Ordinary Shares and the Trading Market—If we fail to establish and maintain an effective system of internal control over financial reporting, our ability to accurately and timely report our financial results or prevent fraud may be adversely affected, and investor confidence and the market price of our Class A Ordinary Shares may be adversely impacted.”

Attestation Report of the Registered Public Accounting Firm

This annual report on Form 20-F does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by our registered public accounting firm pursuant to rules of the SEC where domestic and foreign registrants that are non-accelerated filers, which we are, and “emerging growth companies,” which we also are, are not required to provide the auditor attestation report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report on Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [RESERVED]

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Mr. Yong Du qualifies as an “audit committee financial expert” as defined in Item 16A of Form 20-F. Mr. Yong Du satisfies the “independence” requirements of Section 5605(a)(2) of the NASDAQ Listing Rules as well as the independence requirements of Rule 10A-3 under the Exchange Act. See “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management.”

Item 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics, which is applicable to all of our directors, officers, and employees. Our code of business conduct and ethics is publicly available on our website.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered and billed by Assentsure, our independent registered public accounting firm since July 10, 2023, Marcum Asia, our independent registered public accounting firm from September 29, 2022 to July 9, 2023, and Friedman, our independent registered public accounting firm before September 29, 2022, for the years indicated.

	For the Years Ended December 31,		
	2024	2023	2022
Audit fees (1)	\$ 227,000	\$ 210,000	\$ 300,000
Audit-Related fees (2)	\$ 119,330	\$ 14,330	\$ 9,000
Tax fees	-	-	-
All other fees	-	-	-
Total	<u>\$ 346,330</u>	<u>\$ 224,330</u>	<u>\$ 309,000</u>

Notes:

- (1) Audit fees include the aggregate fees billed for each of the fiscal years for professional services rendered by our independent registered public accounting firm for the audit of our annual financial statements or for the audits of our financial statements and review of the interim financial statements in connection with our initial public offering in 2023.
- (2) Audit-related fees include the aggregate fees billed in each of the fiscal years for assurance and related services by our independent registered public accounting firm that are reasonably related to the performance of the audit or review of our financial statements and are not reported under audit fees.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by our independent registered public accounting firm, including audit services, audit-related services, tax services, and other services as described above.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

Item 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

On July 10, 2023, the Company appointed Assentsure as its independent registered public accounting firm, effective on the same day. Assentsure replaced Marcum Asia, the former independent registered public accounting firm of the Company, which the Company dismissed on July 9, 2023. The appointment of Assentsure and the dismissal of Marcum Asia were made after careful consideration and evaluation process by the Company and were approved by the audit committee of the board of directors of the Company. The Company's decision was not as a result of any disagreement between the Company and Marcum Asia on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

Marcum Asia served as the Company's independent public accounting firm from November 10, 2022 to July 9, 2023. The audit report of Marcum Asia on the consolidated financial statements of the Company as of December 31, 2022 and for the year ended December 31, 2022 did not contain an adverse opinion or disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope, or accounting principles. During the Company's engagement of Marcum Asia until July 9, 2023, there had been no disagreements with Marcum Asia on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Marcum Asia's satisfaction, would have caused Marcum Asia to make reference to the subject matter of the disagreement in connection with its reports on the Company's financial statements for such periods.

During the Company's engagement of Marcum Asia until July 9, 2023, there were no "reportable events" as that term is described in Item 16F(a)(1)(v) of Form 20-F, other than the material weaknesses reported by management in the Risk Factors section of the Company's Annual Report on Form 20-F filed with the U.S. Securities and Exchange Commission, or SEC, on May 1, 2023.

During the two most recent fiscal years and any subsequent interim periods prior to the engagement of Assenture, neither the Company, nor someone on behalf of the Company, has consulted Assenture regarding either (a) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on the Company's consolidated financial statements, and neither a written report was provided to the Company or oral advice was provided that Assenture concluded was an important factor considered by the Company in reaching a decision as to the accounting, auditing, or financial reporting issue; or (b) any matter that was the subject of a disagreement as defined in Item 16F(a)(1)(iv) of Form 20-F and related instructions to Item 16F of Form 20-F, or any reportable events as described in Item 16F(a)(1)(v) of Form 20-F.

Marcum Asia's letter addressed to the SEC stating whether or not it agrees with the above statement is attached as Exhibit 15.2 of this annual report. The details of our change of auditor are described in the report of foreign private issuer on Form 6-K filed with the SEC on July 11, 2023 (File No. 001-41663), which is incorporated by reference herein.

Item 16G. CORPORATE GOVERNANCE

As a Cayman Islands company listed on the Nasdaq Capital Market, we are subject to the Nasdaq corporate governance listing standards. Nasdaq rules, however, permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq corporate governance listing standards.

Nasdaq Listing Rule 5635 generally provides that shareholder approval is required of U.S. domestic companies listed on Nasdaq prior to issuance (or potential issuance) of securities (i) equaling 20% or more of the company's common stock or voting power for less than the greater of market or book value (ii) resulting in a change of control of the company; and (iii) which is being issued pursuant to a stock option or purchase plan to be established or materially amended or other equity compensation arrangement made or materially amended. Notwithstanding this general requirement, Nasdaq Listing Rule 5615(a)(3)(A) permits foreign private issuers to follow their home country practice rather than these shareholder approval requirements. The Cayman Islands do not require shareholder approval prior to any of the foregoing types of issuances. We, therefore, are not required to obtain such shareholder approval prior to entering into a transaction with the potential to issue securities as described above. We intend to comply with the requirements of Nasdaq listing rules in determining whether shareholder approval is required on such matters. We may, however, consider following home country practice in lieu of the requirements under Nasdaq listing rules with respect to certain corporate governance standards which may afford less protection to investors.

Nasdaq Listing Rule 5605(b)(1) requires listed companies to have, among other things, a majority of its board members be independent. As a foreign private issuer, however, we are permitted to, and we may follow home country practice in lieu of the above requirements. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of our board to consist of independent directors. Currently, a majority of our board members are independent. However, if we change our board composition such that independent directors do not constitute a majority of our board of directors, our shareholders may be afforded less protection than they would otherwise enjoy under Nasdaq's corporate governance requirements applicable to U.S. domestic issuers. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Class A Ordinary Shares and the Trading Market—Because we are a foreign private issuer and are exempt from certain Nasdaq corporate governance standards applicable to U.S. issuers, you will have less protection than you would have if we were a domestic issuer."

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

Item 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

Item 16J. INSIDER TRADING POLICIES

Our board of directors has adopted insider trading policies and procedures governing the purchase, sale, and other dispositions of our securities by directors, senior management, and employees that are reasonably designed to promote compliance with applicable insider trading laws, rules, and regulations, and any listing standards applicable to us. A copy of the Company's Insider Trading Policy is filed as Exhibit 11.2 hereto.

Our board of directors has also adopted a compensation recovery policy required by the Nasdaq Listing Rule 5608, which is attached as Exhibit 97.1 to this annual report.

Item 16K. CYBERSECURITY

Risk Management and Strategy

We recognize the importance of safeguarding the security of our computer systems, software, networks, and other technology assets. We have implemented cybersecurity measures and protocols for assessing, identifying, and managing material risks from cybersecurity threats, which are integrated into our overall risk management framework. We aim to ensure a comprehensive and proactive approach to safeguarding our assets and operations.

For example, Xinjiang United Family has adopted and implemented cybersecurity risk management regulations which classify cybersecurity threats and issues, specify the responsibility of information technology personnel, and the processes for preventing, identifying, and managing cybersecurity risks and issues. The U.S. Stores have not implemented cybersecurity risk management regulations and mainly rely on technological safeguards installed in their computer systems. We are reliant on third parties to service parts of our IT infrastructure. We do not have processes to oversee and identify risks from cybersecurity threats associated with the use of any third-party service provider.

In the year ended December 31, 2024, we did not detect any cybersecurity incidents that have materially affected or are reasonably likely to materially affect us, including our business strategy, results of operations, or financial condition.

Although risks from cybersecurity threats have not to date materially affected, and we do not believe they are reasonably likely to materially affect, us, our business strategy, results of operations or financial condition, we may, from time to time, experience threats to and security incidents related to our data and systems. See "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—Any disruption of our information technology system would harm the operating entities' business and reduce their profitability" and "Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business—Data security breaches and attempts thereof could negatively affect the operating entities' reputation, credibility, and business."

Governance

According to the cybersecurity risk management regulations implemented by Xinjiang United Family, our information technology personnel have the primary responsibility for day-to-day assessment and management of cybersecurity risks. Our information technology monitor cybersecurity risks. When cybersecurity issues occur, our information technology personnel will collect the relevant information, prepare solutions to mitigate the issues, and report the incidents to our management. Our management supervises our information technology personnel.

Part III

Item 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

Item 18. FINANCIAL STATEMENTS

The consolidated financial statements of Chanson International Holding, and its operating entities are included at the end of this annual report.

Item 19. EXHIBITS

EXHIBIT INDEX

Exhibit No.	Description
1.1*	<u>Amended and Restated Memorandum and Articles of Association</u>
2.1	<u>Specimen Certificate for Class A Ordinary Shares (incorporated by reference to Exhibit 4.1 of our Registration Statement on Form F-1 (File No. 333-254909) initially filed with the Securities and Exchange Commission on March 31, 2021)</u>
2.2*	<u>Description of Securities</u>
4.1	<u>Form of Employment Agreement by and between executive officers and the Registrant (incorporated by reference to Exhibit 10.1 of our Registration Statement on Form F-1 (File No. 333-254909) initially filed with the Securities and Exchange Commission on March 31, 2021)</u>
4.2	<u>English Translation of the Form of Exclusive Service Agreement between each UFG Operator and Xinjiang United Family, as currently in effect, and a schedule of all executed Exclusive Service Agreements adopting the same form (incorporated by reference to Exhibit 10.3 of our Registration Statement on Form F-1/A No. 9 (File No. 333-254909) filed with the Securities and Exchange Commission on March 20, 2023)</u>
4.3	<u>English Translation of the Form of Operating Rights Proxy Agreement between each UFG Operator and Xinjiang United Family, as currently in effect, and a schedule of all executed Operating Rights Proxy Agreements adopting the same form (incorporated by reference to Exhibit 10.4 of our Registration Statement on Form F-1/A No. 9 (File No. 333-254909) filed with the Securities and Exchange Commission on March 20, 2023)</u>
4.4	<u>English Translation of the Form of Pledge Agreement between each UFG Operator and Xinjiang United Family, as currently in effect, and a schedule of all executed Pledge Agreements adopting the same form (incorporated by reference to Exhibit 10.5 of our Registration Statement on Form F-1/A No. 9 (File No. 333-254909) filed with the Securities and Exchange Commission on March 20, 2023)</u>
4.5	<u>English Translation of the Form of Call Option Agreement between each UFG Operator and Xinjiang United Family, as currently in effect, and a schedule of all executed Call Option Agreements adopting the same form (incorporated by reference to Exhibit 10.6 of our Registration Statement on Form F-1/A No. 9 (File No. 333-254909) filed with the Securities and Exchange Commission on March 20, 2023)</u>
4.6	<u>English Translation of the Form of Spousal Consent granted by the spouse of each UFG Operator, as currently in effect, and a schedule of all executed Spousal Consents adopting the same form (incorporated by reference to Exhibit 10.7 of our Registration Statement on Form F-1/A No. 9 (File No. 333-254909) filed with the Securities and Exchange Commission on March 20, 2023)</u>

4.7	English Translation of Premises Use Agreement dated April 30, 2020, and Supplemental Agreement dated June 18, 2020, between Xinjiang United Family and Urumqi Plastic Surgery Hospital Co., Ltd. (incorporated by reference to Exhibit 10.8 of our Registration Statement on Form F-1 (File No. 333-254909) initially filed with the Securities and Exchange Commission on March 31, 2021)
4.8	English Translation of Lease Agreement dated June 30, 2021, between Xinjiang United Family and Xinjiang Chuangbo Park Development Co., Ltd. (incorporated by reference to Exhibit 10.16 of our Registration Statement on Form F-1/A No. 2 (File No. 333-254909) filed with the Securities and Exchange Commission on August 27, 2021)
4.9	Office Licensing Agreement dated March 25, 2024 between Chanson International and CL Asset Management LLC (incorporated by reference to Exhibit 4.9 of our annual report on Form 20-F for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission on May 1, 2024)
4.10	English Translation of Working Capital Loan Agreement dated December 22, 2023, between Xinjiang United Family and Huaxia Bank Co., Ltd. (incorporated by reference to Exhibit 4.10 of our annual report on Form 20-F for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission on May 1, 2024)
4.11	English Translation of Working Capital Loan Agreement dated September 7, 2023, between Xinjiang United Family and Bank of China (incorporated by reference to Exhibit 4.11 of our annual report on Form 20-F for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission on May 1, 2024)
4.12	English Translation of Working Capital Loan Agreement dated December 26, 2023, between Xinjiang United Family and Xinjiang Urumqi Rural Commercial Bank (incorporated by reference to Exhibit 4.12 of our annual report on Form 20-F for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission on May 1, 2024)
4.13	English Translation of Working Capital Loan Agreement dated November 15, 2023, between Xinjiang United Family and Tianshan Rural Commercial Bank (incorporated by reference to Exhibit 4.13 of our annual report on Form 20-F for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission on May 1, 2024)
4.14	English Translation of Working Capital Loan Agreement dated December 19, 2023, between Xinjiang United Family and Tianshan Rural Commercial Bank (incorporated by reference to Exhibit 4.14 of our annual report on Form 20-F for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission on May 1, 2024)
4.15	Placement Agency Agreement dated September 12, 2024, between the Registrant and Joseph Stone Capital, LLC (incorporated by reference to Exhibit 10.1 of the report of foreign private issuer on Form 6-K filed with the Securities and Exchange Commission on September 17, 2024)
4.16	Form of Securities Purchase Agreement dated September 13, 2024, between the Registrant and the purchasers identified therein (incorporated by reference to Exhibit 10.2 of the report of foreign private issuer on Form 6-K filed with the Securities and Exchange Commission on September 17, 2024)
4.17	Amendment to Escrow Agreement dated September 13, 2024, among the Registrant, Joseph Stone Capital, LLC and Continental Stock Transfer & Trust Company (incorporated by reference to Exhibit 10.3 of the report of foreign private issuer on Form 6-K filed with the Securities and Exchange Commission on September 17, 2024)
8.1*	List of subsidiaries of the Registrant
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 of our Registration Statement on Form F-1 (File No. 333-254909) initially filed with the Securities and Exchange Commission on March 31, 2021)
11.2	Insider Trading Policy of the Registrant (incorporated by reference to Exhibit 11.2 of our annual report on Form 20-F for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission on May 1, 2024)
12.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of Beijing Dacheng Law Offices, LLP (Guangzhou)
15.2	Letter of Marcum Asia CPAs LLP to the U.S. Securities and Exchange Commission dated July 11, 2023 (incorporated by reference to Exhibit 16.1 of the report of foreign private issuer on Form 6-K filed with the SEC on July 11, 2023)
97.1	Compensation Recovery Policy of the Registrant (incorporated by reference to Exhibit 97.1 of our annual report on Form 20-F for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission on May 1, 2024)
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed with this annual report on Form 20-F

** Furnished with this annual report on Form 20-F

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Chanson International Holding

By: /s/ Gang Li

Gang Li

Chief Executive Officer, Director, and
Chairman of the Board of Directors

Date: April 4, 2025

CHANSON INTERNATIONAL HOLDING
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of Chanson International Holding

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Chanson International Holding and its subsidiaries (the “Company”) as of December 31, 2024 and 2023, the related consolidated statements of operations and comprehensive income (loss), changes in shareholders’ equity, and cash flows for the year ended December 31, 2024 and 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2024 and 2023, and the consolidated results of its operations and its cash flows for the year ended December 31, 2024 and 2023, in conformity with accounting principles generally accepted in the United States of America (“US GAAP”).

The consolidated financial statements of the Company as of December 31, 2022, and for the year then ended (collectively referred to as the “FY2022”), other than the segment reporting discussed in Note 17 to the financial statements, was audited by other auditors whose report, dated May 1, 2023, expressed an unqualified opinion on those statements. We have added disclosures to FY 2022 segment reports this year to meet the needs of investors, as described in note 17, we believe that this disclosure is appropriate and has been applied appropriately. However, we were not engaged to audit, review, or apply any procedures to the Company’s FY2022 consolidated financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the FY2022 consolidated financial statements as a whole. The management believe that FY2022 segment reporting adjustments in Note 17 are immaterial and do not affect the unqualified opinion issued by the previous auditor.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (the “PCAOB”) and are required to be independent with respect to the Company in accordance with the United States federal securities laws. and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

/s/ Assentsure PAC

Singapore

April 4, 2025

PCAOB ID number: 6783

We have served as the Company’s auditor since 2023.



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of
Chanson International Holding

Opinion on the Financial Statements

We have audited the accompanying consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows of Chanson International Holding and its subsidiaries (collectively, the "Company") for the year ended December 31, 2022, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the results of its operations and cash flows for the year ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the 2022 numbers and disclosures added to retrospectively apply the new segment reporting accounting standard, accordingly, we do not express an opinion or any other form of assurance on whether such additions are appropriate and whether the standards have been properly applied. Those additions in footnote 17 were audited by other auditors.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Marcum Asia CPAs LLP

We have served as the Company's auditor since 2019 through 2023 (such date takes into account the acquisition of certain assets of Friedman LLP by Marcum Asia CPAs LLP effective September 1, 2022).

New York, New York
May 1, 2023

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2024	December 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 12,102,763	\$ 1,481,302
Accounts receivable	991,467	1,995,067
Inventories	738,773	723,905
Long term loan to a third-party, current	2,000,000	-
Prepaid expenses and other current assets	2,595,417	5,134,173
	18,428,420	9,334,447
NON-CURRENT ASSETS:		
Operating lease right-of-use assets	11,021,615	13,059,561
Property and equipment, net	4,444,473	5,462,063
Intangible assets, net	262,500	150,000
Long term security deposits	944,170	894,715
Prepayment for the software, equipment and product development	-	790,000
Long term debt investment	6,359,014	6,534,575
Long term loan to a third-party	-	2,066,822
Long term prepaid expenses	315,642	142,113
	23,347,414	29,099,849
TOTAL ASSETS	\$ 41,775,834	\$ 38,434,296
LIABILITIES		
CURRENT LIABILITIES:		
Short-term bank loans	\$ 1,507,159	\$ 2,683,692
Accounts payable	2,127,740	1,919,189
Due to a related party	772,489	48,042
Taxes payable	48,712	96,176
Deferred revenue	6,697,964	7,085,696
Operating lease liabilities, current	2,325,390	2,198,192
Other current liabilities	662,963	697,702
	14,142,417	14,728,689
NON-CURRENT LIABILITIES		
Operating lease liabilities, non-current	9,207,971	11,691,251
	9,207,971	11,691,251
TOTAL LIABILITIES	23,350,388	26,419,940
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Ordinary shares, \$0.001 par value, 5,000,000,000 shares authorized; 27,299,707 shares and 12,425,319 shares issued and outstanding as of December 31, 2024 and 2023, respectively:*		
Class A ordinary share, \$0.001 par value, 4,400,000,000 shares authorized; 21,629,707 shares and 6,485,319 shares issued and outstanding as of December 31, 2024 and 2023, respectively	21,629	6,485
Class B ordinary share, \$0.001 par value, 600,000,000 shares authorized; 5,670,000 and 5,940,000 shares issued and outstanding as of December 31, 2024 and 2023, respectively	5,670	5,940
Additional paid-in capital	17,724,592	11,800,472
Statutory reserve	661,924	447,231
Retained earnings (accumulated deficit)	391,338	(150,254)
Accumulated other comprehensive loss	(379,707)	(95,518)
TOTAL SHAREHOLDERS' EQUITY	18,425,446	12,014,356
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 41,775,834	\$ 38,434,296

* Retrospectively restated for effect of the authorized shares increased on March 12, 2025 (see Note 15)

The accompanying notes are an integral part of these consolidated financial statements.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the Years Ended December 31,		
	2024	2023	2022
REVENUE	\$ 18,227,537	\$ 17,252,662	\$ 13,272,075
COST OF REVENUE	11,033,219	9,105,337	7,169,404
GROSS PROFIT	7,194,318	8,147,325	6,102,671
OPERATING EXPENSES			
Selling expenses	4,757,279	4,882,958	3,697,909
General and administrative expenses	2,966,659	3,874,868	3,842,787
Total operating expenses	7,723,938	8,757,826	7,540,696
LOSS FROM OPERATIONS	(529,620)	(610,501)	(1,438,025)
OTHER INCOME (EXPENSE)			
Interest (expense) income, net	(50,928)	35,505	(35,457)
Other income, net	687,492	193,425	194,824
Interest income from long term debt investment	723,945	534,575	-
Total other income, net	1,360,509	763,505	159,367
PROFIT (LOSS) BEFORE INCOME TAX EXPENSE	830,889	153,004	(1,278,658)
INCOME TAX EXPENSE	(74,604)	(119,416)	(9,547)
NET INCOME (LOSS)	756,285	33,588	(1,288,205)
Foreign currency translation loss	(284,189)	(130,778)	(369,705)
TOTAL COMPREHENSIVE INCOME (LOSS)	\$ 472,096	\$ (97,190)	\$ (1,657,910)
Earnings (loss) per ordinary share - basic and diluted	\$ 0.05	\$ 0.003	\$ (0.14)
Weighted average shares - basic and diluted	16,423,670	11,537,373	9,000,000

The accompanying notes are an integral part of these consolidated financial statements.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Ordinary Shares				Additional Paid-in Capital	Statutory Reserve	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	Class A Shares	Amount	Class B Shares	Amount					
Balance, January 1, 2022	3,060,000	\$ 3,060	5,940,000	\$ 5,940	\$ 869,400	\$ 447,231	\$ 1,104,363	\$ 404,965	\$ 2,834,959
Net loss	-	-	-	-	-	-	(1,288,205)	-	(1,288,205)
Foreign currency translation loss	-	-	-	-	-	-	-	(369,705)	(369,705)
Balance, December 31, 2022	3,060,000	\$ 3,060	5,940,000	\$ 5,940	\$ 869,400	\$ 447,231	\$ (183,842)	\$ 35,260	\$ 1,177,049
Issuance of ordinary shares in initial public offerings, gross	3,390,000	3,390	-	-	13,556,610	-	-	-	13,560,000
Cost directly related to the initial public offering	-	-	-	-	(2,625,503)	-	-	-	(2,625,503)
Share issuance for warrants exercised	35,319	35	-	-	(35)	-	-	-	-
Net income	-	-	-	-	-	-	33,588	-	33,588
Foreign currency translation loss	-	-	-	-	-	-	-	(130,778)	(130,778)
Balance, December 31, 2023	6,485,319	\$ 6,485	5,940,000	\$ 5,940	\$ 11,800,472	\$ 447,231	\$ (150,254)	\$ (95,518)	\$ 12,014,356
Issuance of ordinary shares	8,980,251	8,980	-	-	5,930,014	-	-	-	5,938,994
Share issuance for warrants exercised	5,894,137	5,894	-	-	(5,894)	-	-	-	-
Conversion of Class B ordinary shares into Class A ordinary shares	270,000	270	(270,000)	(270)	-	-	-	-	-
Net income	-	-	-	-	-	-	756,285	-	756,285
Appropriation of statutory reserve	-	-	-	-	-	214,693	(214,693)	-	-
Foreign currency translation loss	-	-	-	-	-	-	-	(284,189)	(284,189)
Balance, December 31, 2024	21,629,707	\$ 21,629	5,670,000	\$ 5,670	\$ 17,724,592	\$ 661,924	\$ 391,338	\$ (379,707)	\$ 18,425,446

The accompanying notes are an integral part of these consolidated financial statements.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income (loss)	\$ 756,285	\$ 33,588	\$ (1,288,205)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Amortization of operating lease right-of-use assets	2,639,094	2,628,985	2,533,074
Depreciation and amortization	823,869	831,820	701,461
(Gain) loss on disposal of property and equipment	(152,517)	4,982	-
Impairment loss on property and equipment	-	272,350	-
Accrued interest income from long term debt investment	(723,945)	(534,575)	-
Interest income from loan to a third-party	(90,986)	(66,822)	-
Changes in operating assets and liabilities:			
Accounts receivable	959,859	(766,760)	(215,847)
Inventories	(32,001)	(45,821)	(206,264)
Prepaid expenses and other current assets	2,552,891	(3,573,002)	(430,717)
Long term security deposits	(58,209)	57,185	84,374
Long term prepaid expenses	(180,281)	(34,010)	(26,504)
Accounts payable	265,315	530,195	247,015
Taxes payable	(46,790)	(31,943)	103,212
Deferred revenue	(179,643)	307,169	1,411,004
Other current liabilities	(25,902)	(292,138)	(433,848)
Operating lease liabilities	(2,969,001)	(2,275,056)	(1,927,407)
Net cash provided by (used in) operating activities	3,538,038	(2,953,853)	551,348
Cash flows from investing activities:			
Purchase of property and equipment	(583,313)	(773,964)	(860,034)
Purchase of intangible assets	-	(150,000)	-
Proceeds from disposal of property and equipment	35,562	444	-
Payment made for long term debt investment	-	(6,000,000)	-
Interest income received from long term debt investment	899,507	-	-
Advance of loans to third parties	-	(3,900,000)	-
Repayment from loans to third parties	907,704	1,150,104	-
Prepayment for the software, equipment and product development	-	(1,190,000)	-
Refund of prepayment for the product development	650,000	400,000	-
Net cash provided by (used in) investing activities	1,909,460	(10,463,416)	(860,034)
Cash flows from financing activities:			
Gross proceeds from initial public offerings	-	13,560,000	-
Direct costs disbursed from initial public offerings proceeds	-	(1,529,631)	-
Proceeds from sales of ordinary shares, net of issuance costs	5,938,994	-	-
Proceeds from short-term bank loans	2,225,715	2,685,588	445,831
Repayments of short-term bank loans	(3,338,573)	(424,040)	(1,474,129)
Advances received from (payments made to) a related party	524,610	(1,892,423)	1,076,717
Payments made for deferred offering costs	-	(340,469)	(38,490)
Net cash provided by financing activities	5,350,746	12,059,025	9,929
Effect of exchange rate fluctuation on cash and cash equivalents	(176,783)	(75,924)	(682,585)
Net increase (decrease) in cash and cash equivalents	10,621,461	(1,434,168)	(981,342)
Cash and cash equivalents, beginning of year	1,481,302	2,915,470	3,896,812
Cash and cash equivalents, end of year	\$ 12,102,763	\$ 1,481,302	\$ 2,915,470
Supplemental cash flow information			
Cash paid for income taxes	\$ 45,128	\$ 92,409	\$ 5,282
Cash paid for interest	\$ 141,106	\$ 32,444	\$ 37,277

Non-cash operating, investing and financing activities

Payable for purchase of property and equipment	\$ -	\$ -	\$ 463,556
Reduction of right-of-use assets and operating lease obligations due to early termination of lease agreement	\$ 2,519,354	\$ -	\$ -
Right of use assets obtained in exchange for operating lease liabilities	\$ 2,719,792	\$ 1,676,362	\$ 5,160,825
Deferred IPO cost offset with additional paid-in capital	\$ -	\$ 1,095,872	\$ -
Intangible assets acquired by prepayment	\$ 140,000	\$ -	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION

Chanson International Holding (“Chanson International,” or the “Company”), formerly known as RON Holding Limited, was incorporated under the laws of the Cayman Islands on July 26, 2019 as a holding company. Chanson International owns 100% of the equity interests of Deen Global Limited (“Deen Global”), a limited liability company incorporated under the laws of British Virgin Islands (“BVI”) on August 13, 2019. Deen Global owns 100% of the equity interests of Jenyd Holdings Limited (“Jenyd”), a business company incorporated in accordance with the laws and regulations of Hong Kong on September 13, 2019.

