Application Proof of

X.J. ELECTRICS (HU BEI) CO., LTD
湖北香江電器股份有限公司

(the "**Company**")

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

WARNING

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X.J. ELECTRICS (HU BEI) CO., LTD
湖北香江電器股份有限公司

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

[REDACTED]

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

Sole Sponsor, **[REDACTED]**, **[REDACTED]** *and* **[REDACTED]**

國金證券(香港)有限公司
SINOLINK SECURITIES (HK) CO. LTD.

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The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and us on the **[REDACTED]**. The **[REDACTED]** is expected to be on **[REDACTED]**. The **[REDACTED]** will not be more than HK$**[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the final **[REDACTED]** is not agreed by 12:00 noon on **[REDACTED]** between the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) and us, the **[REDACTED]** will not proceed and will lapse.

The **[REDACTED]** (for itself and on behalf of the **[REDACTED]**) may, with our consent, where considered appropriate, reduce the number of **[REDACTED]** being **[REDACTED]** under the **[REDACTED]** and/or the indicative **[REDACTED]** range below that is stated in this document at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such a case, we will as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the **[REDACTED]**, make an announcement on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **http://www.xjgroup.com**. For further information, please see "Structure of the **[REDACTED]**" and "How to apply for **[REDACTED]**" in this document.

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IMPORTANT

[REDACTED]

IMPORTANT

[REDACTED]

[REDACTED]

EXPECTED TIMETABLE[1]

[REDACTED]

EXPECTED TIMETABLE[(1)]

[REDACTED]

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CONTENTS

This summary aims at giving you an overview of the information contained in this document. Because this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety, including our financial statements and the accompanying notes, before you decide to invest in the **[REDACTED]**. *There are risks associated with any investment. Some of the particular risks in investing in the* **[REDACTED]** *are set out in the "Risk factors" in this document. You should read that section carefully before you decide to invest in the* **