Chanson International, Deen Global, and Jenyd are currently not engaging in any active business operations and merely acting as holding companies.

Xinjiang United Family Trading Co., Ltd. (“Xinjiang United Family”), is a company incorporated on August 7, 2009 in the People’s Republic of China (the “PRC”), with a registered capital of RMB6 million (approximately \$0.88 million). On September 27, 2020, the original shareholders of Xinjiang United Family signed a share transfer agreement and transferred their 100% ownership interest in Xinjiang United Family to Jenyd, and accordingly Xinjiang United Family became a wholly foreign-owned enterprise (“WFOE”) and a wholly-owned subsidiary of Jenyd.

Xinjiang United Family operates a bakery chain in China’s Xinjiang autonomous region under the brand name of “George●Chanson.” The chain currently consists of five directly-owned high-end bakery stores in the City of Urumqi and 52 bakery stores organized as individually-owned businesses known as the United Family Group (each a “UFG entity” and, collectively, the “UFG entities”) in Xinjiang region. The UFG entities are owned by the original shareholders of Xinjiang United Family but operated under a series of contractual agreements signed between the owners of these UFG entities and Xinjiang United Family.

On April 17, 2015, Xinjiang United Family incorporated a wholly-owned subsidiary, George Chanson (NY) Corp. (“Chanson NY”), in the State of New York, which owns and operates Chanson 23rd Street LLC (“Chanson 23rd Street”), a modern European-style café and eatery that specializes in the art of making French-style viennoiseries and pastries in the heart of Manhattan’s Flatiron District. On February 20, 2020, the Company’s Chairman, Mr. Gang Li, formed Chanson 355 Greenwich LLC (“Chanson Greenwich”), a New York limited liability company, and subsequently assigned his membership interests in Chanson Greenwich to Chanson NY on September 28, 2020. After the transfer, Chanson Greenwich became a wholly owned subsidiary of Chanson NY. Chanson Greenwich is another boutique café in Manhattan opened in December 2021, and closed in the second half of fiscal year 2023. On April 21, 2021, Chanson NY formed a wholly owned subsidiary, Chanson Management LLC, a Delaware limited liability company. On August 5, 2021, Chanson NY formed a wholly owned subsidiary, Chanson 1293 3rd Ave LLC (“Chanson 3rd Ave”), a New York limited liability company. On March 21, 2022, Chanson NY formed a wholly owned subsidiary, Chanson 2040 Broadway LLC (“Chanson Broadway”), a New York limited liability company. Chanson 3rd Ave and Chanson Broadway are another two boutique cafés opened in March 2023 and July 2023, respectively.

Reorganization

In connection with its initial public offering, the Company has undertaken a reorganization of its legal structure (the “Reorganization”). The Reorganization involved the incorporation of Chanson International, Deen Global, and Jenyd, the entry into a Share Transfer Agreement to transfer the ownership interest in Xinjiang United Family from its original shareholders to Jenyd, and the signing of a series of contractual agreements between Xinjiang United Family and the owners of the UFG entities. After the Reorganization, Chanson International became the ultimate holding company of Xinjiang United Family and Xinjiang United Family became the primary beneficiary of the UFG entities through the VIE Agreements, as further discussed below.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION (continued)

Xinjiang United Family entered into a series of contractual arrangements with the owners of the 22 UFG entities on May 2, 2020, and with the owners of three newly established UFG entities in fiscal year 2020, five newly established UFG entities in fiscal year 2021, one newly established UFG entity in fiscal year 2022, nine newly established UFG entity in fiscal year 2023, and twenty newly established UFG entities in fiscal year 2024, respectively. Three of these UFG entities were closed in fiscal year 2021, three of these UFG entities were closed in fiscal year 2023 and two of these UFG entities were closed in fiscal year 2024. These agreements include Exclusive Service Agreements, Pledge Agreements, Call Option Agreements, Operating Rights Proxy and Powers of Attorney Agreements and Spousal Consents (collectively, the “VIE Agreements”). Pursuant to the above VIE Agreements, Xinjiang United Family has the exclusive right to provide the UFG entities with consulting services related to business operations including operational and management consulting services. The VIE Agreements obligate Xinjiang United Family to absorb all of the risk of loss from business activities of these UFG entities and entitle Xinjiang United Family to receive all of their residual returns. In essence, Xinjiang United Family has gained the power to direct activities of the UFG entities that most significantly impact their economic performance, and the right to receive benefits from the UFG entities that could potentially be significant to them. Therefore, the Company believes that Xinjiang United Family has a controlling financial interest in and is the primary beneficiary of the UFG entities and these UFG entities should be considered as Variable Interest Entities (“VIEs”) under the Statement of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 810 *Consolidation*. Hereinafter, the five bakery stores directly owned by Xinjiang United Family and the UFG entities controlled through the VIE Agreements are collectively referred to as the “PRC Stores.”

The Company, together with its wholly owned subsidiaries are under common control by the same shareholders before and after the Reorganization and therefore the consolidation of the Company and its subsidiaries has been accounted for at historical cost.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION (continued)

After the Reorganization, the consolidated financial statements of the Company include the following entities:

Name of Entity	Date of Incorporation	Place of Incorporation	% of Ownership	Principal Activities
Chanson International	July 26, 2019	Cayman Islands	Parent, 100%	Investment holding
Deen Global	August 13, 2019	British Virgin Islands	100%	Investment holding
Jenyd	September 13, 2019	Hong Kong	100%	Investment holding
Xinjiang United Family	August 7, 2009	PRC	100%	Consultancy and information technology support; sells bakery products to customers
52 UFG entities	2012 to 2024	PRC	VIEs	Sells bakery products to customers
Chanson NY	April 17, 2015	New York	100%	Holding company. Consultancy and information technology support
Chanson 23rd Street	December 18, 2015	New York	100%	Eat-in services and bakery products and beverage products
Chanson Greenwich	February 20, 2020	New York	100%	Eat-in services and bakery products and beverage products, closed in the second half of fiscal year 2023
Chanson Management LLC	April 21, 2021	Delaware	100%	Consultancy and management support
Chanson 3rd Ave	August 5, 2021	New York	100%	Eat-in services and bakery products and beverage products
Chanson Broadway	March 21, 2022	New York	100%	Eat-in services and bakery products and beverage products

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION (continued)

The VIE contractual arrangements

The UFG entities are controlled by the Company through contractual arrangements in lieu of direct equity ownership by the Company or any of its subsidiaries.

A VIE is an entity that either has a total equity investment that is insufficient to finance its activities without additional subordinated financial support, or whose equity investors lack the characteristics of a controlling financial interest, such as through voting rights, right to receive the expected residual returns of the entity, or obligation to absorb the expected losses of the entity. The variable interest holder, if any, that has a controlling financial interest in a VIE is deemed to be the primary beneficiary of, and must consolidate, the VIE.

Xinjiang United Family is deemed to have a controlling financial interest in and be the primary beneficiary of the UFG entities because it has both of the following characteristics:

- The power to direct activities at the UFG entities that most significantly impact such entities' economic performance, and
- The obligation to absorb losses of, and the right to receive benefits from, the UFG entities that could potentially be significant to such entities.

Pursuant to the contractual arrangements with the UFG entities, the UFG entities pay service fees equal to all of their net profit after tax payments to Xinjiang United Family. At the same time, Xinjiang United Family is obligated to absorb all of their losses. Such contractual arrangements are designed so that the operation of the UFG entities is for the benefit of Xinjiang United Family and, ultimately, the Company.

Risks associated with the VIE structure

The Company believes that the contractual arrangements with the UFG entities and their respective owners are in compliance with PRC laws and regulations and are legally enforceable. However, uncertainties in the PRC legal system could limit the Company's ability to enforce such contractual arrangements. If the legal structure and contractual arrangements were found to be in violation of PRC laws and regulations, the PRC government could:

- revoke the business and operating licenses of the Company's PRC subsidiary and the UFG entities;
- discontinue or restrict the operations of any related-party transactions between the Company's PRC subsidiary and the UFG entities;
- limit the Company's business expansion in China by way of entering into contractual arrangements;
- impose fines or other requirements with which the Company's PRC subsidiary and the UFG entities may not be able to comply;
- require the Company or the Company's PRC subsidiary and the UFG entities to restructure the relevant ownership structure or operations; or
- restrict or prohibit the Company's use of the proceeds from its public offering to finance the Company's business and operations in China.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ORGANIZATION AND BUSINESS DESCRIPTION (continued)

The Company's ability to conduct its consulting services business may be negatively affected if the PRC government were to carry out of any of the aforementioned actions. As a result, the Company may not be able to consolidate the UFG entities in its consolidated financial statements as it may lose the ability to direct activities of the UFG entities and receive economic benefits from the UFG entities. The Company, however, does not believe such actions would result in the liquidation or dissolution of the Company and its PRC subsidiary and the UFG entities. The financial position, operation, and cash flow of the UFG entities are material to total assets and liabilities presented on the consolidated balance sheets and revenue, expenses, and net income presented on the consolidated statements of operations and other comprehensive income (loss) as well as the cash flows from operating, investing, and financing activities presented on the consolidated statements of cash flows.

The Company did not provide any financial support to the UFG entities for the years ended December 31, 2024, 2023 and 2022. The Company had no contractual obligation to provide financial support to the VIEs as of December 31, 2024 and 2023. The amount of the revenue-producing assets held by the VIEs was \$2,431,913, including \$621,010 of bakery production equipment, \$122,095 of office equipment and furniture, and \$1,688,808 of leasehold improvement, with the accumulated depreciation of \$1,352,848, so net of these property, plant, and equipment was \$1,079,065 as of December 31, 2024. The amount of the revenue-producing assets held by the VIEs was \$2,122,335, including \$561,693 of bakery production equipment, \$116,012 of office equipment and furniture, and \$1,444,630 of leasehold improvement, with the accumulated depreciation of \$1,165,886, so net of these property, plant, and equipment was \$956,449 as of December 31, 2023. The following financial statement amounts and balances of the UFG entities were included in the accompanying consolidated financial statements after elimination of intercompany transactions and balances:

	December 31, 2024	December 31, 2023
Current assets	\$ 15,584,071	\$ 8,637,907
Non-current assets	5,950,096	4,765,561
Total assets	<u>\$ 21,534,167</u>	<u>\$ 13,403,468</u>
Current liabilities	\$ 7,815,353	\$ 7,730,323
Non-current liabilities	2,289,553	1,655,365
Total liabilities	<u>\$ 10,104,906</u>	<u>\$ 9,385,688</u>

	For the Years Ended December 31,		
	2024	2023	2022
Net revenue	\$ 11,344,079	\$ 9,365,730	\$ 5,198,990
Net income	\$ 2,060,482	\$ 1,765,358	\$ 829,557

Initial Public Offering

On April 3, 2023, the Company closed its initial public offering (the "IPO") of 3,390,000 Class A ordinary shares, par value \$0.001 per share ("Class A Ordinary Shares"), at a public offering price of \$4.00 per Class A Ordinary Share. The Company's Class A Ordinary Shares began trading on the Nasdaq Capital Market under the ticker symbol "CHSN" on March 30, 2023.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and pursuant to the rules and regulations of the Securities Exchange Commission and have been consistently applied. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The accompanying consolidated financial statements include the financial statements of the Company and its subsidiaries and the VIEs. All intercompany balances and transactions are eliminated upon consolidation.

Uses of estimates

In preparing the consolidated financial statements in conformity with U.S. GAAP, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. These estimates are based on information as of the date of the consolidated financial statements. Significant estimates required to be made by management include, but are not limited to, the assessment of the current expected credit losses for receivables, valuation of inventories, useful lives of property and equipment and intangible assets, the recoverability of long-lived assets, realization of deferred tax assets and revenue recognition. Actual results could differ from those estimates.

Cash and cash equivalents

Cash includes currency on hand and deposits held by banks that can be added or withdrawn without limitation. The Company maintains a significant amount of its bank accounts in the PRC. The Company considers all highly liquid investment instruments with an original maturity of three months or less from the date of purchase to be cash equivalents.

Accounts receivable

Accounts receivable are recognized and carried at original invoiced amount less an estimated allowance for credit losses, as necessary. Accounts are written off against the allowance after efforts at collection prove unsuccessful. As of December 31, 2024 and 2023, the allowance for credit losses was both \$nil.

Credit Losses

On January 1, 2023, the Company adopted Accounting Standards Update 2016-13 “Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments,” which replaces the incurred loss methodology with a current expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. The adoption of the credit loss accounting standard has no material impact on the Company’s consolidated financial statements as of January 1, 2023.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company's account receivables and other receivables included in prepaid expenses and other current assets on the consolidated balance sheets are within the scope of ASC Topic 326. The Company makes estimates of expected credit and collectability trends for the allowance for credit losses based upon assessment of various factors, including historical experience, the age of the accounts receivable and other receivables balances, credit-worthiness of the customers and other debtors, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect its ability to collect from the customers and other debtors. The Company also provides specific provisions for allowance when facts and circumstances indicate that the receivable is unlikely to be collected.

ASC Topic 326 is also applicable to short-term and long-term loans to third parties. Management estimates the allowance for credit losses on loans not sharing similar risk characteristics on an individual basis. The key factors considered when determining the above allowances for credit losses include estimated loan collection schedule, discount rate, and assets and financial performance of the borrowers.

Current expected credit losses are recorded as allowance for credit losses on the consolidated statements of operations and comprehensive income (loss). After all attempts to collect a receivable have failed, the receivable is written off against the allowance. In the event the Company recovers amounts previously reserved for, the Company will reduce the specific allowance for credit losses.

Leases

Lessee accounting

The Company follows FASB ASC No. 842, Leases ("Topic 842"). The Company leases office spaces, bakery store facilities, employee dormitories, and a vehicle, which are classified as operating leases in accordance with Topic 842. Under Topic 842, lessees are required to recognize the following for all leases (with the exception of short-term leases, usually with initial term of 12 months or less) on the commencement date: (i) lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) right-of-use ("ROU") asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term.

At the commencement date, the Company recognizes the lease liability at the present value of the lease payments not yet paid, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate for the same term as the underlying lease. The ROU asset is recognized initially at cost, which primarily comprises the initial amount of the lease liability, plus any initial direct costs incurred, consisting mainly of brokerage commissions, less any lease incentives received. All ROU assets are reviewed for impairment annually. There was no impairment for ROU lease assets as of December 31, 2024 and 2023.

In response to the large volume of anticipated lease concessions to be granted related to the effects of the COVID-19 pandemic, and the resultant expected cost and complexity of applying the lease modification requirements in Topic 842, the FASB issued Staff Q&A—Topic 842 and Topic 840: Accounting for Lease Concessions Related to the Effects of the COVID-19 Pandemic in April 2020 as interpretive guidance to provide clarity in response to the crisis. The FASB staff indicated that it would be acceptable for entities to make an election to account for lease concessions related to the effects of the COVID-19 pandemic consistent with how they would be accounted for as though enforceable rights and obligations for those concessions existed in the original contract. Consequently, for such lease concessions, an entity will not need to reassess each existing contract to determine whether enforceable rights and obligations for concessions exist and an entity can elect to apply or not to apply the lease modification guidance in Topic 842 to those contracts. The election is available for concessions related to the effects of the COVID-19 pandemic that result in the total payments required by the modified contract being substantially the same as or less than total payments required by the original contract.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Due to the COVID-19 pandemic, the Company renegotiated the leases for some of its PRC stores and New York stores. Based on the nature of the agreements reached with the landlords, the Company has accounted for rent concessions as if they were part of the enforceable rights and obligations of the existing lease contracts and did not account for the concessions as lease modifications. As of the date of this report, the Company has received a total of lease concessions amounting to \$1,194,957 since fiscal year 2020, and among which, \$2,633, \$110,439 and \$341,396 was received during the years ended December 31, 2024, 2023 and 2022, respectively. The Company accounted for the concession as negative variable lease payments with a corresponding reduction in the lease liability. The Company has continued to recognize lease expenses on a straight-line basis for its leases over the related lease terms.

Inventories

Inventories of the Company consist of ingredient materials, finished goods, packaging materials, and other materials. Inventories are stated at the lower of cost or net realizable value, on a weighted average basis. Costs include the cost of ingredient materials, direct labor, and related production overhead. Any excess of the cost over the net realizable value of each item of inventories is recognized as a provision for diminution in the value of inventories. Net realizable value is the estimated selling price in the normal course of business less any costs to complete and sell products. The Company periodically evaluates inventories for their net realizable value adjustments, and reduces the carrying value of those inventories that are obsolete or in excess of the forecasted usage to their estimated net realizable value based on various factors including aging and expiration dates, as applicable, taking into consideration historical and expected future product sales. For the years ended December 31, 2024, 2023 and 2022, no inventory reserve was recorded because no slow-moving, obsolete, or damaged inventory was identified.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of property and equipment are provided using the straight-line method over their expected useful lives, as follows:

	Useful life
Bakery production equipment	5-8 years
Office equipment and furniture	3-5 years
Automobiles	5 years
Leasehold improvement	Lesser of useful life and lease term

Expenditures for repair and maintenance, which do not materially extend the useful lives of the assets, are charged to expenses as incurred. Expenditures for major renewals and betterments which substantially extend the useful life of assets are capitalized. The cost and related accumulated depreciation of assets retired or sold are removed from the respective accounts, and any gain or loss is recognized in the consolidated statements of operations and comprehensive income (loss) in other income or expenses.

Intangible assets

Intangible assets consist primarily of purchased software. Intangible assets are stated at cost less accumulated amortization, which are amortized using the straight-line method with the estimated useful lives of 8 years.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of long-lived assets

Long-lived assets with finite lives, primarily property and equipment, and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the estimated cash flows from the use of the asset and its eventual disposition are below the asset's carrying value, then the asset is deemed to be impaired and written down to its fair value. Impairment of long-lived assets was \$nil and \$272,350 as of December 31, 2024 and 2023, respectively.

Revenue recognition

The Company follows ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), for revenue recognition. ASC 606 establishes principles for reporting information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized, as performance obligations are satisfied.

The Company currently generates its revenue through its bakery/café stores as well as through online sales. The Company recognizes revenue from bakery/café sales upon delivery of the related food and other products to the customer and fulfillment of all performance obligations. Revenue is recognized net of any discounts, sales incentives, sales taxes, and value added taxes that are collected from customers and remitted to tax authorities.

In the PRC Stores, the Company sells membership cards that do not have an expiration date and from which the Company does not deduct non-usage fees from outstanding card balances. Membership cards are reloadable and redeemable at any of the Company's store locations. Amounts loaded into these cards are initially recorded as deferred revenue. When membership cards are redeemed at stores, the Company recognizes revenue and reduces the deferred revenue. While the Company continues to honor all membership cards presented for payments, management determines the likelihood of redemption to be remote for certain cards with long periods of inactivity ("breakage"), which is five years after the last usage, based upon the Company's historical redemption patterns. Membership card breakage is recorded as revenue in the consolidated statements of operations and comprehensive income (loss). Membership card breakage was immaterial for the years ended December 31, 2024, 2023 and 2022.

In the PRC Stores, the Company maintains a customer loyalty program in which customers earn free cash vouchers when purchasing or reloading membership cards at certain amount. These cash vouchers typically do not expire, except for certain vouchers given out at special occasions, which usually state an expiration date and can only be exchanged for certain seasonal products or specialty cakes. The Company establishes corresponding liabilities in deferred revenue for the membership cards and the free cash vouchers upon issuance. The Company allocates the consideration received proportionately between the membership cards and cash vouchers based on their face values. Revenue is recognized at the allocated amount upon redemption of membership cards and cash vouchers, at which point, the Company delivers products to customers and reduces the deferred revenue. Unredeemed cash vouchers will be recognized as revenue upon their expiration dates, if any, or five years after their issuance if there are no stated expiration dates, when management determines the likelihood of redemption to be remote.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Contract balances and remaining performance obligations

Contract balances typically arise when a difference in timing between the transfer of control to the customer and receipt of consideration occurs. The Company did not have contract assets as of December 31, 2024 and 2023. The Company's contract liabilities, which are reflected in its consolidated balance sheets as deferred revenue of \$6,697,964 and \$7,085,696 as of December 31, 2024 and 2023, respectively, consist primarily of customer payments for the membership cards and the fair value of the cash vouchers under the Company's customer loyalty programs. These amounts represent the Company's unsatisfied performance obligations as of the balance sheet dates. The amount of revenue recognized in the years ended December 31, 2024, 2023 and 2022 that was included in the opening deferred revenue was \$5,449,243, \$6,559,028 and \$4,920,442, respectively. As of December 31, 2024, the aggregate amount of unredeemed membership cards and cash vouchers was \$6,697,964. The Company will recognize revenue when customers redeem the membership cards or cash vouchers in store purchases. Based on the Company's historical experience, a significant portion of the redemption is expected to occur during the first two years after December 31, 2024 and the remaining between the third and fifth year.

Disaggregation of revenue

The Company disaggregates its revenue by geographic areas, as the Company believes it best depicts how the nature, amount, timing, and uncertainty of the revenue and cash flows are affected by economic factors. The Company's disaggregation of revenue for the years ended December 31, 2024, 2023 and 2022 is disclosed in Note 17 of the consolidated financial statements.

Fair value of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-level fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 — inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted market prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
- Level 3 — inputs to the valuation methodology are unobservable.

Unless otherwise disclosed, the fair value of the Company's financial instruments, including cash and cash equivalents, accounts receivable, other current assets, short-term loans to third parties, current portion of long-term loan to a third party, short-term bank loan, accounts payable, due to a related party, taxes payable, current portion of operating lease liabilities, current and other current liabilities, approximates the fair value of the respective assets and liabilities as of December 31, 2024 and 2023 based upon the short-term nature of the assets and liabilities. The fair value of long-term debt investment and loan to a third party, as well as non-current portion of operating lease liabilities approximates their recorded values as their stated interest rates approximate the rates currently available.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

The functional currency of the Company's PRC subsidiary and the UFG entities is the Chinese Yuan ("RMB") and the functional currency of the Company's U.S. subsidiaries is the U.S. Dollars ("US\$"). RMB amounts in the Company's consolidated financial statements have been translated into the reporting currency US\$. Assets and liabilities of the Company are translated at the exchange rate at each reporting period end date. Equity is translated at historical rates. Income and expense accounts are translated at the average rate of exchange during the reporting period. The resulting translation adjustments are reported under other comprehensive income (loss). Because cash flows are translated based on the average translation rate, amounts related to assets and liabilities reported on the statement of cash flows will not necessarily agree with changes in the corresponding balances on the balance sheets. Gains and losses resulting from the translations of foreign currency transactions and balances are reflected in the results of operations.

RMB is not freely convertible into foreign currency and all foreign exchange transactions must take place through authorized institutions. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at the rates used in translation.

The following table outlines the currency exchange rates that were used in creating the consolidated financial statements in this report:

	December 31, 2024	December 31, 2023	December 31, 2022
Year-end spot rate	US\$1=RMB7.2985	US\$1=RMB7.0798	US\$1=RMB6.8972
Average rate	US\$1=RMB7.1887	US\$1=RMB7.0748	US\$1=RMB6.7290

Income taxes

The Company accounts for current income taxes in accordance with the laws of the relevant tax authorities. Deferred income taxes are recognized when temporary differences exist between the tax bases of assets and liabilities and their reported amounts in the consolidated financial statements. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period including the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

An uncertain tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. Penalties and interest incurred related to underpayment of income tax are classified as income tax expense in the period incurred. No penalties or interest relating to income taxes were incurred during the years ended December 31, 2024, 2023 and 2022. The Company does not believe there was any uncertain tax provision as of December 31, 2024 and 2023.

The Company's operating subsidiary in China is subject to the income tax laws of the PRC. The Company's operating subsidiaries in United States are subject to the tax law of the United States. As of December 31, 2024, for the tax years ended December 31, 2020 through December 31, 2024, the Company's PRC subsidiaries remained open for statutory examination by PRC tax authorities, and for the tax years ended December 31, 2022 through December 31, 2024, the Company's United States subsidiaries remained open for statutory examination by U.S. tax authorities.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value added tax (“VAT”)

The Company’s subsidiary Xinjiang United Family and its five branch offices are general tax payers. The applicable VAT rate is 13% based on the Chinese tax law. VAT is reported as a deduction to revenue when incurred. Entities that are VAT general taxpayers are allowed to offset qualified input VAT paid to suppliers against their output VAT liabilities. The UFG entities were formed as individually-owned businesses, which are generally subject to a lower VAT rate of 3% and the local PRC tax authority has the jurisdiction to assess and determine their VAT obligation or exemption on a case-by-case basis. From April 1, 2021 to December 31, 2022, based on the new tax regulation, individually-owned businesses whose monthly deemed Taxable Net Income (“TNI”) is less than RMB150,000 are exempted from paying VAT. From January 1, 2023 to December 31, 2027, based on the new tax regulation, individually-owned businesses whose monthly deemed Taxable Net Income (“TNI”) is less than RMB100,000 are exempted from paying VAT. All but three of the UFG entities are currently exempted from paying VAT, since the deemed TNI of each of these UFG entities is currently less than RMB100,000 for the year ended December 31, 2024. If customers need to obtain a special VAT invoice, the UFG entities that are exempted from paying VAT would apply to the local tax authority to issue the special VAT invoice on their behalf, with the tax authority levying VAT at a rate of 1%. Their VAT eligibility is subject to periodical reassessment, and they may lose or regain the exemption status as determined by the tax authorities on a case-by-case basis.

Warrant accounting

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance in ASC 480, “*Distinguishing Liabilities from Equity*” (“ASC 480”) and ASC Topic 815, “*Derivatives and Hedging*” (“ASC 815”). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company’s own ordinary shares and whether the warrant holders could potentially require “net cash settlement” in a circumstance outside of the Company’s control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent interim period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of equity at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded as liabilities at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations and comprehensive income (loss).

As the warrants issued upon the initial public offering meet the criteria for equity classification under ASC 815, therefore, the warrants are classified as equity.

Earnings (Loss) per share

The Company computes earnings (loss) per share (“EPS”) in accordance with ASC 260, *Earnings per Share* (“ASC 260”). ASC 260 requires companies with complex capital structures to present basic and diluted EPS. Basic EPS is measured as net income (loss) divided by the weighted average ordinary shares outstanding for the period. Diluted presents the dilutive effect on a per share basis of potential ordinary shares (e.g., convertible securities, options, and warrants) as if they had been converted at the beginning of the periods presented, or issuance date, if later. Potential ordinary shares that have an anti-dilutive effect (i.e., those that increase income per share or decrease loss per share) are excluded from the calculation of diluted EPS. As of December 31, 2024 and 2023, there were no dilutive shares.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Comprehensive income (loss)

Comprehensive income (loss) consists of two components, net income (loss) and other comprehensive loss. The foreign currency translation loss resulting from the translation of the financial statements expressed in RMB to US\$ is reported in other comprehensive loss in the consolidated statements of operations and comprehensive income (loss).

Risks and uncertainties

Political and economic risk

The operations of the Company are located in the PRC and United States. Accordingly, the Company's business, financial condition, and results of operations may be influenced by political, economic, and legal environments in the PRC and United States, as well as by the general state of the PRC and United States economy. The Company's results may be adversely affected by changes in the political, regulatory, and social conditions in the PRC and United States. Although the Company has not experienced losses from these situations and believes that it is in compliance with existing laws and regulations including its organization and structure disclosed in Note 1, such experience may not be indicative of future results.

Foreign currency exchange risk

A majority of the Company's revenue and expense transactions are denominated in RMB and most of the Company and its subsidiaries' assets and liabilities are denominated in RMB. RMB is not freely convertible into foreign currencies. In the PRC, certain foreign exchange transactions are required by law to be transacted only by authorized financial institutions at exchange rates set by the People's Bank of China ("PBOC"). Remittances in currencies other than RMB by the Company in China must be processed through the PBOC or other China foreign exchange regulatory bodies which require certain supporting documentation in order to effect the remittance.

Credit risk

As of December 31, 2024 and 2023, \$11,943,199 and \$864,426 of the Company's cash was on deposit at financial institutions in the PRC. On May 1, 2015, China's new Deposit Insurance Regulation came into effect, pursuant to which banking financial institutions, such as commercial banks, established in China are required to purchase deposit insurance for deposits in RMB and in foreign currency placed with them. This Deposit Insurance Regulation would not be effective in providing complete protection for the Company's accounts in the PRC, as its aggregate deposits are much higher than the compensation limit. As of December 31, 2024, a significant balance of cash was on deposit with two banks, and total unprotected cash amounted to approximately \$11.6 million as of December 31, 2024. However, the Company has not experienced any losses in such accounts and believes that the risk of failure of any of these PRC banks is remote.

As of December 31, 2024 and 2023, \$107,550 and \$555,799 of the Company's cash was on deposit at financial institutions in the U.S. which were insured by the Federal Deposit Insurance Corporation subject to certain limitations. The Company has not experienced any losses in such accounts.

As of December 31, 2024 and 2023, the Company had long term debt investments of \$6,359,014 and \$6,534,575, and long term loan to a third party of \$2,000,000 and \$2,066,822, respectively. Although the Company has not experienced any losses in such investments and loan and believes that the risk of failure of any of these investments or loan is remote, the Company will regularly monitor the creditworthiness of its counterparties and recognizes allowances for any credit losses if necessary.

For the years ended December 31, 2024, 2023 and 2022, the Company's substantial assets were located in the PRC and the U.S. and the Company's substantial revenue was derived from its subsidiaries and the UFG entities located in the PRC and the U.S.

Accounts receivable are typically unsecured and derived from revenue earned from customers, thereby exposed to credit risk. The risk is mitigated by the Company's assessment of its customers' creditworthiness and its ongoing monitoring of outstanding balances.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Risks and uncertainties (continued)

Concentrations

As of December 31, 2024, the Company's cash balance was concentrated in two bank accounts, representing 74.6% and 22.7% of total bank balances, respectively. The Company has not experienced any losses in such accounts and believes that the risk of failure of any of these PRC banks is remote.

One customer accounted for 11.0% of the Company's revenue for the year ended December 31, 2024. No single customer accounted for more than 10% of the Company's revenue for the years ended December 31, 2023 and 2022.

As of December 31, 2024, one customer accounted 10.9% of the Company's total accounts receivable balance. As of December 31, 2023, no customer accounted for more than 10% of the Company's total accounts receivable balance.

For the year ended December 31, 2024, two suppliers accounted for 13.7% and 12.5% of the Company's total purchases, respectively. For the year ended December 31, 2023, one supplier accounted for 11.7% of the Company's total purchases. For the year ended December 31, 2022, no supplier accounted for more than 10% of the Company's total purchases.

As of December 31, 2024, one supplier accounted for 18.1% of the Company's total accounts payable balance. As of December 31, 2023, three suppliers accounted for 14.9%, 11.1% and 11.0% of the Company's total accounts payable balance, respectively.

Recent accounting pronouncements

In December 2023, the FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". This ASU requires additional quantitative and qualitative income tax disclosures to enable financial statements users better assess how an entity's operations and related tax risks and tax planning and operational opportunities affect its tax rate and prospects for future cash flows. This ASU is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company adopted this guidance effective January 1, 2025 and the adoption of this ASU did not have a material impact on its financial statements.

In November 2024, the FASB issued ASU No. 2024-03, "Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures. This ASU requires entities to 1. disclose amounts of (a) purchase of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and, (e) depreciation, depletion, and amortization recognized as part of oil-and gas-producing activities, 2. include certain amounts that are already required to be disclosed under current Generally Accepted Accounting Principles in the same disclosures as other disaggregation requirements, 3. disclose a qualitative description of the amounts remaining in relevant expense captions that are not necessarily disaggregated quantitatively, and 4. disclose the total amount of selling expenses, in annual reporting periods, an entity's definition of selling expense. The ASU is effective for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027. Additionally, in January 2025, the FASB issued ASU No. 2025-01 to clarify the effective date of ASU 2024-03. The standard provides guidance to expand disclosures related to the disaggregation of income statement expenses. The standard requires, in the notes to the financial statements, disclosure of specified information about certain costs and expenses which includes purchases of inventory, employee compensation, depreciation, and intangible asset amortization included in each relevant expense caption. This guidance is effective for fiscal years beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027, on a retrospective or prospective basis, with early adoption permitted. The Company plans to adopt this guidance effective January 1, 2027 and the Company is currently evaluating the impact of adopting this ASU on its financial statements.

Except for the above-mentioned pronouncement, there are no new recently issued accounting standards that will have material impact on the Company's consolidated financial position, statements of operations, and cash flows.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 — ACCOUNTS RECEIVABLE, NET

The Company's accounts receivable primarily include balance generated from selling bakery products to local corporate customers, billed but has not been collected as of the balance sheet dates. Accounts receivable consisted of the following:

	December 31, 2024	December 31, 2023
Accounts receivable	\$ 991,467	\$ 1,995,067
Less: allowance for credit losses	-	-
Total accounts receivable, net	<u>\$ 991,467</u>	<u>\$ 1,995,067</u>

NOTE 4 — PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET

Prepaid expenses and other current assets consisted of the following:

	December 31, 2024	December 31, 2023
Advance to suppliers (1)	\$ 883,391	\$ 2,225,301
Prepaid expenses (2)	713,597	1,306,507
Other receivables (3)	998,429	852,469
Short-term loans to third parties (4)	-	749,896
Less: allowance for credit losses	-	-
Total prepaid expenses and other current assets, net	<u>\$ 2,595,417</u>	<u>\$ 5,134,173</u>

- (1) Advance to suppliers primarily consists of advance payments paid to suppliers for purchases of raw materials for bakery products.
- (2) Prepaid expenses primarily represent prepaid rental expenses, professional fees, and other miscellaneous expenses for the Company's bakery stores.
- (3) Other receivables are mainly business advances to officers and staff for business travel and sundry expenses. The balance as of December 31, 2024 and 2023 also included \$60,020 and \$500,000 receivable due from a third party, respectively, as the Company entered into a cooperation agreement with the third party, and granted the third party a license to use the Chanson Greenwich's store for events from August 1, 2023 to July 31, 2024. The balance as of December 31, 2024, also included \$830,000 proceeds due from the same third party as the Company disposed all the property and equipment of Chanson Greenwich to the third party. As of the date of this report, \$55,000 was subsequently collected, and the remaining balance is expected to be collected before June 30, 2025. Furthermore, the Company's controlling shareholder, Mr. Gang Li, provided a commitment letter to guarantee full repayment of any outstanding balance if the third party fails to make repayment by the stipulated date.
- (4) In fiscal year 2023, the Company lent a total \$1.9 million to several third parties. These short-term loans to third-parties are mainly used for short-term funding to support the Company's external business partners. These loans bear no interest and have terms of no more than one year. The Company received the repayment of loans to third parties totaling \$1.2 million during the year ended December 31, 2023 and the remaining of \$0.7 million was received during the year ended December 31, 2024.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 — INVENTORIES

Inventories consisted of the following:

	December 31, 2024	December 31, 2023
Ingredient materials	\$ 421,275	\$ 414,595
Package and other materials	141,030	114,398
Finished goods	176,468	194,912
Total inventories	<u>\$ 738,773</u>	<u>\$ 723,905</u>

NOTE 6 — LONG TERM LOAN TO A THIRD-PARTY

Long term loan to a third-party consisted of the following:

	December 31, 2024	December 31, 2023
Long term loan to a third-party	\$ 2,000,000	\$ 2,066,822
Total long term loan to a third-party	<u>\$ 2,000,000</u>	<u>\$ 2,066,822</u>
Current portion of loan to a third-party	2,000,000	-
Non-current portion of loan to a third-party	-	2,066,822

On April 3, 2023, the Company entered a loan agreement with Liberty Asset Management Capital Limited (the “Borrower”) to lend the Borrower \$2.0 million for two years, with a maturity date of April 3, 2025. The loan has a fixed interest rate of 4.5% per annum. The Company recorded interest income of \$90,986, \$66,822 and \$nil for the years ended December 31, 2024, 2023 and 2022, respectively.

NOTE 7 — LEASES

The Company leases office spaces, bakery store facilities, employee dormitories and a vehicle under non-cancelable operating leases, with terms ranging from 1 to 15 years. The Company considers those renewal or termination options that are reasonably certain to be exercised in the determination of the lease term and initial measurement of ROU assets and lease liabilities. Lease expenses are recognized on a straight-line basis over the lease term. Leases with initial term of 12 months or less are not recorded on the balance sheet.

The Company determines whether a contract is or contains a lease at inception of the contract and whether that lease meets the classification criteria of a finance or operating lease. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of the Company’s leases do not provide a readily determinable implicit rate. Therefore, the Company discounts lease payments based on an estimate of its incremental borrowing rate.

The Company’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 — LEASES (continued)

The table below presents the operating lease related assets and liabilities recorded on the balance sheets.

	December 31, 2024	December 31, 2023
ROU lease assets	\$ 11,021,615	\$ 13,059,561
Operating lease liabilities – current	\$ 2,325,390	\$ 2,198,192
Operating lease liabilities – non-current	9,207,971	11,691,251
Total operating lease liabilities	\$ 11,533,361	\$ 13,889,443

The weighted average remaining lease terms and discount rates for all of operating leases were as follows as of December 31, 2024 and 2023:

	December 31, 2024	December 31, 2023
Remaining lease term and discount rate:		
Weighted average remaining lease term (years)	6.75	7.52
Weighted average discount rate *	4.50%	4.22%

* The Company used incremental borrowing rate of 6.98% for its lease contracts entered prior to fiscal year 2022 in the PRC. For lease contracts entered from fiscal year 2022 to the first half of fiscal year 2023, the Company used new incremental borrowing rate of 3.95%. For lease contracts entered in and after the second half of fiscal year 2023, the Company used new incremental borrowing rate of 5.00%. The Company used incremental borrowing rate of 3.75% for its lease contracts entered prior to fiscal year 2024 in the United States, and for lease contracts entered in fiscal year 2024, the Company used new incremental borrowing rate of 8.00%

During the years ended December 31, 2024, 2023 and 2022, the Company incurred total operating lease expenses of \$3,120,327, \$3,241,799 and \$2,333,412, respectively.

The following is a schedule, by years, of maturities of lease liabilities as of December 31, 2024:

2025	\$ 2,786,503
2026	2,100,975
2027	1,976,286
2028	1,748,639
2029	1,428,027
Thereafter	3,371,537
Total lease payments	13,411,967
Less: imputed interest	(1,878,606)
Present value of lease liabilities	\$ 11,533,361

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8 — PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consisted of the following:

	December 31, 2024	December 31, 2023
Bakery production equipment	\$ 1,155,420	\$ 1,646,294
Automobiles	110,567	100,427
Office equipment and furniture	938,252	825,337
Leasehold improvements	5,959,894	6,606,385
Subtotal	8,164,133	9,178,443
Less: accumulated depreciation	(3,719,660)	(3,444,030)
Less: impairment on property and equipment	-	(272,350)
Total property and equipment, net	<u>\$ 4,444,473</u>	<u>\$ 5,462,063</u>

With the increased competition, Chanson Greenwich was closed in the second half of fiscal year 2023. The Company performed evaluation on whether the carrying amount of the property and equipment of Chanson Greenwich could be recoverable, and recorded an impairment of \$272,350 as of December 31, 2023. During the year ended December 31, 2024, the Company disposed all the property and equipment of Chanson Greenwich to a third party.

Gain on disposal of property and equipment was \$152,517 for the year ended December 31, 2024. Loss on disposal of property and equipment was \$4,982 and \$nil for the years ended December 31, 2023 and 2022, respectively.

Depreciation expenses were \$796,369, \$831,820 and \$701,461 for the years ended December 31, 2024, 2023 and 2022, respectively.

NOTE 9 — INTANGIBLE ASSETS, NET

Intangible assets, net, consisted of the following:

	December 31, 2024	December 31, 2023
Intangible assets	\$ 290,000	\$ 150,000
Less: accumulated amortization	(27,500)	-
Total intangible assets, net	<u>\$ 262,500</u>	<u>\$ 150,000</u>

Amortization expenses were \$27,500, \$nil and \$nil for the years ended December 31, 2024, 2023 and 2022, respectively.

Amortization of intangible assets attributable to future periods as of December 31, 2024 is as follows:

2025	\$ 36,250
2026	36,250
2027	36,250
2028	36,250
2029	36,250
Thereafter	81,250
Total	<u>\$ 262,500</u>

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 — PREPAYMENT FOR THE SOFTWARE, EQUIPMENT AND PRODUCT DEVELOPMENT

Prepayment for the software, equipment and product development consisted of the following:

	December 31, 2024	December 31, 2023
Peblla Inc. (“Peblla”) (a)	\$ -	\$ 140,000
Luo and Long General Partner (“Luo and Long”) (b)	-	550,000
Wisdom Investment Service Inc (“Wisdom”) (c)	-	100,000
Total prepayment for the software, equipment and product development	<u>\$ -</u>	<u>\$ 790,000</u>

- (a) On March 28, 2023, the Company signed a three-year research and development framework agreement with Peblla with a total value of \$1.0 million. Pursuant to the agreement, Peblla will develop software for the Company, including cashier system, customized mobile application, a customer loyalty program and gift card system and online ordering website, etc. In fiscal year 2023, the Company made prepayment of \$290,000 to Peblla for this software development project. In December 2023, certain systems with value of \$150,000 was completed and put into use, and hence was transferred to intangible assets in the consolidated balance sheet, and the remaining \$140,000 prepayment to Peblla was recorded as a prepayment for software development on the balance sheet as of December 31, 2023. However, Peblla had experienced delays in the later stages of development and was unable to meet Chanson’s evolving requirements, therefore, the agreement was terminated in June 2024. Certain systems with value of \$140,000 was completed and put into use, and hence was transferred to intangible assets in July 2024.
- (b) On April 1, 2023, the Company entered into an agreement with Luo and Long with a total value of \$750,000, and the Company made prepayment of \$550,000 as of December 31, 2023. Pursuant to the agreement, Luo and Long would design and provide equipment for the Company’s new central factory. The equipment was originally expected to be delivered before January 31, 2024. However, due to the delay in production process of the qualified equipment, the agreement was terminated and \$550,000 was refunded to the Company during the year ended December 31, 2024.
- (c) On April 3, 2023, the Company entered into an agreement with Wisdom, pursuant to which, Wisdom was responsible to conduct market research to identify the most current automated cocktail mixing robots available in the market, subsequently procure two robots on behalf of the Company and provide other related services, including delivering, installation and maintenance services. The total contract amount is \$200,000, which was fully prepaid by the Company. Since Wisdom failed to procure the qualified robots for the Company, the agreement was terminated and \$100,000 was refunded in December 2023, and the remaining of \$100,000 was refunded in January 2024.

NOTE 11 — LONG TERM DEBT INVESTMENT

On March 31, 2023, the Company entered into a five-year agreement with Worthy Credit Limited (“Worthy Credit”), pursuant to which, the Company made payment of \$6.0 million to Worthy Credit, and authorized Worthy Credit to invest the Company’s funds to provide loan services for housing mortgage applicants, with rates of return of 12% per annum. The qualification of the applicants was approved by the approval board, which was composed of the members of the Company and Worthy Credit. The Company recorded investment income of \$723,945, \$534,575 and \$nil for the years ended December 31, 2024, 2023 and 2022, respectively.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 — SHORT-TERM BANK LOANS

Short-term bank loans consisted of the following:

	December 31, 2024	December 31, 2023
Huaxia Bank (1)	\$ 411,043	\$ 423,741
Bank of China (2)	1,096,116	1,412,469
Tianshan Rural Commercial Bank (3)	-	423,741
Xinjiang Urumqi Rural Commercial Bank (4)	-	423,741
Total short-term bank loans	<u>\$ 1,507,159</u>	<u>\$ 2,683,692</u>

(1) On December 22, 2023, Xinjiang United Family entered into a loan agreement with Huaxia Bank to borrow RMB3.0 million (\$423,741) as working capital for a year, with a maturity date of December 20, 2024. The loan was repaid on December 17, 2024. Subsequently, on December 20, 2024, Xinjiang United Family entered into another loan agreement with Huaxia Bank to borrow RMB3.0 million (\$411,043) as working capital for three months, with a maturity date of March 19, 2025. The loan was also repaid on March 19, 2025. These two loans both bear a fixed interest rate of 5.00% per annum. The loans were guaranteed by Ms. Baolin Wang, the legal representative of Xinjiang United Family, and Urumqi Plastic Surgery Hospital Co., Ltd., a related party that is controlled by Mr. Gang Li, the Chairman of the Company.

(2) On September 7, 2023, Xinjiang United Family entered into a loan agreement with Bank of China to borrow RMB10.0 million (\$1,412,469) as working capital for a year, with a maturity date of September 6, 2024. The loan bears a fixed interest rate of 3.55% per annum. The loan is guaranteed by Mr. Gang Li and his family member, Ms. Ying Xiong. In addition, Xinjiang United Family pledged its trademark rights as collateral to guarantee the Company's loan from Bank of China. The loan was repaid in full upon maturity.

On September 12, 2024, Xinjiang United Family entered into another loan agreement with Bank of China to borrow RMB10.0 million (\$1,370,145) as working capital for a year, with a maturity date of September 11, 2025. The loan bears a fixed interest rate of 3.45% per annum. The Company is required to make a quarterly installment payment of RMB 2.0 million (\$274,029) within the term of the loan, with last installment of RMB 4.0 million (\$548,058) to be paid at maturity date. The loan is guaranteed by Mr. Gang Li and his family member, Ms. Ying Xiong. In addition, Xinjiang United Family pledged its trademark rights as collateral to guarantee the Company's loan from Bank of China. As of date of this annual report, the loan was repaid as scheduled.

(3) On November 15, 2023, Xinjiang United Family entered into a loan agreement with Tianshan Rural Commercial Bank to borrow RMB3.0 million (\$423,741) as working capital for a year, with a maturity date of November 14, 2024. The loan bears a fixed interest rate of 5.50% per annum. The loan is guaranteed by Mr. Gang Li and his family member, Ms. Ying Xiong. The loan was repaid in full upon maturity.

On December 19, 2023, Xinjiang United Family entered into another loan agreement with Tianshan Rural Commercial Bank to borrow RMB3.0 million (\$423,741) as working capital for a year, with a maturity date of December 18, 2024. The loan was withdrawn on January 29, 2024 and bears a fixed interest rate of 5.50% per annum. The loan is guaranteed by Mr. Gang Li and his family member, Ms. Ying Xiong, and two third parties. The loan was repaid in full upon maturity.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 — SHORT-TERM BANK LOANS (continued)

- (4) On December 26, 2023, Xinjiang United Family entered into a loan agreement with Xinjiang Urumqi Rural Commercial Bank to borrow RMB3.0 million (\$423,741) as working capital for a year, with a maturity date of December 25, 2024. The loan bears a fixed interest rate of 5.50% per annum. The loan is guaranteed by two third-parties, Mr. Xiaochen Wang and his family member. The loan was repaid in full upon maturity.

The Company incurred interest expenses of \$134,788, \$32,444 and \$37,277 for the years ended December 31, 2024, 2023 and 2022, respectively.

NOTE 13 — RELATED PARTY TRANSACTIONS

a. Due to a related party

As of December 31, 2024, due to a related party of \$772,489 primarily represented advances provided by Mr. Gang Li, Chairman of the Company, to fund the Company's operations. These payables were unsecured, non-interest bearing, and due on demand. All expenses and liabilities were paid by Mr. Gang Li on behalf of the Company, and recorded in the Company's consolidated financial statements in a timely manner. The outstanding amount is expected to be repaid before June 30, 2025.

b. Other related party transactions

Several related parties provided guarantees in connection with the Company's short-term bank loans (see Note 12).

Pursuant to a Premises Use Agreement dated April 30, 2020 and a Supplemental Agreement dated June 18, 2020, Urumqi Plastic Surgery Hospital Co., Ltd., a PRC company controlled by Mr. Gang Li, provided approximately 5,382 square feet office space for the Company's headquarters without charge. The term of the agreement is from January 1, 2020 to June 25, 2028, unless otherwise terminated by either party.

NOTE 14 — TAXES

(a) Corporate Income Taxes ("CIT")

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains, or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or, after execution, brought within the jurisdiction of the Cayman Islands. No stamp duty is payable in the Cayman Islands on the issue of shares by, or any transfers of shares of, Cayman Islands companies (except those which hold interests in land in the Cayman Islands). There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares, as the case may be, nor will gains derived from the disposal of our ordinary shares be subject to Cayman Islands income or corporation tax.

British Virgin Islands

Deen Global is incorporated in the BVI as an offshore holding company and is not subject to tax on income or capital gain under the laws of BVI.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 — TAXES (continued)

(a) Corporate Income Taxes (“CIT”) (continued)

Hong Kong

Jenyd is incorporated in Hong Kong and is subject to profit taxes in Hong Kong at a rate of 8.25% on assessable profits up to HK\$2,000,000, and 16.5% on any part of assessable profits over HK\$2,000,000. However, Jenyd did not generate any assessable profits arising in or derived from Hong Kong for the years ended December 31, 2024, 2023 and 2022, and accordingly no provision for Hong Kong profits tax was made in these periods.

PRC

Under the Enterprise Income Tax (“EIT”) Law of the PRC, domestic enterprises and Foreign Investment Enterprises (the “FIE”) are usually subject to a unified 25% enterprise income tax rate while preferential tax rates, tax holidays, or exemptions may be granted on a case-by-case basis. The Company’s subsidiary Xinjiang United Family and its five branch offices were incorporated in the PRC. During the year ended December 31, 2022, Xinjiang United Family and its three branch offices qualified as small-scaled minimal profit enterprises. According to the Announcement on Implementing the Preferential Income Tax Policies for Small-Scale Minimal Profit Enterprise on March 14, 2022, March 26, 2023 and August 2, 2023, the taxable income not more than RMB3 million is subject to a reduced rate of 5% during the period from January 1, 2023 to December 31, 2027. During the years ended December 31, 2024 and 2023, Xinjiang United Family and all its branch offices did not qualify as small-scaled minimal profit enterprises and were subject to 25% income tax rate.

The UFG entities are individually-owned businesses, which are not subject to the EIT Law of the PRC, but the Individual Income Tax. The Measures for Individual Income Tax Calculation of Individual Industrial and Commercial Households, or the “Measures,” were adopted by the State Administration of Taxation on December 19, 2014 and promulgated on December 27, 2014, and amended on June 15, 2018. According to Article 7 of the Measures, for the income from production and operation of individually-owned businesses, the amount of taxable income shall be the balance of the total income of each tax year after deducting costs, expenses, taxes, losses and other expenditures, and allowable compensation for losses in previous years. Income tax for an individually-owned business can generally be assessed on an actual basis or a deemed basis, which the UFG entities apply. Therefore, income tax for the UFG entities is levied as a fixed-rate income tax at 1% of TNI as assessed by the local tax authority. According to Announcement No. 12 [2021], Announcement No. 6 [2023] and Announcement No. 12 [2023] of the State Taxation Administration, the tax rate is reduced by half to 0.5% during the period from January 1, 2021 to December 31, 2027. For the year ended December 31, 2024, 13 of these UFG entities were subject to income tax assessed at 0.5% of TNI that ranged from RMB33,000 to RMB180,000 per month. For the years ended December 31, 2023 and 2022, 13 of these UFG entities were subject to income tax assessed at 0.5% of TNI that ranged from RMB33,000 to RMB180,000 per month. The rest of these UFG entities were exempted from paying income tax. During the years ended December 31, 2024, 2023 and 2022, the total tax exemption of the UFG entities were \$25,048, 17,303 and \$15,711, respectively. As of December 31, 2024, for the tax years ended December 31, 2020 through December 31, 2024 the Company’s UFG entities remained open for statutory examination by PRC tax authorities. In addition, the TNI and tax rate of the Company’s UFG entities are subject to periodical reassessment by the local tax authority. If the local tax authority determined that income tax for the UFG entities should be levied at a higher TNI or higher tax rate, the Company would be obligated to pay additional income tax for the UFG entities. Along with the continuing growth of business, the Company expects that the tax rates of these UFG entities are likely to increase in the future in the annual assessment based on the past performance.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 — TAXES (continued)

(a) Corporate Income Taxes (“CIT”) (continued)

United States

The Company’s subsidiaries in the U.S. are subject to a U.S. federal corporate income tax rate of 21%.

Income before provision for income taxes is attributable to the following geographic locations for the years ended December 31, 2024, 2023 and 2022:

	For the Years Ended December 31,		
	2024	2023	2022
Cayman Islands	\$ 793,358	\$ 601,397	\$ -
PRC	2,221,539	1,836,171	933,868
United States	(2,184,008)	(2,284,564)	(2,212,526)
Total income (loss) before income taxes	<u>\$ 830,889</u>	<u>\$ 153,004</u>	<u>\$ (1,278,658)</u>

The components of the income tax provision were as follows:

	For the Years Ended December 31,		
	2024	2023	2022
Current tax provision			
Cayman Islands	\$ -	\$ -	\$ -
BVI	-	-	-
Hong Kong	-	-	-
PRC	74,604	119,416	9,547
United States	-	-	-
	<u>\$ 74,604</u>	<u>\$ 119,416</u>	<u>\$ 9,547</u>
Deferred tax provision			
Cayman Islands	\$ -	\$ -	\$ -
BVI	-	-	-
Hong Kong	-	-	-
PRC	-	-	-
United States	-	-	-
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total income tax provisions	<u>\$ 74,604</u>	<u>\$ 119,416</u>	<u>\$ 9,547</u>

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 — TAXES (continued)

(a) Corporate Income Taxes (“CIT”) (continued)

Reconciliation of the differences between the income tax provision computed based on PRC statutory income tax rate and the Company’s actual income tax provision for the years ended December 31, 2024, 2023 and 2022 are as follows:

	For the Years Ended December 31,		
	2024	2023	2022
Income tax expense (benefit) computed based on PRC statutory rate	\$ 207,722	\$ 38,251	\$ (319,664)
Favorable tax rate and tax exemption impact in PRC entities (a)	(480,781)	(339,626)	(223,920)
Effect of rate differential for non-PRC entities	(110,979)	(58,967)	88,501
Change in valuation allowance	458,642	479,758	464,630
Total income tax provisions	\$ 74,604	\$ 119,416	\$ 9,547

- (a) During the years ended December 31, 2024 and 2023, Xinjiang United Family and all its branch offices were subject to 25% income tax rate. During the year ended December 31, 2022, the Company’s subsidiary, Xinjiang United Family, and its three branch offices, qualified as small-scaled minimal profit enterprise and subjected to a favorable tax rate of 2.5%. For the year ended December 31, 2024, 13 of these UFG entities were subject to income tax assessed at 0.5% of TNI that ranged from RMB33,000 to RMB180,000 per month. For the years ended December 31, 2023 and 2022, 13 of these UFG entities were subject to income tax assessed at 0.5% of TNI that ranged from RMB33,000 to RMB180,000 per month. The rest of the UFG entities were exempted from paying income tax. For the years ended December 31, 2024, 2023 and 2022, the tax saving as the result of the favorable tax rates and tax exemption amounted to \$480,781, \$339,626 and \$223,920, respectively, and per share effect of the favorable tax rate and tax exemption was \$0.03, \$0.03 and \$0.02, respectively.

The Company’s deferred tax assets, net was comprised of the following:

	December 31, 2024	December 31, 2023
Net operating loss	\$ 3,381,871	\$ 2,923,229
Impairment of property and equipment	-	57,193
Total deferred tax assets	3,381,871	2,980,422
Valuation allowance	(3,381,871)	(2,980,422)
Total deferred tax assets, net	\$ -	\$ -

The Company’s operations in the U.S. incurred a cumulative net operating loss (“NOL”) which may reduce future federal taxable income. As of December 31, 2023, the cumulative NOL was \$13,920,136. During the year ended December 31, 2024, the U.S. operations incurred an additional NOL of \$2,184,007, resulting in a cumulative NOL of \$16,104,143 as of December 31, 2024, among which approximately \$2,882,465 will expire in 2037 and the remaining balance is carried forward indefinitely.

The Company periodically evaluates the likelihood of the realization of deferred tax assets, and reduces the carrying amount of the deferred tax assets by a valuation allowance to the extent it believes a portion will not be realized. Management considers new evidence, both positive and negative, that could affect the Company’s future realization of deferred tax assets including its recent cumulative earnings experience, expectation of future income, the carry forward periods available for tax reporting purposes and other relevant factors. The Company determined that it is more likely than not its deferred tax assets could not be realized due to uncertainty on future earnings in the U.S. operations. The Company provided a 100% valuation allowance for its deferred tax assets as of December 31, 2024 and 2023, respectively.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 — TAXES (continued)

(b) Taxes payable

Taxes payable consisted of the following:

	December 31, 2024	December 31, 2023
Income tax payable	\$ 7,899	\$ 33,628
Value added tax payable	2,440	-
Other taxes payable	38,373	62,548
Total taxes payable	<u>\$ 48,712</u>	<u>\$ 96,176</u>

NOTE 15 — SHAREHOLDERS' EQUITY

Ordinary Shares

Chanson International (formerly known as RON Holding Limited) was incorporated under the laws of the Cayman Islands on July 26, 2019. Upon incorporation, the authorized share capital of the Company was US\$50,000 divided into 50,000 ordinary shares of par value US\$1.00 each and 100 ordinary shares were issued. The issuance of these 100 ordinary shares, and the 1,000-for-1 share split (as described below) and the subsequent share issuances are considered as a part of the Reorganization of the Company, which was retroactively applied as if the transaction occurred at the beginning of the period presented (see Note 1).

On March 27, 2021, the Company's shareholders and board of directors approved (i) the subdivision of the Company's authorized and issued share capital at a ratio of 1,000-for-1 share such that the authorized share capital of the Company was amended to US\$50,000 divided into 50,000,000 ordinary shares of par value US\$0.001 each and the 100 ordinary shares of a par value of \$1 then issued and outstanding were subdivided into 100,000 ordinary shares of a par value of \$0.001 (the "1,000-for-1 share split"); (ii) the creation of Class A Ordinary Shares and Class B ordinary shares, par value \$0.001 per share ("Class B Ordinary Shares", and collectively with Class A Ordinary Shares, "Ordinary Shares"). Holders of Class A Ordinary Shares and Class B Ordinary Shares have the same rights except for voting and conversion rights. In respect of matters requiring a vote of all shareholders, each holder of Class A Ordinary Shares will be entitled to one vote per one Class A Ordinary Share and each holder of Class B Ordinary Shares will be entitled to 10 votes per one Class B Ordinary Share. The Class A Ordinary Shares are not convertible into shares of any other class. The Class B Ordinary Shares are convertible into Class A Ordinary Shares at any time after issuance at the option of the holder on a one-to-one basis; (iii) the re-designation of 3,000 ordinary shares held by Haily Global Limited into 3,000 Class B Ordinary Shares; and (iv) issuances of Class A Ordinary Shares and Class B Ordinary Shares to the existing shareholders, to increase the number of total Ordinary Shares issued and outstanding prior to the completion of this offering from 100,000 to 9,000,000 (the "share issuances"). The Company believes the 1,000-for-1 share split and the share issuances should be considered as a part of the Reorganization of the Company and accounted for on a retroactive basis pursuant to ASC 260. The Company has retroactively restated all shares and per share data for all periods presented.

On March 12, 2025, the Company's shareholders resolved to increase the authorized share capital from US\$50,000 divided into 44,000,000 Class A Ordinary Shares of US\$0.001 par value each and 6,000,000 Class B Ordinary Shares of US\$0.001 par value each, to US\$5,000,000 divided into 4,400,000,000 Class A Ordinary Shares of US\$0.001 par value each and 600,000,000 Class B Ordinary Shares of US\$0.001 par value each.

Initial Public Offering

On April 3, 2023, the Company closed its IPO of 3,390,000 Class A Ordinary Shares at a public offering price of \$4.00 per Class A Ordinary Share for the total gross proceeds of \$13.6 million before deducting underwriting discounts and other related expenses. Net proceeds of the Company's IPO were approximately \$12.0 million. The Company's Class A Ordinary Shares began trading on the Nasdaq Capital Market under the ticker symbol "CHSN" on March 30, 2023.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 — SHAREHOLDERS' EQUITY (continued)

Representative Warrants

In connection with the Company's IPO, the Company agreed to issue warrants to the representative of several underwriters ("Representative warrants"), exercisable for a period of four and a half years commencing six months from the date of commencement of sales of the offering, to purchase 67,800 Class A Ordinary Shares at \$4.00 per Class A Ordinary Share. As the Representative warrants are considered indexed to the Company's own stock and meet the criteria for equity classification according to ASC :815-40, therefore, the Representative warrants are classified as equity on the consolidated balance sheets. On December 13, 2023, 35,319 Class A Ordinary Share were issued as the Representative warrants were fully exercised on a cashless basis.

Conversion of Ordinary Shares

On February 5, 2024, the Company's shareholder Haily Global Limited elected to convert 270,000 Class B Ordinary Shares on a one-for-one basis into 270,000 Class A Ordinary Shares, which was duly approved by the Company's board of directors.

Issuance of Ordinary Shares

On September 13, 2024, the Company entered into a securities purchase agreement (the "Purchase Agreement") with certain investors identified therein for a best efforts follow-on public offering (the "Offering") of (i) 8,980,251 Class A Ordinary Shares, par value \$0.001 per share ("Shares") and (ii) 8,980,251 common warrants to purchase 8,980,251 Class A Ordinary Shares ("Common Warrants"), at an exercise price of \$0.972 per share, exercisable within one year anniversary of the closing of the Offering. The Shares and Common Warrants were sold at a combined public offering price of \$0.81 per share and accompanying warrants. Each Class A Ordinary Share were sold together with one Common Warrant. The Offering was closed on September 17, 2024, and the Company received aggregate gross proceeds of \$7.3 million from the Offering, before deducting offering expenses and commissions, excluding the exercise of any Common Warrants. During the year ended December 31, 2024, 5,894,137 Class A Ordinary Shares were issued as all the common warrants were exercised on a cashless basis.

As a result, the Company had 44,000,000 authorized Class A Ordinary Shares of a par value of \$0.001, of which 21,629,707 shares and 6,485,319 Class A Ordinary Shares were issued and outstanding as of December 31, 2024 and 2023, respectively, and the Company had 6,000,000 authorized Class B Ordinary Shares of a par value of \$0.001, of which 5,670,000 and 5,940,000 Class B Ordinary Shares were issued and outstanding as of December 31, 2024 and 2023. In total, the Company had 50,000,000 authorized Ordinary Shares of par value of \$0.001 each, of which 27,299,707 shares and 12,425,319 shares were issued and outstanding as of December 31, 2024 and 2023, respectively.

Statutory Reserve

The Company's PRC subsidiary is required to make appropriations to certain reserve funds, comprising the statutory surplus reserve and the discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the PRC ("PRC GAAP"). Appropriations to the statutory surplus reserve are required to be at least 10% of the after-tax net income determined in accordance with PRC GAAP until the reserve is equal to 50% of the entity's registered capital. Appropriations to the discretionary surplus reserve are made at the discretion of the Board of Directors. The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production or increase in registered capital, but are not distributable as cash dividends. As of December 31, 2024 and 2023, the balance of the statutory reserves was \$661,924 and \$447,231, respectively, which is equal to 50% of the entity's registered capital.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 — SHAREHOLDERS' EQUITY (continued)

Restricted net assets

The Company's PRC subsidiary and the UFG entities are restricted in their ability to transfer a portion of their net assets, equivalent to their statutory reserves and their share capital to the Company in the form of loans, advances, or cash dividends. The payment of dividends by entities organized in China is subject to limitations, procedures, and formalities. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China. As of December 31, 2024 and 2023, the total restricted net assets amounted to \$3,516,301 and \$1,325,631, respectively.

NOTE 16 — COMMITMENTS AND CONTINGENCIES

Contingencies

From time to time, the Company is a party to various legal actions arising in the ordinary course of business. The Company accrues costs associated with these matters when they become probable and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred. As of December 31, 2024 and 2023, there were no legal claims and litigation against the Company.

NOTE 17 — SEGMENT REPORTING

In accordance with ASC 280, Segment Reporting, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the "CODM"), or decision making group, in deciding how to allocate resources and in assessing performance. The Company uses the "management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's CODM for making operating decisions and assessing performance as the source for determining the Company's reportable segments. Management, including the CODM, reviews operation results by locations. Based on management's assessment, the Company has determined that it has two operating segments, China and the United States and others.

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 — SEGMENT REPORTING (continued)

The following table presents the segment information for the years ended December 31, 2024, 2023 and 2022, respectively:

	For the Year Ended December 31, 2024		
	China	United States and others	Total
Revenue	\$ 16,142,693	\$ 2,084,844	\$ 18,227,537
Less:			
Cost of revenue	8,961,237	2,071,982	11,033,219
Selling expenses	3,929,035	828,244	4,757,279
General and administrative expenses	905,811	2,060,848	2,966,659
Income (loss) from operations	2,346,610	(2,876,230)	(529,620)
Other income (expense)			
Interest (expense) income, net	(134,517)	83,589	(50,928)
Other income, net	9,445	678,047	687,492
Interest income from long term debt investment	-	723,945	723,945
Profit (loss) before income tax expense	2,221,538	(1,390,649)	830,889
Income tax expense	(74,604)	-	(74,604)
Net income (loss)	\$ 2,146,934	\$ (1,390,649)	\$ 756,285
Depreciation	\$ 465,689	\$ 358,180	\$ 823,869
Capital expenditures	\$ 578,126	\$ 5,187	\$ 583,313

	For the Year Ended December 31, 2023		
	China	United States and others	Total
Revenue	\$ 14,314,156	\$ 2,938,506	\$ 17,252,662
Less:			
Cost of revenue	7,196,311	1,909,026	9,105,337
Selling expenses	4,089,650	793,308	4,882,958
General and administrative expenses	1,066,993	2,807,875	3,874,868
Income (loss) from operations	1,961,202	(2,571,703)	(610,501)
Other income (expense)			
Interest (expense) income, net	(31,395)	66,900	35,505
Other (expense) income, net	(93,636)	287,061	193,425
Interest income from long term debt investment	-	534,575	534,575
Profit (loss) before income tax expense	1,836,171	(1,683,167)	153,004
Income tax expense	(119,416)	-	(119,416)
Net income (loss)	\$ 1,716,755	\$ (1,683,167)	\$ 33,588
Depreciation	\$ 455,144	\$ 376,676	\$ 831,820
Capital expenditures	\$ 686,885	\$ 1,427,079	\$ 2,113,964

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 — SEGMENT REPORTING (continued)

	For the Year Ended December 31, 2022		
	China	United States and others	Total
Revenue	\$ 9,491,208	\$ 3,780,867	\$ 13,272,075
Less:			
Cost of revenue	5,080,616	2,088,788	7,169,404
Selling expenses	2,754,399	943,510	3,697,909
General and administrative expenses	686,078	3,156,709	3,842,787
Income (loss) from operations	970,115	(2,408,140)	(1,438,025)
Other income (expense)			
Interest expense, net	(35,457)	-	(35,457)
Other (expense) income, net	(790)	195,614	194,824
Profit (loss) before income tax expense	933,868	(2,212,526)	(1,278,658)
Provision for income tax	(9,547)	-	(9,547)
Net income (loss)	\$ 924,321	\$ (2,212,526)	\$ (1,288,205)
Depreciation	\$ 385,736	\$ 315,725	\$ 701,461
Capital expenditures	\$ 671,965	\$ 188,069	\$ 860,034
		December 31, 2024	December 31, 2023
Total assets:			
China		\$ 22,487,303	\$ 12,954,728
United States		19,288,531	25,479,568
Total assets		\$ 41,775,834	\$ 38,434,296
Total liabilities:			
China		\$ 17,366,824	\$ 14,860,078
United States		5,983,564	11,559,862
Total liabilities		\$ 23,350,388	\$ 26,419,940

CHANSON INTERNATIONAL HOLDING AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 — SUBSEQUENT EVENTS

On January 20, 2025, Xinjiang United Family entered into a loan agreement with Tianshan Rural Commercial Bank to borrow RMB12.0 million (\$1,644,173) as working capital for three years, with a maturity date of January 19, 2028. The loan bears a fixed interest rate of 5.0% per annum. The Company is required to make a semi-annual installment payment of RMB 0.6 million (\$82,209) within the term of the loan, with last installment of RMB 9.0 million (\$1,233,130) to be paid at maturity date. The loan is guaranteed by Mr. Gang Li and his family member, Ms. Ying Xiong, as well as Urumqi Plastic Surgery Hospital Co., Ltd., a related party that is controlled by Mr. Gang Li.

The Company evaluated the subsequent events through April 4, 2025, which is the date of the issuance of these consolidated financial statements, and concluded that there are no additional subsequent events except disclosed above that would have required adjustment or disclosure in the consolidated financial statements.

Companies Act (Revised)

Company Limited by Shares

**Amended and Restated
Memorandum of Association
of
Chanson International Holding**

香颂国际控股公司

(Adopted by special resolution passed on 12 March 2025)



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Companies Act (Revised)
Company Limited by Shares
Amended and Restated
Memorandum of Association
of
Chanson International Holding
香颂国际控股公司

(Adopted by special resolution passed on 12 March 2025)

- 1 The name of the Company is Chanson International Holding 香颂国际控股公司.
- 2 The Company's registered office will be situated at the offices of Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, PO Box 10240, Grand Cayman, KY1-1002 Cayman Islands, or at such other place in the Cayman Islands as the directors may at any time decide.
- 3 The Company's objects are unrestricted. As provided by section 7(4) of the Companies Act (Revised), the Company has full power and authority to carry out any object not prohibited by any law of the Cayman Islands.
- 4 The Company has unrestricted corporate capacity. Without limitation to the foregoing, as provided by section 27 (2) of the Companies Act (Revised), the Company has and is capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit.
- 5 Nothing in any of the preceding paragraphs permits the Company to carry on any of the following businesses without being duly licensed, namely:
- (a) the business of a bank or trust company without being licensed in that behalf under the Banks and Trust Companies Act (Revised); or
 - (b) insurance business from within the Cayman Islands or the business of an insurance manager, agent, sub-agent or broker without being licensed in that behalf under the Insurance Act (Revised); or
 - (c) the business of company management without being licensed in that behalf under the Companies Management Act (Revised).
- 6 The Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of its business carried on outside the Cayman Islands. Despite this, the Company may effect and conclude contracts in the Cayman Islands and exercise in the Cayman Islands any of its powers necessary for the carrying on of its business outside the Cayman Islands.



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- 7 The Company is a company limited by shares and accordingly the liability of each member is limited to the amount (if any) unpaid on that member's shares.
- 8 The share capital of the Company is US\$5,000,000 divided into 4,400,000,000 Class A Ordinary Shares of US\$0.001 par value each and 600,000,000 Class B Ordinary Shares of US\$0.001 par value each. Subject to the Companies Act (Revised) and the Company's articles of association, the Company has power to do any one or more of the following:
- (a) to redeem or repurchase any of its shares; and
 - (b) to increase or reduce its capital; and
 - (c) to issue any part of its capital (whether original, redeemed, increased or reduced):
 - (i) with or without any preferential, deferred, qualified or special rights, privileges or conditions; or
 - (ii) subject to any limitations or restrictionsand unless the condition of issue expressly declares otherwise, every issue of shares (whether declared to be ordinary, preference or otherwise) is subject to this power; or
 - (d) to alter any of those rights, privileges, conditions, limitations or restrictions.
- 9 The Company has power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.



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Companies Act (Revised)
Company Limited By Shares

Amended and Restated
Articles of Association
of
Chanson International Holding
香颂国际控股公司

(Adopted by special resolution passed on December 26th, 2024)



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Companies Act (Revised)
Company Limited by Shares
Amended and Restated
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of
Chanson International Holding
香颂国际控股公司

(Adopted by special resolution passed on December 26th, 2024)

1 Definitions, interpretation and exclusion of Table A

Definitions

1.1 In these Articles, the following definitions apply:

ADS means an American depository share representing a Share;

Articles means, as appropriate:

- (a) these articles of association as amended from time to time; or
- (b) two or more particular articles of these Articles;

and **Article** refers to a particular article of these Articles;

Auditors means the auditor or auditors for the time being of the Company;

Board means the board of Directors from time to time;

Business Day means a day when banks in Grand Cayman, the Cayman Islands are open for the transaction of normal banking business and for the avoidance of doubt, shall not include a Saturday, Sunday or public holiday in the Cayman Islands;

Cayman Islands means the British Overseas Territory of the Cayman Islands;

Class A Ordinary Share means a Class A ordinary share of a par value of US\$0.001 in the share capital of the Company;

Class B Ordinary Share means a Class B ordinary share of a par value of US\$0.001 in the share capital of the Company;

Clear Days, in relation to a period of notice, means that period excluding:



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- (a) the day when the notice is given or deemed to be given; and
- (b) the day for which it is given or on which it is to take effect;

Commission means Securities and Exchange Commission of the United States of America or other federal agency for the time being administering the U.S. Securities Act;

Company means the above-named company;

Default Rate means ten per cent per annum;

Designated Stock Exchanges means Nasdaq Capital Market in the United States of America for so long as the Company's Shares or ADSs are there listed and any other stock exchange on which the Company's Shares or ADSs are listed for trading;

Designated Stock Exchange Rules means the relevant code, rules and regulations, as amended, from time to time, applicable as a result of the original and continued listing of any Shares or ADSs on the Designated Stock Exchanges;

Directors means the directors for the time being of the Company and the expression Director shall be construed accordingly;

Electronic has the meaning given to that term in the Electronic Transactions Act (Revised) of the Cayman Islands;

Electronic Record has the meaning given to that term in the Electronic Transactions Act (Revised) of the Cayman Islands;

Electronic Signature has the meaning given to that term in the Electronic Transactions Act (Revised) of the Cayman Islands;

Fully Paid Up means:

- (a) in relation to a Share with par value, means that the par value for that Share and any premium payable in respect of the issue of that Share, has been fully paid or credited as paid in money or money's worth; and
- (b) in relation to a Share without par value, means that the agreed issue price for that Share has been fully paid or credited as paid in money or money's worth;

General Meeting means a general meeting of the Company duly constituted in accordance with the Articles;

Independent Director means a Director who is an independent director as defined in the Designated Stock Exchange Rules as determined by the Board;



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Law means the Companies Act (Revised) of the Cayman Islands, including any statutory modification or re-enactment thereof for the time being in force;

Member means any person or persons entered on the register of Members from time to time as the holder of a Share;

Memorandum means the memorandum of association of the Company as amended from time to time;

month means a calendar month;

Officer means a person appointed to hold an office in the Company including a Director, alternate Director or liquidator and excluding the Secretary;

Ordinary Resolution means a resolution of a General Meeting passed by a simple majority of Members who (being entitled to do so) vote in person or by proxy at that meeting. The expression includes a unanimous written resolution;

Partly Paid Up means:

- (a) in relation to a Share with par value, that the par value for that Share and any premium payable in respect of the issue of that Share, has not been fully paid or credited as paid in money or money's worth; and
- (b) in relation to a Share without par value, means that the agreed issue price for that Share has not been fully paid or credited as paid in money or money's worth;

Secretary means a person appointed to perform the duties of the secretary of the Company, including a joint, assistant or deputy secretary;

Share means a Class A Ordinary Share or a Class B Ordinary Share in the capital of the Company and the expression:

- (a) includes stock (except where a distinction between shares and stock is expressed or implied); and
- (b) where the context permits, also includes a fraction of a Share;

Special Resolution means a resolution of a General Meeting or a resolution of a meeting of the holders of any class of Shares in a class meeting duly constituted in accordance with the Articles in each case passed by a majority of not less than two-thirds of Members who (being entitled to do so) vote in person or by proxy at that meeting. The expression includes a unanimous written resolution;

Treasury Shares means Shares held in treasury pursuant to the Law and Article 2.12; and



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U.S. Securities Act means the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time.

Interpretation

1.2 In the interpretation of these Articles, the following provisions apply unless the context otherwise requires:

(a) A reference in these Articles to a statute is a reference to a statute of the Cayman Islands as known by its short title, and includes:

- (i) any statutory modification, amendment or re-enactment; and
- (ii) any subordinate legislation or regulations issued under that statute.

Without limitation to the preceding sentence, a reference to a revised Law of the Cayman Islands is taken to be a reference to the revision of that Law in force from time to time as amended from time to time.

- (b) Headings are inserted for convenience only and do not affect the interpretation of these Articles, unless there is ambiguity.
- (c) If a day on which any act, matter or thing is to be done under these Articles is not a Business Day, the act, matter or thing must be done on the next Business Day.
- (d) A word which denotes the singular also denotes the plural, a word which denotes the plural also denotes the singular, and a reference to any gender also denotes the other genders.
- (e) A reference to a **person** includes, as appropriate, a company, trust, partnership, joint venture, association, body corporate or government agency.
- (f) Where a word or phrase is given a defined meaning another part of speech or grammatical form in respect to that word or phrase has a corresponding meaning.
- (g) All references to time are to be calculated by reference to time in the place where the Company's registered office is located.
- (h) The words **written** and **in writing** include all modes of representing or reproducing words in a visible form, but do not include an Electronic Record where the distinction between a document in writing and an Electronic Record is expressed or implied.
- (i) The words **including**, **include** and **in particular** or any similar expression are to be construed without limitation.



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- 1.3 The headings in these Articles are intended for convenience only and shall not affect the interpretation of these Articles.

Exclusion of Table A Articles

- 1.4 The regulations contained in Table A in the First Schedule of the Law and any other regulations contained in any statute or subordinate legislation are expressly excluded and do not apply to the Company.

2 Shares

Power to issue Shares and options, with or without special rights

- 2.1 Subject to the provisions of the Law and these Articles about the redemption and purchase of the Shares, the Directors have general and unconditional authority to allot (with or without confirming rights of renunciation), grant options over or otherwise deal with any unissued Shares to such persons, at such times and on such terms and conditions as they may decide. No Share may be issued at a discount except in accordance with the provisions of the Law.
- 2.2 Without limitation to the preceding Article, the Directors may so deal with the unissued Shares:
- (a) either at a premium or at par; or
 - (b) with or without preferred, deferred or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise.
- 2.3 Without limitation to the two preceding Articles, the Directors may refuse to accept any application for Shares, and may accept any application in whole or in part, for any reason or for no reason.

Power to pay commissions and brokerage fees

- 2.4 The Company may pay a commission to any person in consideration of that person:
- (a) subscribing or agreeing to subscribe, whether absolutely or conditionally; or
 - (b) procuring or agreeing to procure subscriptions, whether absolute or conditional,
- for any Shares. That commission may be satisfied by the payment of cash or the allotment of Fully Paid Up or Partly Paid Up Shares or partly in one way and partly in another.
- 2.5 The Company may employ a broker in the issue of its capital and pay him any proper commission or brokerage.



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Trusts not recognised

2.6 Except as required by Law:

- (a) no person shall be recognised by the Company as holding any Share on any trust; and
- (b) no person other than the Member shall be recognised by the Company as having any right in a Share.

Security interests

2.7 Notwithstanding the preceding Article, the Company may (but shall not be obliged to) recognise a security interest of which it has actual notice over shares. The Company shall not be treated as having recognised any such security interest unless it has so agreed in writing with the secured party.

Power to vary class rights

2.8 If the share capital is divided into different classes of Shares then, unless the terms on which a class of Shares was issued state otherwise, the rights attaching to a class of Shares may only be varied if one of the following applies:

- (a) the Members holding not less than two-thirds of the issued Shares of that class consent in writing to the variation; or
- (b) the variation is made with the sanction of a Special Resolution passed at a separate general meeting of the Members holding the issued Shares of that class.

2.9 For the purpose of Article 2.8(b), all the provisions of these Articles relating to general meetings apply, *mutatis mutandis*, to every such separate meeting except that:

- (a) the necessary quorum shall be one or more persons holding, or representing by proxy, not less than one third of the issued Shares of the class; and
- (b) any Member holding issued Shares of the class, present in person or by proxy or, in the case of a corporate Member, by its duly authorised representative, may demand a poll.

Effect of new Share issue on existing class rights

2.10 Unless the terms on which a class of Shares was issued state otherwise, the rights conferred on the Member holding Shares of any class shall not be deemed to be varied by the creation or issue of further Shares ranking *pari passu* with the existing Shares of that class.



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No bearer Shares or warrants

- 2.11 The Company shall not issue Shares or warrants to bearers.

Treasury Shares

- 2.12 Shares that the Company purchases, redeems or acquires by way of surrender in accordance with the Law shall be held as Treasury Shares and not treated as cancelled if:
- (a) the Directors so determine prior to the purchase, redemption or surrender of those shares; and
 - (b) the relevant provisions of the Memorandum and Articles and the Law are otherwise complied with.

Rights attaching to Treasury Shares and related matters

- 2.13 No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the Company's assets (including any distribution of assets to Members on a winding up) may be made to the Company in respect of a Treasury Share.
- 2.14 The Company shall be entered in the register of Members as the holder of the Treasury Shares. However:
- (a) the Company shall not be treated as a Member for any purpose and shall not exercise any right in respect of the Treasury Shares, and any purported exercise of such a right shall be void; and
 - (b) a Treasury Share shall not be voted, directly or indirectly, at any meeting of the Company and shall not be counted in determining the total number of issued shares at any given time, whether for the purposes of these Articles or the Law.
- 2.15 Nothing in Article 2.14 prevents an allotment of Shares as Fully Paid Up bonus shares in respect of a Treasury Share and Shares allotted as Fully Paid Up bonus shares in respect of a Treasury Share shall be treated as Treasury Shares.
- 2.16 Treasury Shares may be disposed of by the Company in accordance with the Law and otherwise on such terms and conditions as the Directors determine.

Register of Members

- 2.17 The Directors shall keep or cause to be kept a register of Members as required by the Law and may cause the Company to maintain one or more branch registers as contemplated by the Law, provided that where the Company is maintaining one or more branch registers, the Directors shall ensure that a duplicate of each branch register is kept with the Company's principal register of Members and updated within such number of days of any amendment having been made to such branch register as may be required by the Law.



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Annual Return

- 2.18 The Directors in each calendar year shall prepare or cause to be prepared an annual return and declaration setting forth the particulars required by the Law and shall deliver a copy thereof to the registrar of companies for the Cayman Islands.

3 Share certificates

Issue of share certificates

- 3.1 A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates representing Shares, if any, shall be in such form as the Directors may determine. If the Directors resolve that share certificates shall be issued, upon being entered in the register of Members as the holder of a Share, the Directors may issue to any Member:
- (a) without payment, one certificate for all the Shares of each class held by that Member (and, upon transferring a part of the Member's holding of Shares of any class, to a certificate for the balance of that holding); and
 - (b) upon payment of such reasonable sum as the Directors may determine for every certificate after the first, several certificates each for one or more of that Member's Shares.
- 3.2 Every certificate shall specify the number, class and distinguishing numbers (if any) of the Shares to which it relates and whether they are Fully Paid Up or Partly Paid Up. A certificate may be executed under seal or executed in such other manner as the Directors determine.
- 3.3 Every certificate shall bear legends required under the applicable laws, including the U.S. Securities Act.
- 3.4 The Company shall not be bound to issue more than one certificate for Shares held jointly by several persons and delivery of a certificate for a Share to one joint holder shall be a sufficient delivery to all of them.

Renewal of lost or damaged share certificates

- 3.5 If a share certificate is defaced, worn-out, lost or destroyed, it may be renewed on such terms (if any) as to:
- (a) evidence;
 - (b) indemnity;



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- (c) payment of the expenses reasonably incurred by the Company in investigating the evidence; and
 - (d) payment of a reasonable fee, if any for issuing a replacement share certificate,
- as the Directors may determine, and (in the case of defacement or wearing-out) on delivery to the Company of the old certificate.

4 Lien on Shares

Nature and scope of lien

- 4.1 The Company has a first and paramount lien on all Shares (whether Fully Paid Up or not) registered in the name of a Member (whether solely or jointly with others). The lien is for all monies payable to the Company by the Member or the Member's estate:
- (a) either alone or jointly with any other person, whether or not that other person is a Member; and
 - (b) whether or not those monies are presently payable.
- 4.2 At any time the Board may declare any Share to be wholly or partly exempt from the provisions of this Article.

Company may sell Shares to satisfy lien

- 4.3 The Company may sell any Shares over which it has a lien if all of the following conditions are met:
- (a) the sum in respect of which the lien exists is presently payable;
 - (b) the Company gives notice to the Member holding the Share (or to the person entitled to it in consequence of the death or bankruptcy of that Member) demanding payment and stating that if the notice is not complied with the Shares may be sold; and
 - (c) that sum is not paid within fourteen Clear Days after that notice is deemed to be given under these Articles,
- and Shares to which this Article 4.3 applies shall be referred to as Lien Default Shares.
- 4.4 The Lien Default Shares may be sold in such manner as the Board determines.
- 4.5 To the maximum extent permitted by law, the Directors shall incur no personal liability to the Member concerned in respect of the sale.



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Authority to execute instrument of transfer

- 4.6 To give effect to a sale, the Directors may authorise any person to execute an instrument of transfer of the Lien Default Shares sold to, or in accordance with the directions of, the purchaser.
- 4.7 The title of the transferee of the Lien Default Shares shall not be affected by any irregularity or invalidity in the proceedings in respect of the sale.

Consequences of sale of Shares to satisfy lien

- 4.8 On a sale pursuant to the preceding Articles:
- (a) the name of the Member concerned shall be removed from the register of Members as the holder of those Lien Default Shares; and
 - (b) that person shall deliver to the Company for cancellation the certificate (if any) for those Lien Default Shares.
- 4.9 Notwithstanding the provisions of Article 4.8, such person shall remain liable to the Company for all monies which, at the date of sale, were presently payable by him to the Company in respect of those Lien Default Shares. That person shall also be liable to pay interest on those monies from the date of sale until payment at the rate at which interest was payable before that sale or, failing that, at the Default Rate. The Board may waive payment wholly or in part or enforce payment without any allowance for the value of the Lien Default Shares at the time of sale or for any consideration received on their disposal.

Application of proceeds of sale

- 4.10 The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable. Any residue shall be paid to the person whose Lien Default Shares have been sold:
- (a) if no certificate for the Lien Default Shares was issued, at the date of the sale; or
 - (b) if a certificate for the Lien Default Shares was issued, upon surrender to the Company of that certificate for cancellation
- but, in either case, subject to the Company retaining a like lien for all sums not presently payable as existed on the Lien Default Shares before the sale.



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5 Calls on Shares and forfeiture

Power to make calls and effect of calls

- 5.1 Subject to the terms of allotment, the Board may make calls on the Members in respect of any monies unpaid on their Shares including any premium. The call may provide for payment to be by instalments. Subject to receiving at least 14 Clear Days' notice specifying when and where payment is to be made, each Member shall pay to the Company the amount called on his Shares as required by the notice.
- 5.2 Before receipt by the Company of any sum due under a call, that call may be revoked in whole or in part and payment of a call may be postponed in whole or in part. Where a call is to be paid in instalments, the Company may revoke the call in respect of all or any remaining instalments in whole or in part and may postpone payment of all or any of the remaining instalments in whole or in part.
- 5.3 A Member on whom a call is made shall remain liable for that call notwithstanding the subsequent transfer of the Shares in respect of which the call was made. He shall not be liable for calls made after he is no longer registered as Member in respect of those Shares.

Time when call made

- 5.4 A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.

Liability of joint holders

- 5.5 Members registered as the joint holders of a Share shall be jointly and severally liable to pay all calls in respect of the Share.

Interest on unpaid calls

- 5.6 If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid:

- (a) at the rate fixed by the terms of allotment of the Share or in the notice of the call; or
- (b) if no rate is fixed, at the Default Rate.

The Directors may waive payment of the interest wholly or in part.

Deemed calls

- 5.7 Any amount payable in respect of a Share, whether on allotment or on a fixed date or otherwise, shall be deemed to be payable as a call. If the amount is not paid when due the provisions of these Articles shall apply as if the amount had become due and payable by virtue of a call.



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Power to accept early payment

- 5.8 The Company may accept from a Member the whole or a part of the amount remaining unpaid on Shares held by him although no part of that amount has been called up.

Power to make different arrangements at time of issue of Shares

- 5.9 Subject to the terms of allotment, the Directors may make arrangements on the issue of Shares to distinguish between Members in the amounts and times of payment of calls on their Shares.

Notice of default

- 5.10 If a call remains unpaid after it has become due and payable the Directors may give to the person from whom it is due not less than 14 Clear Days' notice requiring payment of:
- (a) the amount unpaid;
 - (b) any interest which may have accrued;
 - (c) any expenses which have been incurred by the Company due to that person's default.
- 5.11 The notice shall state the following:
- (a) the place where payment is to be made; and
 - (b) a warning that if the notice is not complied with the Shares in respect of which the call is made will be liable to be forfeited.

Forfeiture or surrender of Shares

- 5.12 If the notice given pursuant to Article 5.10 is not complied with, the Directors may, before the payment required by the notice has been received, resolve that any Share the subject of that notice be forfeited. The forfeiture shall include all dividends or other monies payable in respect of the forfeited Share and not paid before the forfeiture. Despite the foregoing, the Board may determine that any Share the subject of that notice be accepted by the Company as surrendered by the Member holding that Share in lieu of forfeiture.

Disposal of forfeited or surrendered Share and power to cancel forfeiture or surrender

- 5.13 A forfeited or surrendered Share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board determine either to the former Member who held that Share or to any other person. The forfeiture or surrender may be cancelled on such terms as the Directors think fit at any time before a sale, re-allotment or other disposition. Where, for the purposes of its disposal, a forfeited or surrendered Share is to be transferred to any person, the Directors may authorise some person to execute an instrument of transfer of the Share to the transferee.



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Effect of forfeiture or surrender on former Member

5.14 On forfeiture or surrender:

- (a) the name of the Member concerned shall be removed from the register of Members as the holder of those Shares and that person shall cease to be a Member in respect of those Shares; and
- (b) that person shall surrender to the Company for cancellation the certificate (if any) for the forfeited or surrendered Shares.

5.15 Despite the forfeiture or surrender of his Shares, that person shall remain liable to the Company for all monies which at the date of forfeiture or surrender were presently payable by him to the Company in respect of those Shares together with:

- (a) all expenses; and
- (b) interest from the date of forfeiture or surrender until payment:
 - (i) at the rate of which interest was payable on those monies before forfeiture; or
 - (ii) if no interest was so payable, at the Default Rate.

The Directors, however, may waive payment wholly or in part.

Evidence of forfeiture or surrender

5.16 A declaration, whether statutory or under oath, made by a Director or the Secretary shall be conclusive evidence of the following matters stated in it as against all persons claiming to be entitled to forfeited Shares:

- (a) that the person making the declaration is a Director or Secretary of the Company, and
- (b) that the particular Shares have been forfeited or surrendered on a particular date.

Subject to the execution of an instrument of transfer, if necessary, the declaration shall constitute good title to the Shares.

Sale of forfeited or surrendered Shares

5.17 Any person to whom the forfeited or surrendered Shares are disposed of shall not be bound to see to the application of the consideration, if any, of those Shares nor shall his title to the Shares be affected by any irregularity in, or invalidity of the proceedings in respect of, the forfeiture, surrender or disposal of those Shares.



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6 Transfer of Shares

Right to transfer

- 6.1 Subject to the following Articles about the transfer of Shares, and provided that such transfer complies with applicable rules of the Designated Stock Exchange, a Member may transfer Shares to another person by completing an instrument of transfer in a common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the directors, executed:
- (a) where the Shares are Fully Paid, by or on behalf of that Member; and
 - (b) where the Shares are partly paid, by or on behalf of that Member and the transferee.
- 6.2 The transferor shall be deemed to remain a Member until the name of the transferee is entered in the register of Members in respect of the relevant Shares.
- 6.3 Where the Shares in question are not listed on or subject to the rules of any Designated Stock Exchange, the Directors may in their absolute discretion decline to register any transfer of Shares which is not Fully Paid Up or on which the Company has a lien. The Directors may also, but are not required to, decline to register any transfer of any Share unless:
- (a) the instrument of transfer is lodged with the Company, accompanied by the certificate (if any) for the Shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
 - (b) the instrument of transfer is in respect of only one class of Shares;
 - (c) the instrument of transfer is properly stamped, if required;
 - (d) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four;
 - (e) the Shares transferred are Fully Paid Up and free of any lien in favour of the Company; and
 - (f) any applicable fee of such maximum sum as the Designated Stock Exchanges may determine to be payable, or such lesser sum as the Board may from time to time require, related to the transfer is paid to the Company.



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Suspension of transfers

- 6.4 The registration of transfers may, on 14 days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and the register of Members closed at such times and for such periods as the Directors may, in their absolute discretion, from time to time determine, provided always that such registration of transfer shall not be suspended nor the register of Members closed for more than 30 days in any year.

Company may retain instrument of transfer

- 6.5 All instruments of transfer that are registered shall be retained by the Company.

Notice of refusal to register

- 6.6 If the Directors refuse to register a transfer of any Shares not listed on a Designated Stock Exchange, they shall within three months after the date on which the instrument of transfer was lodged with the Company send to each of the transferor and the transferee notice of the refusal.

7 Transmission of Shares

Persons entitled on death of a Member

- 7.1 If a Member dies, the only persons recognised by the Company as having any title to the deceased Members' interest are the following:
- (a) where the deceased Member was a joint holder, the survivor or survivors; and
 - (b) where the deceased Member was a sole holder, that Member's personal representative or representatives.
- 7.2 Nothing in these Articles shall release the deceased Member's estate from any liability in respect of any Share, whether the deceased was a sole holder or a joint holder.

Registration of transfer of a Share following death or bankruptcy

- 7.3 A person becoming entitled to a Share in consequence of the death or bankruptcy of a Member may elect to do either of the following:
- (a) to become the holder of the Share; or
 - (b) to transfer the Share to another person.
- 7.4 That person must produce such evidence of his entitlement as the Directors may properly require.



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- 7.5 If the person elects to become the holder of the Share, he must give notice to the Company to that effect. For the purposes of these Articles, that notice shall be treated as though it were an executed instrument of transfer.
- 7.6 If the person elects to transfer the Share to another person then:
- (a) if the Share is Fully Paid Up, the transferor must execute an instrument of transfer; and
 - (b) if the Share is nil or Partly Paid Up, the transferor and the transferee must execute an instrument of transfer.
- 7.7 All the Articles relating to the transfer of Shares shall apply to the notice or, as appropriate, the instrument of transfer.

Indemnity

- 7.8 A person registered as a Member by reason of the death or bankruptcy of another Member shall indemnify the Company and the Directors against any loss or damage suffered by the Company or the Directors as a result of that registration.

Rights of person entitled to a Share following death or bankruptcy

- 7.9 A person becoming entitled to a Share by reason of the death or bankruptcy of a Member shall have the rights to which he would be entitled if he were registered as the holder of the Share. But, until he is registered as Member in respect of the Share, he shall not be entitled to attend or vote at any meeting of the Company or at any separate meeting of the holders of that class of Shares.

8 Alteration of capital

Increasing, consolidating, converting, dividing and cancelling share capital

- 8.1 To the fullest extent permitted by the Law, the Company may by Ordinary Resolution do any of the following and amend its Memorandum for that purpose:
- (a) increase its share capital by new Shares of the amount fixed by that Ordinary Resolution and with the attached rights, priorities and privileges set out in that Ordinary Resolution;
 - (b) consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;
 - (c) convert all or any of its Paid Up Shares into stock, and reconvert that stock into Paid Up Shares of any denomination;



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- (d) sub-divide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum, so, however, that in the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced Share shall be the same as it was in case of the Share from which the reduced Share is derived; and
- (e) cancel Shares which, at the date of the passing of that Ordinary Resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the Shares so cancelled or, in the case of Shares without nominal par value, diminish the number of Shares into which its capital is divided.

Dealing with fractions resulting from consolidation of Shares

- 8.2 Whenever, as a result of a consolidation of Shares, any Members would become entitled to fractions of a Share the Directors may on behalf of those Members deal with the fractions as it thinks fit, including (without limitation):
- (a) sell the Shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Law, the Company); and
 - (b) distribute the net proceeds in due proportion among those Members.
- 8.3 For the purposes of Article 8.2, the Directors may authorise some person to execute an instrument of transfer of the Shares to, in accordance with the directions of, the purchaser. The transferee shall not be bound to see to the application of the purchase money nor shall the transferee's title to the Shares be affected by any irregularity in, or invalidity of, the proceedings in respect of the sale.

Reducing share capital

- 8.4 Subject to the Law and to any rights for the time being conferred on the Members holding a particular class of Shares, the Company may, by Special Resolution, reduce its share capital in any way.

9 Redemption and purchase of own Shares

Power to issue redeemable Shares and to purchase own Shares

- 9.1 Subject to the Law and to any rights for the time being conferred on the Members holding a particular class of Shares, the Company may by its Directors:
- (a) issue Shares that are to be redeemed or liable to be redeemed, at the option of the Company or the Member holding those redeemable Shares, on the terms and in the manner its Directors determine before the issue of those Shares;



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- (b) with the consent by Special Resolution of the Members holding Shares of a particular class, vary the rights attaching to that class of Shares so as to provide that those Shares are to be redeemed or are liable to be redeemed at the option of the Company on the terms and in the manner which the Directors determine at the time of such variation; and
- (c) purchase all or any of its own Shares of any class including any redeemable Shares on the terms and in the manner which the Directors determine at the time of such purchase.

The Company may make a payment in respect of the redemption or purchase of its own Shares in any manner authorised by the Law, including out of any combination of the following: capital, its profits and the proceeds of a fresh issue of Shares.

Power to pay for redemption or purchase in cash or in specie

- 9.2 When making a payment in respect of the redemption or purchase of Shares, the Directors may make the payment in cash or *in specie* (or partly in one and partly in the other) if so authorised by the terms of the allotment of those Shares or by the terms applying to those Shares in accordance with Article 9.1, or otherwise by agreement with the Member holding those Shares.

Effect of redemption or purchase of a Share

- 9.3 Upon the date of redemption or purchase of a Share:

- (a) the Member holding that Share shall cease to be entitled to any rights in respect of the Share other than the right to receive:
 - (i) the price for the Share; and
 - (ii) any dividend declared in respect of the Share prior to the date of redemption or purchase;
- (b) the Member's name shall be removed from the register of Members with respect to the Share; and
- (c) the Share shall be cancelled or held as a Treasury Share, as the Directors may determine.

- 9.4 For the purpose of Article 9.3, the date of redemption or purchase is the date when the Member's name is removed from the register of Members with respect to the Shares the subject of the redemption or purchase.



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Conversion Rights

- 9.5 Each Class B Ordinary Share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such Share, at the office of the Company or any transfer agent for such Shares, into one fully paid and non-assessable Class A Ordinary Share.
- 9.6 The Directors shall at all times reserve and keep available out of the Company's authorised but unissued Class A Ordinary Shares, solely for the purpose of effecting the conversion of the Class B Ordinary Shares, such number of its Class A Ordinary Shares as shall from time to time be sufficient to effect the conversion of all outstanding Class B Ordinary Shares; and if at any time the number of authorised but unissued Class A Ordinary Shares shall not be sufficient to effect the conversion of all then outstanding Class B Ordinary Shares, in addition to such other remedies as shall be available to the holders of such Class B Ordinary Shares, the Directors will take such action as may be necessary to increase its authorised but unissued Class A Ordinary Shares to such number of Shares as shall be sufficient for such purposes.

Share Conversions

- 9.7 All conversions of Class B Ordinary Shares to Class A Ordinary Shares shall be effected by way of redemption or repurchase by the Company of the relevant Class B Ordinary Shares and the simultaneous issue of Class A Ordinary Shares in consideration for such redemption or repurchase. The Members and the Company will procure that any and all necessary corporate actions are taken to effect such conversion.

10 Meetings of Members

Annual and extraordinary general meetings

- 10.1 The Company may, but shall not (unless required by the Designated Stock Exchange Rules) be obligated to, in each year hold a general meeting as an annual general meeting, which, if held, shall be convened by the Board, in accordance with these Articles.
- 10.2 All general meetings other than annual general meetings shall be called extraordinary general meetings.

Power to call meetings

- 10.3 The Directors may call a general meeting at any time.
- 10.4 If there are insufficient Directors to constitute a quorum and the remaining Directors are unable to agree on the appointment of additional Directors, the Directors must call a general meeting for the purpose of appointing additional Directors.
- 10.5 The Directors must also call a general meeting if requisitioned in the manner set out in the next two Articles.



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- 10.6 The requisition must be in writing and given by one or more Members who together hold at least ten per cent of the rights to vote at such general meeting.
- 10.7 The requisition must also:
- (a) specify the purpose of the meeting.
 - (b) be signed by or on behalf of each requisitioner (and for this purpose each joint holder shall be obliged to sign). The requisition may consist of several documents in like form signed by one or more of the requisitioners; and
 - (c) be delivered in accordance with the notice provisions.
- 10.8 Should the Directors fail to call a general meeting within 21 Clear Days' from the date of receipt of a requisition, the requisitioners or any of them may call a general meeting within three months after the end of that period.
- 10.9 Without limitation to the foregoing, if there are insufficient Directors to constitute a quorum and the remaining Directors are unable to agree on the appointment of additional Directors, any one or more Members who together hold at least five per cent of the rights to vote at a general meeting may call a general meeting for the purpose of considering the business specified in the notice of meeting which shall include as an item of business the appointment of additional Directors.
- 10.10 If the Members call a meeting under the above provisions, the Company shall reimburse their reasonable expenses.

Content of notice

- 10.11 Notice of a general meeting shall specify each of the following:
- (a) the place, the date and the hour of the meeting;
 - (b) if the meeting is to be held in two or more places, the technology that will be used to facilitate the meeting;
 - (c) subject to paragraph (d) and the requirements of (to the extent applicable) the Designated Stock Exchange Rules, the general nature of the business to be transacted; and
 - (d) if a resolution is proposed as a Special Resolution, the text of that resolution.
- 10.12 In each notice there shall appear with reasonable prominence the following statements:
- (a) that a Member who is entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of that Member; and



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- (b) that a proxyholder need not be a Member.

Period of notice

- 10.13 At least twenty-one Clear Days' notice of an annual general meeting must be given to Members. For any other general meeting, at least fourteen Clear Days' notice must be given to Members.
- 10.14 Subject to the Law, a meeting may be convened on shorter notice, subject to the Law with the consent of the Member or Members who, individually or collectively, hold at least ninety per cent of the voting rights of all those who have a right to vote at that meeting.

Persons entitled to receive notice

- 10.15 Subject to the provisions of these Articles and to any restrictions imposed on any Shares, the notice shall be given to the following people:
- (a) the Members
 - (b) persons entitled to a Share in consequence of the death or bankruptcy of a Member;
 - (c) the Directors; and
 - (d) the Auditors.
- 10.16 The Board may determine that the Members entitled to receive notice of a meeting are those persons entered on the register of Members at the close of business on a day determined by the Board.

Accidental omission to give notice or non-receipt of notice

- 10.17 Proceedings at a meeting shall not be invalidated by the following:
- (a) an accidental failure to give notice of the meeting to any person entitled to notice; or
 - (b) non-receipt of notice of the meeting by any person entitled to notice.
- 10.18 In addition, where a notice of meeting is published on a website proceedings at the meeting shall not be invalidated merely because it is accidentally published:
- (a) in a different place on the website; or
 - (b) for part only of the period from the date of the notification until the conclusion of the meeting to which the notice relates.



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11 Proceedings at meetings of Members

Quorum

- 11.1 Save as provided in the following Article, no business shall be transacted at any meeting unless a quorum is present in person or by proxy. A quorum is as follows:
- (a) if the Company has only one Member: that Member;
 - (b) if the Company has more than one Member: one or more Members holding Shares that represent not less than one-third of the outstanding Shares carrying the right to vote at such general meeting.

Lack of quorum

- 11.2 If a quorum is not present within fifteen minutes of the time appointed for the meeting, or if at any time during the meeting it becomes inquorate, then the following provisions apply:
- (a) If the meeting was requisitioned by Members, it shall be cancelled.
 - (b) In any other case, the meeting shall stand adjourned to the same time and place seven days hence, or to such other time or place as is determined by the Directors. If a quorum is not present within fifteen minutes of the time appointed for the adjourned meeting, then the Members present in person or by proxy shall constitute a quorum.

Chairman

- 11.3 The chairman of a general meeting shall be the chairman of the Board or such other Director as the Directors have nominated to chair Board meetings in the absence of the chairman of the Board. Absent any such person being present within fifteen minutes of the time appointed for the meeting, the Directors present shall elect one of their number to chair the meeting.
- 11.4 If no Director is present within fifteen minutes of the time appointed for the meeting, or if no Director is willing to act as chairman, the Members present in person or by proxy and entitled to vote shall choose one of their number to chair the meeting.

Right of a Director to attend and speak

- 11.5 Even if a Director is not a Member, he shall be entitled to attend and speak at any general meeting and at any separate meeting of Members holding a particular class of Shares.



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Accommodation of Members at meeting

- 11.6 If it appears to the chairman of the meeting that the meeting place specified in the notice convening the meeting is inadequate to accommodate all Members entitled and wishing to attend, the meeting will be duly constituted and its proceedings valid if the chairman is satisfied that adequate facilities are available to ensure that a Member who is unable to be accommodated is able (whether at the meeting place or elsewhere):
- (a) to participate in the business for which the meeting has been convened;
 - (b) to hear and see all persons present who speak (whether by the use of microphones, loud-speakers, audio-visual communications equipment or otherwise); and
 - (c) to be heard and seen by all other persons present in the same way.

Security

- 11.7 In addition to any measures which the Board may be required to take due to the location or venue of the meeting, the Board may make any arrangement and impose any restriction it considers appropriate and reasonable in the circumstances to ensure the security of a meeting including, without limitation, the searching of any person attending the meeting and the imposing of restrictions on the items of personal property that may be taken into the meeting place. The Board may refuse entry to, or eject from, a meeting a person who refuses to comply with any such arrangements or restrictions.

Adjournment

- 11.8 The chairman may at any time adjourn a meeting with the consent of the Members constituting a quorum. The chairman must adjourn the meeting if so directed by the meeting. No business, however, can be transacted at an adjourned meeting other than business which might properly have been transacted at the original meeting.
- 11.9 Should a meeting be adjourned for more than 7 Clear Days, whether because of a lack of quorum or otherwise, Members shall be given at least seven Clear Days' notice of the date, time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any notice of the adjournment.

Method of voting

- 11.10 A resolution put to the vote of the meeting shall be decided on a show of hands unless before, or on, the declaration of the result of the show of hands, a poll is duly demanded. Subject to the Law, a poll may be demanded:
- (a) by the chairman of the meeting;
 - (b) by at least two Members having the right to vote on the resolutions;
 - (c) by any Member or Members present who, individually or collectively, hold at least ten per cent of the voting rights of all those who have a right to vote on the resolution.



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Outcome of vote by show of hands

- 11.11 Unless a poll is duly demanded, a declaration by the chairman as to the result of a resolution and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the outcome of a show of hands without proof of the number or proportion of the votes recorded in favour of or against the resolution.

Withdrawal of demand for a poll

- 11.12 The demand for a poll may be withdrawn before the poll is taken, but only with the consent of the chairman. The chairman shall announce any such withdrawal to the meeting and, unless another person forthwith demands a poll, any earlier show of hands on that resolution shall be treated as the vote on that resolution; if there has been no earlier show of hands, then the resolution shall be put to the vote of the meeting.

Taking of a poll

- 11.13 A poll demanded on the question of adjournment shall be taken immediately.
- 11.14 A poll demanded on any other question shall be taken either immediately or at an adjourned meeting at such time and place as the chairman directs, not being more than thirty Clear Days after the poll was demanded.
- 11.15 The demand for a poll shall not prevent the meeting continuing to transact any business other than the question on which the poll was demanded.
- 11.16 A poll shall be taken in such manner as the chairman directs. He may appoint scrutineers (who need not be Members) and fix a place and time for declaring the result of the poll. If, through the aid of technology, the meeting is held in more than place, the chairman may appoint scrutineers in more than place; but if he considers that the poll cannot be effectively monitored at that meeting, the chairman shall adjourn the holding of the poll to a date, place and time when that can occur.

Chairman's casting vote

- 11.17 In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall not be entitled to a second or casting vote.

Written resolutions

- 11.18 Members may pass a resolution in writing without holding a meeting if the following conditions are met:
- (a) all Members entitled to vote are given notice of the resolution as if the same were being proposed at a meeting of Members;



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- (b) all Members entitled so to vote;
 - (i) sign a document; or
 - (ii) sign several documents in the like form each signed by one or more of those Members; and
- (c) the signed document or documents is or are delivered to the Company, including, if the Company so nominates, by delivery of an Electronic Record by Electronic means to the address specified for that purpose.
- (d) Such written resolution shall be as effective as if it had been passed at a meeting of the Members entitled to vote duly convened and held.

11.19 If a written resolution is described as a Special Resolution or as an Ordinary Resolution, it has effect accordingly.

11.20 The Directors may determine the manner in which written resolutions shall be put to Members. In particular, they may provide, in the form of any written resolution, for each Member to indicate, out of the number of votes the Member would have been entitled to cast at a meeting to consider the resolution, how many votes he wishes to cast in favour of the resolution and how many against the resolution or to be treated as abstentions. The result of any such written resolution shall be determined on the same basis as on a poll.

Sole-Member Company

11.21 If the Company has only one Member, and the Member records in writing his decision on a question, that record shall constitute both the passing of a resolution and the minute of it.

12 Voting rights of Members

Right to vote

- 12.1 Unless their Shares carry no right to vote, or unless a call or other amount presently payable has not been paid, all Members are entitled to vote at a general meeting, whether on a show of hands or on a poll, and all Members holding Shares of a particular class of Shares are entitled to vote at a meeting of the holders of that class of Shares.
- 12.2 The holder of an Ordinary Share shall (in respect of such Ordinary Share) have the right to receive notice of, attend at and vote as a Member at any general meeting of the Company.
- 12.3 Each holder of Ordinary Shares shall, on a poll, be entitled to one vote for each Share he or she holds save that each holder of Class B Ordinary Shares shall, on a poll, be entitled to exercise fifty (50) votes for each Class B Ordinary Share he or she holds on any and all matters.



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- 12.4 Members may vote in person or by proxy.
- 12.5 On a show of hands, every Member shall have one vote. For the avoidance of doubt, an individual who represents two or more Members, including a Member in that individual's own right, that individual shall be entitled to a separate vote for each Member.
- 12.6 No Member is bound to vote on his Shares or any of them; nor is he bound to vote each of his Shares in the same way.

Rights of joint holders

- 12.7 If Shares are held jointly, only one of the joint holders may vote. If more than one of the joint holders tenders a vote, the vote of the holder whose name in respect of those Shares appears first in the register of Members shall be accepted to the exclusion of the votes of the other joint holder.

Representation of corporate Members

- 12.8 Save where otherwise provided, a corporate Member must act by a duly authorised representative.
- 12.9 A corporate Member wishing to act by a duly authorised representative must identify that person to the Company by notice in writing.
- 12.10 The authorisation may be for any period of time, and must be delivered to the Company before the commencement of the meeting at which it is first used.
- 12.11 The Directors of the Company may require the production of any evidence which they consider necessary to determine the validity of the notice.
- 12.12 Where a duly authorised representative is present at a meeting that Member is deemed to be present in person; and the acts of the duly authorised representative are personal acts of that Member.
- 12.13 A corporate Member may revoke the appointment of a duly authorised representative at any time by notice to the Company; but such revocation will not affect the validity of any acts carried out by the duly authorised representative before the Directors of the Company had actual notice of the revocation.

Member with mental disorder

- 12.14 A Member in respect of whom an order has been made by any court having jurisdiction (whether in the Cayman Islands or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by that Member's receiver, *curator bonis* or other person authorised in that behalf appointed by that court.



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- 12.15 For the purpose of the preceding Article, evidence to the satisfaction of the Directors of the authority of the person claiming to exercise the right to vote must be received not less than 24 hours before holding the relevant meeting or the adjourned meeting in any manner specified for the delivery of forms of appointment of a proxy, whether in writing or by Electronic means. In default, the right to vote shall not be exercisable.

Objections to admissibility of votes

- 12.16 An objection to the validity of a person's vote may only be raised at the meeting or at the adjourned meeting at which the vote is sought to be tendered. Any objection duly made shall be referred to the chairman whose decision shall be final and conclusive.

Form of proxy

- 12.17 An instrument appointing a proxy shall be in any common form or in any other form approved by the Directors.

- 12.18 The instrument must be in writing and signed in one of the following ways:

- (a) by the Member; or
- (b) by the Member's authorised attorney; or
- (c) if the Member is a corporation or other body corporate, under seal or signed by an authorised officer, secretary or attorney.

If the Directors so resolve, the Company may accept an Electronic Record of that instrument delivered in the manner specified below and otherwise satisfying the Articles about authentication of Electronic Records.

- 12.19 The Directors may require the production of any evidence which they consider necessary to determine the validity of any appointment of a proxy.

- 12.20 A Member may revoke the appointment of a proxy at any time by notice to the Company duly signed in accordance with Article 12.18.

- 12.21 No revocation by a Member of the appointment of a proxy made in accordance with Article 12.20 will affect the validity of any acts carried out by the relevant proxy before the Directors of the Company had actual notice of the revocation.



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How and when proxy is to be delivered

12.22 Subject to the following Articles, the Directors may, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited. In the absence of any such direction from the Directors in the notice convening any meeting or adjourned meeting or in an instrument of proxy sent out by the Company, the form of appointment of a proxy and any authority under which it is signed (or a copy of the authority certified notarially or in any other way approved by the Directors) must be delivered so that it is received by the Company before the time for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote. They must be delivered in either of the following ways:

- (a) In the case of an instrument in writing, it must be left at or sent by post:
 - (i) to the registered office of the Company; or
 - (ii) to such other place within the Cayman Islands specified in the notice convening the meeting or in any form of appointment of proxy sent out by the Company in relation to the meeting.
- (b) If, pursuant to the notice provisions, a notice may be given to the Company in an Electronic Record, an Electronic Record of an appointment of a proxy must be sent to the address specified pursuant to those provisions unless another address for that purpose is specified:
 - (i) in the notice convening the meeting; or
 - (ii) in any form of appointment of a proxy sent out by the Company in relation to the meeting; or
 - (iii) in any invitation to appoint a proxy issued by the Company in relation to the meeting.
- (c) Notwithstanding Article 12.22(a) and Article 12.22(b), the chairman of the Company may, in any event at his discretion, direct that an instrument of proxy shall be deemed to have been duly deposited.

12.23 Where a poll is taken:

- (a) if it is taken more than seven Clear Days after it is demanded, the form of appointment of a proxy and any accompanying authority (or an Electronic Record of the same) must be delivered in accordance with Article 12.22 before the time appointed for the taking of the poll;
- (b) if it to be taken within seven Clear Days after it was demanded, the form of appointment of a proxy and any accompanying authority (or an Electronic Record of the same) must be delivered in accordance with Article 12.22 before the time appointed for the taking of the poll.



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- 12.24 If the form of appointment of proxy is not delivered on time, it is invalid.
- 12.25 When two or more valid but differing appointments of proxy are delivered or received in respect of the same Share for use at the same meeting and in respect of the same matter, the one which is last validly delivered or received (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that Share. If the Company is unable to determine which appointment was last validly delivered or received, none of them shall be treated as valid in respect of that Share.
- 12.26 The Board may at the expense of the Company send forms of appointment of proxy to the Members by post (that is to say, pre-paying and posting a letter), or by Electronic communication or otherwise (with or without provision for their return by pre-paid post) for use at any general meeting or at any separate meeting of the holders of any class of Shares, either blank or nominating as proxy in the alternative any one or more of the Directors or any other person. If for the purpose of any meeting invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the Company's expense, they shall be issued to all (and not to some only) of the Members entitled to be sent notice of the meeting and to vote at it. The accidental omission to send such a form of appointment or to give such an invitation to, or the non-receipt of such form of appointment by, any Member entitled to attend and vote at a meeting shall not invalidate the proceedings at that meeting

Voting by proxy

- 12.27 A proxy shall have the same voting rights at a meeting or adjourned meeting as the Member would have had except to the extent that the instrument appointing him limits those rights. Notwithstanding the appointment of a proxy, a Member may attend and vote at a meeting or adjourned meeting. If a Member votes on any resolution a vote by his proxy on the same resolution, unless in respect of different Shares, shall be invalid.
- 12.28 The instrument appointing a proxy to vote at a meeting shall be deemed also to confer authority to demand or join in demanding a poll and, for the purposes of Article 11.11, a demand by a person as proxy for a Member shall be the same as a demand by a Member. Such appointment shall not confer any further right to speak at the meeting, except with the permission of the chairman of the meeting.

13 Number of Directors

- 13.1 There shall be a Board consisting of not less than one person provided however that the Company may by Ordinary Resolution increase or reduce the limits in the number of Directors. Unless fixed by Ordinary Resolution, the maximum number of Directors shall be unlimited.



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14 Appointment, disqualification and removal of Directors

First Directors

14.1 The first Directors shall be appointed in writing by the subscriber or subscribers to the Memorandum, or a majority of them.

No age limit

14.2 There is no age limit for Directors save that they must be at least eighteen years of age.

Corporate Directors

14.3 Unless prohibited by law, a body corporate may be a Director. If a body corporate is a Director, the Articles about representation of corporate Members at general meetings apply, mutatis mutandis, to the Articles about Directors' meetings.

No shareholding qualification

14.4 Unless a shareholding qualification for Directors is fixed by Ordinary Resolution, no Director shall be required to own Shares as a condition of his appointment.

Appointment of Directors

14.5 A Director may be appointed by Ordinary Resolution or by the Directors. Any appointment may be to fill a vacancy or as an additional Director.

14.6 A remaining Director may appoint a Director even though there is not a quorum of Directors.

14.7 No appointment can cause the number of Directors to exceed the maximum (if one is set); and any such appointment shall be invalid.

14.8 For so long as Shares or ADSs are listed on a Designated Stock Exchange, the Directors shall include at least such number of Independent Directors as applicable law, rules or regulations or the Designated Stock Exchange Rules require as determined by the Board.

Board's power to appoint Directors

14.9 Without prejudice to the Company's power to appoint a person to be a Director pursuant to these Articles, the Board shall have power at any time to appoint any person who is willing to act as a Director, either to fill a vacancy or as an addition to the existing Board, subject to the total number of Directors not exceeding any maximum number fixed by or in accordance with these Articles.

14.10 Any Director so appointed shall, if still a Director, retire at the next annual general meeting after his appointment and be eligible to stand for election as a Director at such meeting.



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Eligibility

- 14.11 No person (other than a Director retiring in accordance with these Articles) shall be appointed or re-appointed a Director at any general meeting unless:
- (a) he is recommended by the Board; or
 - (b) not less than seven nor more than forty-two Clear Days before the date appointed for the meeting, a Member (other than the person to be proposed) entitled to vote at the meeting has given to the Company notice of his intention to propose a resolution for the appointment of that person, stating the particulars which would, if he were so appointed, be required to be included in the Company's register of Directors and a notice executed by that person of his willingness to be appointed.

Appointment at annual general meeting

- 14.12 Unless re-appointed pursuant to the provisions of Article 14.5 or removed from office pursuant to the provisions of Article 14.13, each Director shall be appointed for a term expiring at the next-following annual general meeting of the Company. At any such annual general meeting, Directors will be elected by Ordinary Resolution. At each annual general meeting of the Company, each Director elected at such meeting shall be elected to hold office for a one-year term and until the election of their respective successors in office or removal pursuant to Articles 14.5 and 14.13.

Removal of Directors

- 14.13 A Director may be removed by Ordinary Resolution.

Resignation of Directors

- 14.14 A Director may at any time resign office by giving to the Company notice in writing or, if permitted pursuant to the notice provisions, in an Electronic Record delivered in either case in accordance with those provisions.
- 14.15 Unless the notice specifies a different date, the Director shall be deemed to have resigned on the date that the notice is delivered to the Company.

Termination of the office of Director

- 14.16 A Director may retire from office as a Director by giving notice in writing to that effect to the Company at the registered office, which notice shall be effective upon such date as may be specified in the notice, failing which upon delivery to the registered office.



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14.17 Without prejudice to the provisions in these Articles for retirement (by rotation or otherwise), a Director's office shall be terminated forthwith if:

- (a) he is prohibited by the law of the Cayman Islands from acting as a Director; or
- (b) he is made bankrupt or makes an arrangement or composition with his creditors generally; or
- (c) he resigns his office by notice to the Company; or
- (d) he only held office as a Director for a fixed term and such term expires; or
- (e) in the opinion of a registered medical practitioner by whom he is being treated he becomes physically or mentally incapable of acting as a Director; or
- (f) he is given notice by the majority of the other Directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such Director); or
- (g) he is made subject to any law relating to mental health or incompetence, whether by court order or otherwise; or
- (h) without the consent of the other Directors, he is absent from meetings of Directors for a continuous period of six months.

15 Alternate Directors

Appointment and removal

- 15.1 Any Director may appoint any other person, including another Director, to act in his place as an alternate Director. No appointment shall take effect until the Director has given notice of the appointment to the Board.
- 15.2 A Director may revoke his appointment of an alternate at any time. No revocation shall take effect until the Director has given notice of the revocation to the Board.
- 15.3 A notice of appointment or removal of an alternate Director shall be effective only if given to the Company by one or more of the following methods:
- (a) by notice in writing in accordance with the notice provisions contained in these Articles;
 - (b) if the Company has a facsimile address for the time being, by sending by facsimile transmission to that facsimile address a facsimile copy or, otherwise, by sending by facsimile transmission to the facsimile address of the Company's registered office a facsimile copy (in either case, the facsimile copy being deemed to be the notice unless Article 29.7 applies), in which event notice shall be taken to be given on the date of an error-free transmission report from the sender's fax machine;



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- (c) if the Company has an email address for the time being, by emailing to that email address a scanned copy of the notice as a PDF attachment or, otherwise, by emailing to the email address provided by the Company's registered office a scanned copy of the notice as a PDF attachment (in either case, the PDF version being deemed to be the notice unless Article 29.7 applies), in which event notice shall be taken to be given on the date of receipt by the Company or the Company's registered office (as appropriate) in readable form; or
- (d) if permitted pursuant to the notice provisions, in some other form of approved Electronic Record delivered in accordance with those provisions in writing.

Notices

15.4 All notices of meetings of Directors shall continue to be given to the appointing Director and not to the alternate.

Rights of alternate Director

15.5 An alternate Director shall be entitled to attend and vote at any Board meeting or meeting of a committee of the Directors at which the appointing Director is not personally present, and generally to perform all the functions of the appointing Director in his absence. An alternate Director, however, is not entitled to receive any remuneration from the Company for services rendered as an alternate Director.

Appointment ceases when the appointor ceases to be a Director

15.6 An alternate Director shall cease to be an alternate Director if:

- (a) the Director who appointed him ceases to be a Director; or
- (b) the Director who appointed him revokes his appointment by notice delivered to the Board or to the registered office of the Company or in any other manner approved by the Board; or
- (c) in any event happens in relation to him which, if he were a Director of the Company, would cause his office as Director to be vacated.

Status of alternate Director

15.7 An alternate Director shall carry out all functions of the Director who made the appointment.

15.8 Save where otherwise expressed, an alternate Director shall be treated as a Director under these Articles.

15.9 An alternate Director is not the agent of the Director appointing him.



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15.10 An alternate Director is not entitled to any remuneration for acting as alternate Director.

Status of the Director making the appointment

15.11 A Director who has appointed an alternate is not thereby relieved from the duties which he owes the Company.

16 Powers of Directors

Powers of Directors

16.1 Subject to the provisions of the Law, the Memorandum and these Articles the business of the Company shall be managed by the Directors who may for that purpose exercise all the powers of the Company.

16.2 No prior act of the Directors shall be invalidated by any subsequent alteration of the Memorandum or these Articles. However, to the extent allowed by the Law, Members may, by Special Resolution, validate any prior or future act of the Directors which would otherwise be in breach of their duties.

Directors below the minimum number

16.3 If the number of Directors is less than the minimum prescribed in accordance with these Articles, the remaining Director or Directors shall act only for the purposes of appointing an additional Director or Directors to make up such minimum or of convening a general meeting of the Company for the purpose of making such appointment. If there are no Director or Directors able or willing to act, any two Members may summon a general meeting for the purpose of appointing Directors. Any additional Director so appointed shall hold office (subject to these Articles) only until the dissolution of the annual general meeting next following such appointment unless he is re-elected during such meeting.

Appointments to office

16.4 The Directors may appoint a Director:

- (a) as chairman of the Board;
- (b) as managing Director;
- (c) to any other executive office,

for such period, and on such terms, including as to remuneration as they think fit.

16.5 The appointee must consent in writing to holding that office.

16.6 Where a chairman is appointed he shall, unless unable to do so, preside at every meeting of Directors.



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- 16.7 If there is no chairman, or if the chairman is unable to preside at a meeting, that meeting may select its own chairman; or the Directors may nominate one of their number to act in place of the chairman should he ever not be available.
- 16.8 Subject to the provisions of the Law, the Directors may also appoint and remove any person, who need not be a Director:
- (a) as Secretary; and
 - (b) to any office that may be required
- for such period and on such terms, including as to remuneration, as they think fit. In the case of an Officer, that Officer may be given any title the Directors decide.
- 16.9 The Secretary or Officer must consent in writing to holding that office.
- 16.10 A Director, Secretary or other Officer of the Company may not hold the office, or perform the services, of auditor.

Provisions for employees

- 16.11 The Board may make provision for the benefit of any persons employed or formerly employed by the Company or any of its subsidiary undertakings (or any member of his family or any person who is dependent on him) in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the Company or any of its subsidiary undertakings.

Exercise of voting rights

- 16.12 The Board may exercise the voting power conferred by the Shares in any body corporate held or owned by the Company in such manner in all respects as it thinks fit (including, without limitation, the exercise of that power in favour of any resolution appointing any Director as a Director of such body corporate, or voting or providing for the payment of remuneration to the Directors of such body corporate).

Remuneration

- 16.13 Every Director may be remunerated by the Company for the services he provides for the benefit of the Company, whether as Director, employee or otherwise, and shall be entitled to be paid for the expenses incurred in the Company's business including attendance at Directors' meetings.
- 16.14 Until otherwise determined by the Company by Ordinary Resolution, the Directors (other than alternate Directors) shall be entitled to such remuneration by way of fees for their services in the office of Director as the Directors may determine.



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- 16.15 Remuneration may take any form and may include arrangements to pay pensions, health insurance, death or sickness benefits, whether to the Director or to any other person connected to or related to him.
- 16.16 Unless his fellow Directors determine otherwise, a Director is not accountable to the Company for remuneration or other benefits received from any other company which is in the same group as the Company or which has common shareholdings.

Disclosure of information

- 16.17 The Directors may release or disclose to a third party any information regarding the affairs of the Company, including any information contained in the register of Members relating to a Member, (and they may authorise any Director, Officer or other authorised agent of the Company to release or disclose to a third party any such information in his possession) if:
- (a) the Company or that person, as the case may be, is lawfully required to do so under the laws of any jurisdiction to which the Company is subject; or
 - (b) such disclosure is in compliance with the Designated Stock Exchange Rules; or
 - (c) such disclosure is in accordance with any contract entered into by the Company; or
 - (d) the Directors are of the opinion such disclosure would assist or facilitate the Company's operations.

17 Delegation of powers

Power to delegate any of the Directors' powers to a committee

- 17.1 The Directors may delegate any of their powers to any committee consisting of one or more persons who need not be Members. Persons on the committee may include non-Directors so long as the majority of those persons are Directors. Any such committee shall be made up of such number of Independent Directors as required from time to time by the Designated Stock Exchange Rules or otherwise required by applicable law.
- 17.2 The delegation may be collateral with, or to the exclusion of, the Directors' own powers.
- 17.3 The delegation may be on such terms as the Directors think fit, including provision for the committee itself to delegate to a sub-committee; save that any delegation must be capable of being revoked or altered by the Directors at will.
- 17.4 Unless otherwise permitted by the Directors, a committee must follow the procedures prescribed for the taking of decisions by Directors.



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- 17.5 The Board shall establish an audit committee, a compensation committee and a nominating and corporate governance committee. Each of these committees shall be empowered to do all things necessary to exercise the rights of such committee set forth in these Articles. Each of the audit committee, compensation committee and nominating and corporate governance committee shall consist of at least three Directors (or such larger minimum number as may be required from time to time by the Designated Stock Exchange Rules). The majority of the committee members on each of the compensation committee and nominating and corporate governance committee shall be Independent Directors. The audit committee shall be made up of such number of Independent Directors as required from time to time by the Designated Stock Exchange Rules or otherwise required by applicable law.

Local boards

- 17.6 The Board may establish any local or divisional board or agency for managing any of the affairs of the Company whether in the Cayman Islands or elsewhere and may appoint any persons to be members of a local or divisional Board, or to be managers or agents, and may fix their remuneration.
- 17.7 The Board may delegate to any local or divisional board, manager or agent any of its powers and authorities (with power to sub-delegate) and may authorise the members of any local or divisional board or any of them to fill any vacancies and to act notwithstanding vacancies.
- 17.8 Any appointment or delegation under this Article 17.8 may be made on such terms and subject to such conditions as the Board thinks fit and the Board may remove any person so appointed, and may revoke or vary any delegation.

Power to appoint an agent of the Company

- 17.9 The Directors may appoint any person, either generally or in respect of any specific matter, to be the agent of the Company with or without authority for that person to delegate all or any of that person's powers. The Directors may make that appointment:
- (a) by causing the Company to enter into a power of attorney or agreement; or
 - (b) in any other manner they determine.

Power to appoint an attorney or authorised signatory of the Company

- 17.10 The Directors may appoint any person, whether nominated directly or indirectly by the Directors, to be the attorney or the authorised signatory of the Company. The appointment may be:
- (a) for any purpose;
 - (b) with the powers, authorities and discretions;
 - (c) for the period; and



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(d) subject to such conditions

as they think fit. The powers, authorities and discretions, however, must not exceed those vested in, or exercisable, by the Directors under these Articles. The Directors may do so by power of attorney or any other manner they think fit.

17.11 Any power of attorney or other appointment may contain such provision for the protection and convenience for persons dealing with the attorney or authorised signatory as the Directors think fit. Any power of attorney or other appointment may also authorise the attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in that person.

17.12 The Board may remove any person appointed under Article 17.10 and may revoke or vary the delegation.

Borrowing Powers

17.13 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its parent undertaking (if any) or any subsidiary undertaking of the Company or of any third party.

Corporate Governance

17.14 The Board may, from time to time, and except as required by applicable law or the Designated Stock Exchange Rules, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives of the Company, which shall be intended to set forth the guiding principles and policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution from time to time.

18 Meetings of Directors

Regulation of Directors' meetings

18.1 Subject to the provisions of these Articles, the Directors may regulate their proceedings as they think fit.

Calling meetings

18.2 Any Director may call a meeting of Directors at any time. The Secretary must call a meeting of the Directors if requested to do so by a Director.



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Notice of meetings

- 18.3 Notice of a Board meeting may be given to a Director personally or by word of mouth or given in writing or by Electronic communications at such address as he may from time to time specify for this purpose (or, if he does not specify an address, at his last known address). A Director may waive his right to receive notice of any meeting either prospectively or retrospectively.

Use of technology

- 18.4 A Director may participate in a meeting of Directors through the medium of conference telephone, video or any other form of communications equipment providing all persons participating in the meeting are able to hear and speak to each other throughout the meeting.
- 18.5 A Director participating in this way is deemed to be present in person at the meeting.

Quorum

- 18.6 The quorum for the transaction of business at a meeting of Directors shall be two unless the Directors fix some other number.

Chairman or deputy to preside

- 18.7 The Board may appoint a chairman and one or more deputy chairman or chairmen and may at any time revoke any such appointment.
- 18.8 The chairman, or failing him any deputy chairman (the longest in office taking precedence if more than one is present), shall preside at all Board meetings. If no chairman or deputy chairman has been appointed, or if he is not present within five minutes after the time fixed for holding the meeting, or is unwilling to act as chairman of the meeting, the Directors present shall choose one of their number to act as chairman of the meeting.

Voting

- 18.9 A question which arises at a Board meeting shall be decided by a majority of votes. If votes are equal the chairman may, if he wishes, exercise a casting vote.

Recording of dissent

- 18.10 A Director present at a meeting of Directors shall be presumed to have assented to any action taken at that meeting unless:
- (a) his dissent is entered in the minutes of the meeting; or
 - (b) he has filed with the meeting before it is concluded signed dissent from that action; or



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(c) he has forwarded to the Company as soon as practical following the conclusion of that meeting signed dissent.

A Director who votes in favour of an action is not entitled to record his dissent to it.

Written resolutions

- 18.11 The Directors may pass a resolution in writing without holding a meeting if all Directors sign a document or sign several documents in the like form each signed by one or more of those Directors.
- 18.12 A written resolution signed by a validly appointed alternate Director need not also be signed by the appointing Director.
- 18.13 A written resolution signed personally by the appointing Director need not also be signed by his alternate.
- 18.14 A resolution in writing passed pursuant to Article 18.11, Article 18.12 and/or Article 18.13 shall be as effective as if it had been passed at a meeting of the Directors duly convened and held; and it shall be treated as having been passed on the day and at the time that the last Director signs (and for the avoidance of doubt, such day may or may not be a Business Day).

Validity of acts of Directors in spite of formal defect

- 18.15 All acts done by a meeting of the Board, or of a committee of the Board, or by any person acting as a Director or an alternate Director, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any Director or alternate Director or member of the committee, or that any of them were disqualified or had vacated office or were not entitled to vote, be as valid as if every such person had been duly appointed and qualified and had continued to be a Director or alternate Director and had been entitled to vote.

19 Permissible Directors' interests and disclosure

- 19.1 A Director shall not, as a Director, vote in respect of any contract, transaction, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is a material interest (otherwise than by virtue of his interests, direct or indirect, in Shares or debentures or other securities of, or otherwise in or through, the Company) and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting, but (in the absence of some other material interest than is mentioned below) none of these prohibitions shall apply to:
- (a) the giving of any security, guarantee or indemnity in respect of:
- (i) money lent or obligations incurred by him or by any other person for the benefit of the Company or any of its subsidiaries; or



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- (ii) a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (b) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to or may participate;
- (c) any contract, transaction, arrangement or proposal affecting any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise howsoever, provided that he (together with persons connected with him) does not to his knowledge hold an interest representing one per cent or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purposes of this Article 19.1 to be a material interest in all circumstances);
- (d) any act or thing done or to be done in respect of any arrangement for the benefit of the employees of the Company or any of its subsidiaries under which he is not accorded as a Director any privilege or advantage not generally accorded to the employees to whom such arrangement relates; or
- (e) any matter connected with the purchase or maintenance for any Director of insurance against any liability or (to the extent permitted by the Law) indemnities in favour of Directors, the funding of expenditure by one or more Directors in defending proceedings against him or them or the doing of any thing to enable such Director or Directors to avoid incurring such expenditure.
- 19.2 A Director may, as a Director, vote (and be counted in the quorum) in respect of any contract, transaction, arrangement or proposal in which he has an interest which is not a material interest or which falls within Article 19.1.

20 Minutes

20.1 The Company shall cause minutes to be made in books of:

- (a) all appointments of Officers and committees made by the Board and of any such Officer's remuneration; and
- (b) the names of Directors present at every meeting of the Directors, a committee of the Board, the Company or the holders of any class of shares or debentures, and all orders, resolutions and proceedings of such meetings.



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- 20.2 Any such minutes, if purporting to be signed by the chairman of the meeting at which the proceedings were held or by the chairman of the next succeeding meeting or the Secretary, shall be prima facie evidence of the matters stated in them.

21 Accounts and audit

- 21.1 The Directors must ensure that proper accounting and other records are kept, and that accounts and associated reports are distributed in accordance with the requirements of the Law.
- 21.2 The books of account shall be kept at the registered office of the Company and shall always be open to inspection by the Directors. No Member (other than a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Law or as authorised by the Directors or by Ordinary Resolution.
- 21.3 Unless the Directors otherwise prescribe, the financial year of the Company shall end on 31 December in each year and begin on 1 January in each year.

Auditors

- 21.4 The Directors may appoint an Auditor of the Company who shall hold office on such terms as the Directors determine.
- 21.5 At any general meeting convened and held at any time in accordance with these Articles, the Members may, by Ordinary Resolution, remove the Auditor before the expiration of his term of office. If they do so, the Members shall, by Ordinary Resolution, at that meeting appoint another Auditor in his stead for the remainder of his term.
- 21.6 The Auditors shall examine such books, accounts and vouchers; as may be necessary for the performance of their duties.
- 21.7 The Auditors shall, if so requested by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment, and at any time during their term of office, upon request of the Directors or any general meeting of the Company.

22 Record dates

- 22.1 Except to the extent of any conflicting rights attached to Shares, the resolution declaring a dividend on Shares of any class, whether it be an Ordinary Resolution of the Members or a Director's resolution, may specify that the dividend is payable or distributable to the persons registered as the holders of those Shares at the close of business on a particular date, notwithstanding that the date may be a date prior to that on which the resolution is passed.



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- 22.2 If the resolution does so specify, the dividend shall be payable or distributable to the persons registered as the holders of those Shares at the close of business on the specified date in accordance with their respective holdings so registered, but without prejudice to the rights *inter se* in respect of the dividend of transferors and transferees of any of those Shares.
- 22.3 The provisions of this Article apply, *mutatis mutandis*, to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the Members.

23 Dividends

Source of dividends

- 23.1 Dividends may be declared and paid out of any funds of the Company lawfully available for distribution.
- 23.2 Subject to the requirements of the Law regarding the application of a company's Share premium account and with the sanction of an Ordinary Resolution, dividends may also be declared and paid out of any share premium account.

Declaration of dividends by Members

- 23.3 Subject to the provisions of the Law, the Company may by Ordinary Resolution declare dividends in accordance with the respective rights of the Members but no dividend shall exceed the amount recommended by the Directors.

Payment of interim dividends and declaration of final dividends by Directors

- 23.4 The Directors may declare and pay interim dividends or recommend final dividends in accordance with the respective rights of the Members if it appears to them that they are justified by the financial position of the Company and that such dividends may lawfully be paid.
- 23.5 Subject to the provisions of the Law, in relation to the distinction between interim dividends and final dividends, the following applies:
- (a) Upon determination to pay a dividend or dividends described as interim by the Directors in the dividend resolution, no debt shall be created by the declaration until such time as payment is made.
 - (b) Upon declaration of a dividend or dividends described as final by the Directors in the dividend resolution, a debt shall be created immediately following the declaration, the due date to be the date the dividend is stated to be payable in the resolution.

If the resolution fails to specify whether a dividend is final or interim, it shall be assumed to be interim.



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23.6 In relation to Shares carrying differing rights to dividends or rights to dividends at a fixed rate, the following applies:

- (a) If the share capital is divided into different classes, the Directors may pay dividends on Shares which confer deferred or non-preferred rights with regard to dividends as well as on Shares which confer preferential rights with regard to dividends but no dividend shall be paid on Shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.
- (b) The Directors may also pay, at intervals settled by them, any dividend payable at a fixed rate if it appears to them that there are sufficient funds of the Company lawfully available for distribution to justify the payment.
- (c) If the Directors act in good faith, they shall not incur any liability to the Members holding Shares conferring preferred rights for any loss those Members may suffer by the lawful payment of the dividend on any Shares having deferred or non-preferred rights.

Apportionment of dividends

23.7 Except as otherwise provided by the rights attached to Shares all dividends shall be declared and paid according to the amounts Paid Up on the Shares on which the dividend is paid. All dividends shall be apportioned and paid proportionately to the amount Paid Up on the Shares during the time or part of the time in respect of which the dividend is paid. But if a Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.

Right of set off

23.8 The Directors may deduct from a dividend or any other amount payable to a person in respect of a Share any amount due by that person to the Company on a call or otherwise in relation to a Share.

Power to pay other than in cash

23.9 If the Directors so determine, any resolution declaring a dividend may direct that it shall be satisfied wholly or partly by the distribution of assets. If a difficulty arises in relation to the distribution, the Directors may settle that difficulty in any way they consider appropriate. For example, they may do any one or more of the following:

- (a) issue fractional Shares;
- (b) fix the value of assets for distribution and make cash payments to some Members on the footing of the value so fixed in order to adjust the rights of Members; and
- (c) vest some assets in trustees.



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How payments may be made

23.10 A dividend or other monies payable on or in respect of a Share may be paid in any of the following ways:

- (a) if the Member holding that Share or other person entitled to that Share nominates a bank account for that purpose - by wire transfer to that bank account; or
- (b) by cheque or warrant sent by post to the registered address of the Member holding that Share or other person entitled to that Share.

23.11 For the purposes of Article 23.10(a), the nomination may be in writing or in an Electronic Record and the bank account nominated may be the bank account of another person. For the purposes of Article 23.10(b), subject to any applicable law or regulation, the cheque or warrant shall be made to the order of the Member holding that Share or other person entitled to the Share or to his nominee, whether nominated in writing or in an Electronic Record, and payment of the cheque or warrant shall be a good discharge to the Company.

23.12 If two or more persons are registered as the holders of the Share or are jointly entitled to it by reason of the death or bankruptcy of the registered holder (**Joint Holders**), a dividend (or other amount) payable on or in respect of that Share may be paid as follows:

- (a) to the registered address of the Joint Holder of the Share who is named first on the register of Members or to the registered address of the deceased or bankrupt holder, as the case may be; or
- (b) to the address or bank account of another person nominated by the Joint Holders, whether that nomination is in writing or in an Electronic Record.

23.13 Any Joint Holder of a Share may give a valid receipt for a dividend (or other amount) payable in respect of that Share.

Dividends or other monies not to bear interest in absence of special rights

23.14 Unless provided for by the rights attached to a Share, no dividend or other monies payable by the Company in respect of a Share shall bear interest.

Dividends unable to be paid or unclaimed

23.15 If a dividend cannot be paid to a Member or remains unclaimed within six weeks after it was declared or both, the Directors may pay it into a separate account in the Company's name. If a dividend is paid into a separate account, the Company shall not be constituted trustee in respect of that account and the dividend shall remain a debt due to the Member.

23.16 A dividend that remains unclaimed for a period of six years after it became due for payment shall be forfeited to, and shall cease to remain owing by, the Company.



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24 Capitalisation of profits

Capitalisation of profits or of any share premium account or capital redemption reserve;

24.1 The Directors may resolve to capitalise:

- (a) any part of the Company's profits not required for paying any preferential dividend (whether or not those profits are available for distribution); or
- (b) any sum standing to the credit of the Company's share premium account or capital redemption reserve, if any.

24.2 The amount resolved to be capitalised must be appropriated to the Members who would have been entitled to it had it been distributed by way of dividend and in the same proportions. The benefit to each Member so entitled must be given in either or both of the following ways::

- (a) by paying up the amounts unpaid on that Member's Shares;
- (b) by issuing Fully Paid Up Shares, debentures or other securities of the Company to that Member or as that Member directs. The Directors may resolve that any Shares issued to the Member in respect of Partly Paid Up Shares (**Original Shares**) rank for dividend only to the extent that the Original Shares rank for dividend while those Original Shares remain Partly Paid Up.

Applying an amount for the benefit of Members

24.3 The amount capitalised must be applied to the benefit of Members in the proportions to which the Members would have been entitled to dividends if the amount capitalised had been distributed as a dividend.

24.4 Subject to the Law, if a fraction of a Share, a debenture or other security is allocated to a Member, the Directors may issue a fractional certificate to that Member or pay him the cash equivalent of the fraction.

25 Share Premium Account

Directors to maintain share premium account

25.1 The Directors shall establish a share premium account in accordance with the Law. They shall carry to the credit of that account from time to time an amount equal to the amount or value of the premium paid on the issue of any Share or capital contributed or such other amounts required by the Law.



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Debits to share premium account

25.2 The following amounts shall be debited to any share premium account:

- (a) on the redemption or purchase of a Share, the difference between the nominal value of that Share and the redemption or purchase price; and
- (b) any other amount paid out of a share premium account as permitted by the Law.

25.3 Notwithstanding the preceding Article, on the redemption or purchase of a Share, the Directors may pay the difference between the nominal value of that Share and the redemption purchase price out of the profits of the Company or, as permitted by the Law, out of capital.

26 Seal

Company seal

26.1 The Company may have a seal if the Directors so determine.

Duplicate seal

26.2 Subject to the provisions of the Law, the Company may also have a duplicate seal or seals for use in any place or places outside the Cayman Islands. Each duplicate seal shall be a facsimile of the original seal of the Company. However, if the Directors so determine, a duplicate seal shall have added on its face the name of the place where it is to be used.

When and how seal is to be used

26.3 A seal may only be used by the authority of the Directors. Unless the Directors otherwise determine, a document to which a seal is affixed must be signed in one of the following ways:

- (a) by a Director (or his alternate) and the Secretary; or
- (b) by a single Director (or his alternate).

If no seal is adopted or used

26.4 If the Directors do not adopt a seal, or a seal is not used, a document may be executed in the following manner:

- (a) by a Director (or his alternate) and the Secretary; or
- (b) by a single Director (or his alternate); or
- (c) in any other manner permitted by the Law.



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Power to allow non-manual signatures and facsimile printing of seal

26.5 The Directors may determine that either or both of the following applies:

- (a) that the seal or a duplicate seal need not be affixed manually but may be affixed by some other method or system of reproduction;
- (b) that a signature required by these Articles need not be manual but may be a mechanical or Electronic Signature.

Validity of execution

26.6 If a document is duly executed and delivered by or on behalf of the Company, it shall not be regarded as invalid merely because, at the date of the delivery, the Secretary, or the Director, or other Officer or person who signed the document or affixed the seal for and on behalf of the Company ceased to be the Secretary or hold that office and authority on behalf of the Company.

27 Indemnity

27.1 To the extent permitted by law, the Company shall indemnify each existing or former Director (including alternate Director), Secretary and other Officer of the Company (including an investment adviser or an administrator or liquidator) and their personal representatives against:

- (a) all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by the existing or former Director (including alternate Director), Secretary or Officer in or about the conduct of the Company's business or affairs or in the execution or discharge of the existing or former Director's (including alternate Director's), Secretary's or Officer's duties, powers, authorities or discretions; and
- (b) without limitation to paragraph (a), all costs, expenses, losses or liabilities incurred by the existing or former Director (including alternate Director), Secretary or Officer in defending (whether successfully or otherwise) any civil, criminal, administrative or investigative proceedings (whether threatened, pending or completed) concerning the Company or its affairs in any court or tribunal, whether in the Cayman Islands or elsewhere.

No such existing or former Director (including alternate Director), Secretary or Officer, however, shall be indemnified in respect of any matter arising out of his own dishonesty.

27.2 To the extent permitted by Law, the Company may make a payment, or agree to make a payment, whether by way of advance, loan or otherwise, for any legal costs incurred by an existing or former Director (including alternate Director), Secretary or Officer of the Company in respect of any matter identified in Article 27.1 on condition that the Director (including alternate Director), Secretary or Officer must repay the amount paid by the Company to the extent that it is ultimately found not liable to indemnify the Director (including alternate Director), Secretary or that Officer for those legal costs.



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Release

- 27.3 To the extent permitted by Law, the Company may by Special Resolution release any existing or former Director (including alternate Director), Secretary or other Officer of the Company from liability for any loss or damage or right to compensation which may arise out of or in connection with the execution or discharge of the duties, powers, authorities or discretions of his office; but there may be no release from liability arising out of or in connection with that person's own dishonesty.

Insurance

- 27.4 To the extent permitted by Law, the Company may pay, or agree to pay, a premium in respect of a contract insuring each of the following persons against risks determined by the Directors, other than liability arising out of that person's own dishonesty:
- (a) an existing or former Director (including alternate Director), Secretary or Officer or auditor of:
 - (i) the Company;
 - (ii) a company which is or was a subsidiary of the Company;
 - (iii) a company in which the Company has or had an interest (whether direct or indirect); and
 - (b) a trustee of an employee or retirement benefits scheme or other trust in which any of the persons referred to in paragraph (a) is or was interested.

28 Notices

Form of notices

- 28.1 Save where these Articles provide otherwise, and subject to the Designated Stock Exchange Rules, any notice to be given to or by any person pursuant to these Articles shall be:
- (a) in writing signed by or on behalf of the giver in the manner set out below for written notices; or
 - (b) subject to the next Article, in an Electronic Record signed by or on behalf of the giver by Electronic Signature and authenticated in accordance with Articles about authentication of Electronic Records; or
 - (c) where these Articles expressly permit, by the Company by means of a website.



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Electronic communications

28.2 A notice may only be given to the Company in an Electronic Record if:

- (a) the Directors so resolve;
- (b) the resolution states how an Electronic Record may be given and, if applicable, specifies an email address for the Company; and
- (c) the terms of that resolution are notified to the Members for the time being and, if applicable, to those Directors who were absent from the meeting at which the resolution was passed.

If the resolution is revoked or varied, the revocation or variation shall only become effective when its terms have been similarly notified.

28.3 A notice may not be given by Electronic Record to a person other than the Company unless the recipient has notified the giver of an Electronic address to which notice may be sent.

28.4 Subject to the Law, the Designated Stock Exchange Rules and to any other rules which the Company is bound to follow, the Company may also send any notice or other document pursuant to these Articles to a Member by publishing that notice or other document on a website where:

- (a) the Company and the Member have agreed to his having access to the notice or document on a website (instead of it being sent to him);
- (b) the notice or document is one to which that agreement applies;
- (c) the Member is notified (in accordance with any requirements laid down by the Law and, in a manner for the time being agreed between him and the Company for the purpose) of:
 - (i) the publication of the notice or document on a website;
 - (ii) the address of that website; and
 - (iii) the place on that website where the notice or document may be accessed, and how it may be accessed; and
- (d) the notice or document is published on that website throughout the publication period, provided that, if the notice or document is published on that website for a part, but not all of, the publication period, the notice or document shall be treated as being published throughout that period if the failure to publish that notice or document throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid. For the purposes of this Article 28.4 “publication period” means a period of not less than twenty-one days, beginning on the day on which the notification referred to in Article 28.4(c) is deemed sent.



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Persons entitled to notices

- 28.5 Any notice or other document to be given to a Member may be given by reference to the register of Members as it stands at any time within the period of twenty-one days before the day that the notice is given or (where and as applicable) within any other period permitted by, or in accordance with the requirements of, (to the extent applicable) the Designated Stock Exchange Rules and/or the Designated Stock Exchanges. No change in the register of Members after that time shall invalidate the giving of such notice or document or require the Company to give such item to any other person.

Persons authorised to give notices

- 28.6 A notice by either the Company or a Member pursuant to these Articles may be given on behalf of the Company or a Member by a Director or company secretary of the Company or a Member.

Delivery of written notices

- 28.7 Save where these Articles provide otherwise, a notice in writing may be given personally to the recipient, or left at (as appropriate) the Member's or Director's registered address or the Company's registered office, or posted to that registered address or registered office.

Joint holders

- 28.8 Where Members are joint holders of a Share, all notices shall be given to the Member whose name first appears in the register of Members.

Signatures

- 28.9 A written notice shall be signed when it is autographed by or on behalf of the giver, or is marked in such a way as to indicate its execution or adoption by the giver.
- 28.10 An Electronic Record may be signed by an Electronic Signature.

Evidence of transmission

- 28.11 A notice given by Electronic Record shall be deemed sent if an Electronic Record is kept demonstrating the time, date and content of the transmission, and if no notification of failure to transmit is received by the giver.
- 28.12 A notice given in writing shall be deemed sent if the giver can provide proof that the envelope containing the notice was properly addressed, pre-paid and posted, or that the written notice was otherwise properly transmitted to the recipient.



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- 28.13 A Member present, either in person or by proxy, at any meeting of the Company or of the holders of any class of Shares shall be deemed to have received due notice of the meeting and, where requisite, of the purposes for which it was called.

Giving notice to a deceased or bankrupt Member

- 28.14 A notice may be given by the Company to the persons entitled to a Share in consequence of the death or bankruptcy of a Member by sending or delivering it, in any manner authorised by these Articles for the giving of notice to a Member, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt or by any like description, at the address, if any, supplied for that purpose by the persons claiming to be so entitled.
- 28.15 Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred.

Date of giving notices

- 28.16 A notice is given on the date identified in the following table

Method for giving notices	When taken to be given
(A) Personally	At the time and date of delivery
(B) By leaving it at the Member's registered address	At the time and date it was left
(C) By posting it by prepaid post to the street or postal address of that recipient	48 hours after the date it was posted
(D) By Electronic Record (other than publication on a website), to recipient's Electronic address	48 hours after the date it was sent
(E) By publication on a website	24 hours after the date on which the Member is deemed to have been notified of the publication of the notice or document on the website

Saving provision

- 28.17 None of the preceding notice provisions shall derogate from the Articles about the delivery of written resolutions of Directors and written resolutions of Members.



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29 Authentication of Electronic Records

Application of Articles

- 29.1 Without limitation to any other provision of these Articles, any notice, written resolution or other document under these Articles that is sent by Electronic means by a Member, or by the Secretary, or by a Director or other Officer of the Company, shall be deemed to be authentic if either Article 29.2 or Article 29.4 applies.

Authentication of documents sent by Members by Electronic means

- 29.2 An Electronic Record of a notice, written resolution or other document sent by Electronic means by or on behalf of one or more Members shall be deemed to be authentic if the following conditions are satisfied:
- (a) the Member or each Member, as the case may be, signed the original document, and for this purpose **Original Document** includes several documents in like form signed by one or more of those Members; and
 - (b) the Electronic Record of the Original Document was sent by Electronic means by, or at the direction of, that Member to an address specified in accordance with these Articles for the purpose for which it was sent; and
 - (c) Article 29.7 does not apply.
- 29.3 For example, where a sole Member signs a resolution and sends the Electronic Record of the original resolution, or causes it to be sent, by facsimile transmission to the address in these Articles specified for that purpose, the facsimile copy shall be deemed to be the written resolution of that Member unless Article 28.7 applies.

Authentication of document sent by the Secretary or Officers of the Company by Electronic means

- 29.4 An Electronic Record of a notice, written resolution or other document sent by or on behalf of the Secretary or an Officer or Officers of the Company shall be deemed to be authentic if the following conditions are satisfied:
- (a) the Secretary or the Officer or each Officer, as the case may be, signed the original document, and for this purpose **Original Document** includes several documents in like form signed by the Secretary or one or more of those Officers; and
 - (b) the Electronic Record of the Original Document was sent by Electronic means by, or at the direction of, the Secretary or that Officer to an address specified in accordance with these Articles for the purpose for which it was sent; and
 - (c) Article 29.7 does not apply.



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This Article 29.4 applies whether the document is sent by or on behalf of the Secretary or Officer in his own right or as a representative of the Company.

- 29.5 For example, where a sole Director signs a resolution and scans the resolution, or causes it to be scanned, as a PDF version which is attached to an email sent to the address in these Articles specified for that purpose, the PDF version shall be deemed to be the written resolution of that Director unless Article 29.7 applies.

Manner of signing

- 29.6 For the purposes of these Articles about the authentication of Electronic Records, a document will be taken to be signed if it is signed manually or in any other manner permitted by these Articles.

Saving provision

- 29.7 A notice, written resolution or other document under these Articles will not be deemed to be authentic if the recipient, acting reasonably:

- (a) believes that the signature of the signatory has been altered after the signatory had signed the original document; or
- (b) believes that the original document, or the Electronic Record of it, was altered, without the approval of the signatory, after the signatory signed the original document; or
- (c) otherwise doubts the authenticity of the Electronic Record of the document

and the recipient promptly gives notice to the sender setting the grounds of its objection. If the recipient invokes this Article, the sender may seek to establish the authenticity of the Electronic Record in any way the sender thinks fit.

30 Transfer by way of continuation

- 30.1 The Company may, by Special Resolution, resolve to be registered by way of continuation in a jurisdiction outside:

- (a) the Cayman Islands; or
- (b) such other jurisdiction in which it is, for the time being, incorporated, registered or existing.



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30.2 To give effect to any resolution made pursuant to the preceding Article, the Directors may cause the following:

- (a) an application be made to the Registrar of Companies of the Cayman Islands to deregister the Company in the Cayman Islands or in the other jurisdiction in which it is for the time being incorporated, registered or existing; and
- (b) all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

31 Winding up

Distribution of assets in specie

31.1 If the Company is wound up the Members may, subject to these Articles and any other sanction required by the Law, pass a Special Resolution allowing the liquidator to do either or both of the following:

- (a) to divide in specie among the Members the whole or any part of the assets of the Company and, for that purpose, to value any assets and to determine how the division shall be carried out as between the Members or different classes of Members; and/or
- (b) to vest the whole or any part of the assets in trustees for the benefit of Members and those liable to contribute to the winding up.

No obligation to accept liability

31.2 No Member shall be compelled to accept any assets if an obligation attaches to them.

31.3 The Directors are authorised to present a winding up petition

31.4 The Directors have the authority to present a petition for the winding up of the Company to the Grand Court of the Cayman Islands on behalf of the Company without the sanction of a resolution passed at a general meeting.

32 Amendment of Memorandum and Articles

Power to change name or amend Memorandum

32.1 Subject to the Law, the Company may, by Special Resolution:

- (a) change its name; or
- (b) change the provisions of its Memorandum with respect to its objects, powers or any other matter specified in the Memorandum.

Power to amend these Articles

32.2 Subject to the Law and as provided in these Articles, the Company may, by Special Resolution, amend these Articles in whole or in part.



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Description of Rights of Each Class of Securities**Registered under Section 12 of the Securities Exchange Act of 1934, as Amended (the “Exchange Act”)**

Class A ordinary shares, par value \$0.001 per share (“Class A Ordinary Shares”), of Chanson International Holding (“we,” “our,” “our company,” or “us”) are listed and traded on the Nasdaq Capital Market, and in connection with this listing (but not for trading), its Class A Ordinary Shares are registered under Section 12(b) of the Exchange Act. This exhibit contains a description of the rights of the holders of Class A Ordinary Shares.

Description of Class A Ordinary Shares

The following is a summary of material provisions of our currently effective amended and restated memorandum of association and articles of association (the “Memorandum and Articles of Association”), as well as the Companies Act (Revised) of the Cayman Islands (the “Cayman Companies Act”) insofar as they relate to the material terms of our Class A Ordinary Shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which have been filed with the U.S. Securities and Exchange Commission as exhibits to our Registration Statement on Form 20-F (File No. 001-41663), initially filed with the U.S. Securities and Exchange Commission on April 4, 2025.

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each Class A Ordinary Share has a par value of \$0.001 each. The number of Class A ordinary shares that have been issued as of the last day of the financial year ended December 31, 2024 is provided on the cover of the annual report on Form 20-F filed on April 4, 2025. Our Class A Ordinary Shares may be held in either certificated or uncertificated form.

Preemptive Rights (Item 9.A.3 of Form 20-F)

Our Class A Ordinary Shares are not subject to any pre-emptive or similar rights under the Cayman Companies Act or pursuant to the Memorandum and Articles of Association.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

We have a dual-class voting structure such that our ordinary shares consist of Class A Ordinary Shares and Class B ordinary shares (“Class B Ordinary Shares”). In respect of matters requiring a shareholder vote, each holder of Class A Ordinary Shares will be entitled to one vote per one Class A Ordinary Share and each holder of Class B Ordinary Shares will be entitled to 50 votes per one Class B Ordinary Share. The Class A Ordinary Shares are not convertible into shares of any other class. The Class B Ordinary Shares are convertible into Class A Ordinary Shares at any time after issuance at the option of the holder on a one-to-one basis. Due to the super voting power of holders of Class B Ordinary Shares, the voting power of the Class A Ordinary Shares may be materially limited.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Class A Ordinary Shares (Item 10.B.3 of Form 20-F)***Classes of Ordinary Shares***

Our authorized share capital is US\$5,000,000 divided into 4,400,000,000 Class A Ordinary Shares of US\$0.001 par value each and 600,000,000 Class B Ordinary Shares of US\$0.001 par value each. Holders of Class A Ordinary Shares and Class B Ordinary Shares have the same rights except for voting and conversion rights.

Dividends

Subject to the provisions of the Cayman Companies Act and any rights attaching to any class or classes of shares under and in accordance with the Memorandum and Articles of Association:

- (a) the directors may declare dividends or distributions out of our funds which are lawfully available for that purpose; and
- (b) our shareholders may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the directors.

Subject to the requirements of the Cayman Companies Act regarding the application of a company's share premium account and with the sanction of an ordinary resolution, dividends may also be declared and paid out of any share premium account. The directors when paying dividends to shareholders may make such payment either in cash or in specie.

Unless provided by the rights attached to a share, no dividend shall bear interest.

Voting Rights

On a poll, every shareholder who is present in person and every person representing a shareholder by proxy shall have one vote for each Class A Ordinary Share and 50 votes for each Class B Ordinary Share of which he or the person represented by proxy is the holder. In addition, all shareholders holding shares of a particular class are entitled to vote at a meeting of the holders of that class of shares. Votes may be given either personally or by proxy.

Conversion Rights

Class A Ordinary Shares are not convertible. Class B Ordinary Shares are convertible, at the option of the holder thereof, into Class A Ordinary Shares on a one-to-one basis.

Calls on shares and forfeiture

Subject to the terms of allotment, the directors may make calls on the shareholders in respect of any monies unpaid on their shares including any premium and each shareholder shall (subject to receiving at least 14 clear days' notice specifying when and where payment is to be made), pay to us the amount called on his shares. Shareholders registered as the joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share. If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or if no rate is fixed, at the rate of ten percent per annum. The directors may waive payment of the interest wholly or in part.

We have a first and paramount lien on all shares (whether fully paid up or not) registered in the name of a shareholder (whether solely or jointly with others). The lien is for all monies payable to us by the shareholder or the shareholder's estate:

- (a) either alone or jointly with any other person, whether or not that other person is a shareholder; and
- (b) whether or not those monies are presently payable.

At any time, the directors may declare any share to be wholly or partly exempt from the lien on shares provisions of the Memorandum and Articles of Association.

We may sell, in such manner as the directors may determine, any share on which the sum in respect of which the lien exists is presently payable, if due notice that such sum is payable has been given (as prescribed by the Memorandum and Articles of Association) and, within 14 days of the date on which the notice is deemed to be given under the Memorandum and Articles of Association, such notice has not been complied with.

Unclaimed Dividend

A dividend that remains unclaimed for a period of six years after it became due for payment shall be forfeited to, and shall cease to remain owing by, the company.

Forfeiture or Surrender of Shares

If a shareholder fails to pay any call, the directors may give to such shareholder not less than 14 clear days' notice requiring payment and specifying the amount unpaid including any interest which may have accrued, any expenses which have been incurred by us due to that person's default and the place where payment is to be made. The notice shall also contain a warning that if the notice is not complied with, the shares in respect of which the call is made will be liable to be forfeited.

If such notice is not complied with, the directors may, before the payment required by the notice has been received, resolve that any share the subject of that notice be forfeited (which forfeiture shall include all dividends or other monies payable in respect of the forfeited share and not paid before such forfeiture).

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the directors determine and at any time before a sale, re-allotment or disposition the forfeiture may be cancelled on such terms as the directors think fit.

A person whose shares have been forfeited shall cease to be a shareholder in respect of the forfeited shares, but shall, notwithstanding such forfeiture, remain liable to pay to us all monies which at the date of forfeiture were payable by him to us in respect of the shares, together with all expenses and interest from the date of forfeiture or surrender until payment, but his liability shall cease if and when we receive payment in full of the unpaid amount.

A declaration, whether statutory or under oath, made by a director or the secretary shall be conclusive evidence that the person making the declaration is a director or secretary and that the particular shares have been forfeited or surrendered on a particular date.

Subject to the execution of an instrument of transfer, if necessary, the declaration shall constitute good title to the shares.

Share Premium Account

The directors shall establish a share premium account and shall carry the credit of such account from time to time to a sum equal to the amount or value of the premium paid on the issue of any share or capital contributed or such other amounts required by the Cayman Companies Act.

Redemption and Purchase of Own Shares

Subject to the Cayman Companies Act and any rights for the time being conferred on the shareholders holding a particular class of shares, we may by action of our directors:

- (a) issue shares that are to be redeemed or liable to be redeemed, at our option or the shareholder holding those redeemable shares, on the terms and in the manner our directors determine before the issue of those shares;
- (b) with the consent by special resolution of the shareholders holding shares of a particular class, vary the rights attaching to that class of shares so as to provide that those shares are to be redeemed or are liable to be redeemed at our option on the terms and in the manner which the directors determine at the time of such variation; and
- (c) purchase all or any of our own shares of any class including any redeemable shares on the terms and in the manner which the directors determine at the time of such purchase.

We may make a payment in respect of the redemption or purchase of its own shares in any manner authorized by the Cayman Companies Act, including out of any combination of capital, our profits and the proceeds of a fresh issue of shares.

When making a payment in respect of the redemption or purchase of shares, the directors may make the payment in cash or in specie (or partly in one and partly in the other) if so authorized by the terms of the allotment of those shares or by the terms applying to those shares, or otherwise by agreement with the shareholder holding those shares.

Transfer of Shares

Provided that a transfer of Class A Ordinary Shares complies with applicable rules of the Nasdaq Capital Market, a shareholder may transfer Class A Ordinary Shares or Class B Ordinary Shares to another person by completing an instrument of transfer in a common form or, with respect to Class A Ordinary Shares, in a form prescribed by Nasdaq, or in any other form approved by the directors, executed:

- (a) where the Class A Ordinary Shares or Class B Ordinary Shares are fully paid, by or on behalf of that shareholder; and
- (b) where the Class A Ordinary Shares or Class B Ordinary Shares are partly paid, by or on behalf of that shareholder and the transferee.

The transferor shall be deemed to remain the holder of a Class A Ordinary Share or Class B Ordinary Share until the name of the transferee is entered into the register of members of the Company.

Where the Class A Ordinary Shares or Class B Ordinary Shares in question are not listed on or subject to the rules of the Nasdaq Capital Market, our board of directors may, in its absolute discretion, decline to register any transfer of any Class A Ordinary Share or Class B Ordinary Share that has not been fully paid up or is subject to a company lien. Our board of directors may also decline to register any transfer of such Class A Ordinary Share or Class B Ordinary Share unless:

- (a) the instrument of transfer is lodged with the Company, accompanied by the certificate for the Class A Ordinary Shares or Class B Ordinary Shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped, if required;
- (d) the Class A Ordinary Share or Class B Ordinary Share transferred is fully paid and free of any lien in favor of us;
- (e) any fee related to the transfer has been paid to us; and
- (f) the transfer is not to more than four joint holders.

If our directors refuse to register a transfer, they are required, within three months after the date on which the instrument of transfer was lodged, to send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 calendar days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and our register of members closed at such times and for such periods as our board of directors may from time to time determine. The registration of transfers, however, may not be suspended, and the register may not be closed, for more than 30 days in any year.

Capitalization of Profits

The directors may resolve to capitalize:

- (a) any part of our profits not required for paying any preferential dividend (whether or not those profits are available for distribution); or
- (b) any sum standing to the credit of our share premium account or capital redemption reserve, if any.

The amount resolved to be capitalized must be appropriated to the shareholders who would have been entitled to it had it been distributed by way of dividend and in the same proportions.

Liquidation Rights

If we are wound up, the shareholders may, subject to the Memorandum and Articles of Association and any other sanction required by the Cayman Companies Act, pass a special resolution allowing the liquidator to do either or both of the following:

- (a) to divide in specie among the shareholders the whole or any part of our assets and, for that purpose, to value any assets and to determine how the division shall be carried out as between the shareholders or different classes of shareholders; and
- (b) to vest the whole or any part of the assets in trustees for the benefit of shareholders and those liable to contribute to the winding up.

The directors have the authority to present a petition for our winding up to the Grand Court of the Cayman Islands on our behalf without the sanction of a resolution passed at a general meeting.

Requirements to Change the Rights of Holders of Ordinary Shares (Item 10.B.4 of Form 20-F)

Variation of Rights of Shares

Whenever our capital is divided into different classes of shares, the rights attaching to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may be varied either with the consent in writing of the holders of not less than two-thirds of the issued shares of that class, or with the sanction of a resolution passed by a majority of not less than two-thirds of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of shares of that class.

Unless the terms on which a class of shares was issued state otherwise, the rights conferred on the shareholder holding shares of any class shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* with the existing shares of that class.

Limitations on the Rights to Own Ordinary Shares (Item 10.B.6 of Form 20-F)

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote ordinary shares.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Anti-Takeover Provisions

Some provisions of our Memorandum and Articles of Association may discourage, delay, or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue shares at such times and on such terms and conditions as the board of directors may decide without any further vote or action by our shareholders.

Under the Cayman Companies Act, our directors may only exercise the rights and powers granted to them under our Memorandum and Articles of Association for what they believe in good faith to be in the best interests of our company and for a proper purpose.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions under the Cayman Companies Act or under the Memorandum and Articles of Association that govern the ownership threshold above which shareholder ownership must be disclosed.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

The Cayman Companies Act is derived, to a large extent, from the older Companies Acts of England and Wales but does not follow recent United Kingdom statutory enactments, and accordingly there are significant differences between the Cayman Companies Act and the current Companies Act of England and Wales. In addition, the Cayman Companies Act differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Cayman Companies Act applicable to us and the comparable laws applicable to companies incorporated in the State of Delaware in the United States.

Mergers and Similar Arrangements

The Cayman Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property, and liabilities in one of such companies as the surviving company, and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The plan must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company, and an undertaking that a copy of the certificate of merger or consolidation will be given to the shareholders and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

A merger between a Cayman Islands parent company and its Cayman Islands subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose, a subsidiary is a company of which at least 90% of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest of a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Except in certain limited circumstances, a dissenting shareholder of a Cayman Islands constituent company is entitled to payment of the fair value of his or her shares upon dissenting from a merger or consolidation. The exercise of such dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, except for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- (a) the statutory provisions as to the required majority vote have been met;
- (b) the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- (c) the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- (d) the arrangement is not one that would more properly be sanctioned under some other provision of the Cayman Companies Act.

When a takeover offer is made and accepted by holders of 90% of the shares affected within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, or if a takeover offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff to sue for a wrong done to us as a company, and as a general rule, a derivative action may not be brought by a minority shareholder. However, based on English law authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands courts can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) so that a non-controlling shareholder may be permitted to commence a class action against or derivative actions in the name of the company to challenge:

- (a) an act which is illegal or ultra vires with respect to the company and is therefore incapable of ratification by the shareholders;
- (b) an act which, although not ultra vires, requires authorization by a qualified (or special) majority (that is, more than a simple majority) which has not been obtained; and
- (c) an act which constitutes a "fraud on the minority" where the wrongdoers are themselves in control of the company.

Indemnification of Directors and Executive Officers and Limitation of Liability

The Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our Memorandum and Articles of Association provide to the extent permitted by law, we shall indemnify each existing or former secretary, director (including alternate director), and any of our other officers (including an investment adviser or an administrator or liquidator) and their personal representatives against:

- (a) all actions, proceedings, costs, charges, expenses, losses, damages, or liabilities incurred or sustained by the existing or former director (including alternate director), secretary, or officer in or about the conduct of our business or affairs or in the execution or discharge of the existing or former director (including alternate director), secretary's or officer's duties, powers, authorities, or discretions; and
- (b) without limitation to paragraph (a) above, all costs, expenses, losses, or liabilities incurred by the existing or former director (including alternate director), secretary, or officer in defending (whether successfully or otherwise) any civil, criminal, administrative, or investigative proceedings (whether threatened, pending or completed) concerning us or our affairs in any court or tribunal, whether in the Cayman Islands or elsewhere.

No such existing or former director (including alternate director), secretary, or officer, however, shall be indemnified in respect of any matter arising out of his own dishonesty.

To the extent permitted by law, we may make a payment, or agree to make a payment, whether by way of advance, loan, or otherwise, for any legal costs incurred by an existing or former director (including alternate director), secretary, or any of our officers in respect of any matter identified in above on condition that the director (including alternate director), secretary, or officer must repay the amount paid by us to the extent that it is ultimately found not liable to indemnify the director (including alternate director), the secretary, or that officer for those legal costs.

This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and executive officers that will provide such persons with additional indemnification beyond that provided in our Memorandum and Articles of Association.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer, or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director owes three types of duties to the company: (i) statutory duties, (ii) fiduciary duties, and (iii) common law duties. The Cayman Companies Act imposes a number of statutory duties on a director. A Cayman Islands director's fiduciary duties are not codified, however the courts of the Cayman Islands have held that a director owes the following fiduciary duties (a) a duty to act in what the director bona fide considers to be in the best interests of the company, (b) a duty to exercise their powers for the purposes they were conferred, (c) a duty to avoid fettering his or her discretion in the future, and (d) a duty to avoid conflicts of interest and of duty. The common law duties owed by a director are those to act with skill, care, and diligence that may reasonably be expected of a person carrying out the same functions as are carried out by that director in relation to the company and, also, to act with the skill, care, and diligence in keeping with a standard of care commensurate with any particular skill they have which enables them to meet a higher standard than a director without those skills. In fulfilling their duty of care to us, our directors must ensure compliance with our Memorandum and Articles of Association, as amended and restated from time to time. We have the right to seek damages if a duty owed by any of our directors is breached.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Cayman Companies Act provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our Memorandum and Articles of Association provide that general meetings shall be convened on the written requisition of one or more of the shareholders entitled to attend and vote at our general meetings who (together) hold not less than 10 percent of the rights to vote at such general meeting in accordance with the notice provisions in the Memorandum and Articles of Association, specifying the purpose of the meeting and signed by each of the shareholders making the requisition. If the directors do not convene such meeting for a date not later than 21 'clear days' after the date of receipt of the written requisition, those shareholders who requested the meeting may convene the general meeting themselves within three months after the end of such period of 21 clear days in which case reasonable expenses incurred by them as a result of the directors failing to convene a meeting shall be reimbursed by us. Our Memorandum and Articles of Association provide no other right to put any proposals before annual general meetings or extraordinary general meetings. As a Cayman Islands exempted company, we are not obligated by law to call shareholders' annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under the Cayman Companies Act, our Memorandum and Articles of Association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Subject to the provisions of our Memorandum and Articles of Association (which include the removal of a director by ordinary resolution), the office of a director may be terminated forthwith if (a) he is prohibited by the laws of the Cayman Islands from acting as a director, (b) he is made bankrupt or makes an arrangement or composition with his creditors generally, (c) he resigns his office by notice to us, (d) he only held office as a director for a fixed term and such term expires, (e) in the opinion of a registered medical practitioner by whom he is being treated he becomes physically or mentally incapable of acting as a director, (f) he is given notice by the majority of the other directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such director), (g) he is made subject to any law relating to mental health or incompetence, whether by court order or otherwise, or (h) without the consent of the other directors, he is absent from meetings of directors for continuous period of six months.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

The Cayman Companies Act has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although the Cayman Companies Act does not regulate transactions between a company and its significant shareholders, under Cayman Islands law such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board of directors.

Under the Cayman Companies Act and our Memorandum and Articles of Association, the Company may be wound up by a special resolution of our shareholders, or if the winding up is initiated by our board of directors, by either a special resolution of our members or, if our company is unable to pay its debts as they fall due, by an ordinary resolution of our members. In addition, a company may be wound up by an order of the courts of the Cayman Islands. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under the Cayman Companies Act and our Memorandum and Articles of Association, if our share capital is divided into more than one class of shares, the rights attaching to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may be varied either with the consent in writing of the holders of not less than two-thirds of the issued shares of that class, or with the sanction of a resolution passed by a majority of not less than two-thirds of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. Under the Cayman Companies Act, our Memorandum and Articles of Association may only be amended by special resolution of our shareholders.

Changes in Capital (Item 10.B.10 of Form 20-F)

Subject to the Cayman Companies Act, we may, by ordinary resolution:

- (a) increase our share capital by new shares of the amount fixed by that ordinary resolution and with the attached rights, priorities and privileges set out in that ordinary resolution;
- (b) consolidate and divide all or any of our share capital into shares of larger amount than our existing shares;
- (c) convert all or any of our paid up shares into stock, and reconvert that stock into paid up shares of any denomination;
- (d) sub-divide our shares or any of them into shares of an amount smaller than that fixed, so, however, that in the sub-division, the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and
- (e) cancel shares which, at the date of the passing of that ordinary resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled or, in the case of shares without nominal par value, diminish the number of shares into which our capital is divided.

Subject to the Cayman Companies Act and to any rights for the time being conferred on the shareholders holding a particular class of shares, we may, by special resolution, reduce our share capital in any way.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

Description of American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

Not applicable.

Subsidiaries of the Registrant

Subsidiaries	Place of Incorporation
Dean Global Limited	British Virgin Islands
Jenyd Holdings Limited	Hong Kong
Xinjiang United Family Trading Co., Ltd.	PRC
George Chanson (NY) Corp.	New York
Chanson 23rd Street LLC	New York
Chanson 1293 3rd Ave LLC	New York
Chanson 2040 Broadway LLC	New York
Chanson Management LLC	Delaware

	Variable Interest Entities	Place of Incorporation
1	Urumqi Midong District George Chanson Bakery	PRC
2	Shayibake District Yining Rd. George Chanson Bakery	PRC
3	Changji George Chanson Bakery	PRC
4	Tianshan District Xinhua North Rd. George Chanson Bakery	PRC
5	Tianshan District Xinmin Rd. George Chanson Bakery	PRC
6	Tianshan District Minzhu Rd. George Chanson Bakery	PRC
7	Tianshan District Jianquan No.3 Rd. George Chanson Bakery	PRC
8	Tianshan District Jiefang North Rd. George Chanson Bakery	PRC
9	Urumqi Economics and Technology Development District George Chanson Bakery on Kashi West Rd.	PRC
10	Xinshi District Changchun South Rd. George Chanson Bakery	PRC
11	Xinshi District Beijing Middle Rd. United Family Chanson Bakery	PRC
12	Xinshi District Suzhou East Rd. Chanson Bakery	PRC
13	Xinshi District South No.3 Rd. Chanson Bakery	PRC
14	Urumqi Economics and Technology Development District George Chanson Bakery on Xuanwuhu Rd.	PRC

15	Shayibake District Youhao South Rd. Chanson Bakery	PRC
16	Shuimogou District South Nanhu Rd. George Chanson Bakery	PRC
17	Xinshi District Hebei East Rd. George Chanson Bakery	PRC
18	Urumqi Toutunhe District George Chanson Bakery on Zhongya South Rd.	PRC
19	Shayibake District Karamay West Rd. Chanson Bakery	PRC
20	Shayibake District Qitai Rd. Hemeijia Chanson Bakery	PRC
21	Tianshan District Qingnian Rd. Chanson Bakery	PRC
22	Xinshi District Liyushan North Rd. Hemeijia Bakery	PRC
23	Xinshi District Changchun North Rd. Chanson Bakery	PRC
24	Shayibake District Youhao North Rd. Chanson Coffee Bakery	PRC
25	Tianshan District Jiefang North Rd. Chanson Coffee Bakery	PRC
26	Tianshan District Wenhua Rd. Chanson Coffee Bakery	PRC
27	Tianshan District Minzhu Rd. Heimeijie Coffee and Food	PRC
28	Tianshan District Cuiquan Rd. George Chanson Bakery	PRC
29	Tianshan District Cuiquan Rd. Coffee and Food	PRC
30	Xinshi District Changchun North Rd. Chanson Coffee and Food	PRC
31	Tianshan District Wenhua Rd. Chanson Coffee and Food	PRC
32	Urumqi Economics and Technology Development District Toutunhe Chanson Coffee and Food	PRC
33	Tianshan District Dongquan Rd. United Family Chanson Bakery	PRC

34	Tianshan District Dongquan Rd. United Family Bakery	PRC
35	Shuimogou District Wenquan North Rd. United Family Chanson Bakery	PRC
36	Xinshi District Changchun South Rd. United Family Bakery	PRC
37	Xinshi District Changsha Rd. United Family Chanson Bakery	PRC
38	Xinshi District Yingbin Rd. United Family George Chanson Bakery	PRC
39	Xinshi District Suzhou East Rd. United Family Chanson Bakery	PRC
40	Tianshan District Dawan South Rd. Hemeijia George Chanson Bakery	PRC
41	Shuimogou District Fengxiang Street Hemeijia George Chanson Bakery	PRC
42	Shuimogou District Fengxiang Street Hemeijia Song Coffee and Food Shop	PRC
43	Xinshi District Siping Road Hemeijia George Chanson Bakery	PRC
44	Shayibake District Karamay West Street George Chanson Bakery	PRC
45	Shayibake District, Altay Road, Hemeijia George Chanson Bakery	PRC
46	Shayibake District, Yangtze River Road, Hemeijia Chanson Bakery	PRC
47	Xinshi District Hebei East Road George Chanson Hemeijia Bakery	PRC

48	Tianshan District, Zhongqiao Second Alley, Meijia Song Coffee and Food Shop	PRC
49	Shuimogou District Hongguangshan Rd. Chanson Bakery	PRC
50	Xinshi District Beijing South Rd. George Chanson Bakery	PRC
51	Xinjiang United Family Trading Co., Ltd. Chanson Bakery Urumqi Branch	PRC
52	Xinjiang United Family Trading Co., Ltd. Urumqi Meimei Chanson Bakery	PRC
53	Xinjiang United Family Trading Co., Ltd. Tianshan District Chanson Bakery	PRC
54	Xinjiang United Family Trading Co., Ltd. Coffee Bakery Branch	PRC
55	Xinjiang United Family Trading Co., Ltd. Ruitai Chanson Bakery	PRC
56	Xinshi District Kashi East Rd Chanson Hemeijia Bakery	PRC
57	Xinshi District Kashi East Rd Hemeijia Song Coffee and Food Shop	PRC

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Gang Li, certify that:

1. I have reviewed this annual report on Form 20-F of Chanson International Holding (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 4, 2025

By: /s/ Gang Li

Name: Gang Li

Title: Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Jihong Cai, certify that:

1. I have reviewed this annual report on Form 20-F of Chanson International Holding (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent function):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: April 4, 2025

By: /s/ Jihong Cai

Name: Jihong Cai

Title: Chief Financial Officer

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Chanson International Holding (the “Company”) on Form 20-F for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Gang Li, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 4, 2025

By: /s/ Gang Li

Name: Gang Li

Title: Chief Executive Officer

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Chanson International Holding (the “Company”) on Form 20-F for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jihong Cai, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 4, 2025

By: /s/ Jihong Cai

Name: Jihong Cai

Title: Chief Financial Officer

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Guangzhou, P.R.China,510623

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Consent Letter

April 3, 2025

To: Chanson International Holding (the “Company”)

B9 Xinjiang Chuangbo Zhigu Industrial Park,
No. 100 Guangyuan Road, Shuimogou District,
Urumqi, Xinjiang, People’s Republic of China

Dear Sirs or Madams,

We consent to the reference to our firm under the headings of “Item 3. Key Information—Our Corporate Structure—Risks Associated with our Corporate Structure and the VIE Agreements,” “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Corporate Structure,” “Item 3. Key Information—D. Risk Factors—Risks Relating to Doing Business in the PRC,” “Item 4. Information on the Company—B. Business Overview—Regulations—PRC Regulations,” and “Item 10. Additional Information—E. Taxation—People’s Republic of China Enterprise Taxation” in The Company’s Annual Report on Form 20-F for year ended December 31, 2024, which will be filed with the Securities and Exchange Commission in the month of April 2025.

Yours faithfully,

/s/ Beijing Dacheng Law Offices, LLP (Guangzhou)

Beijing Dacheng Law Offices, LLP (Guangzhou)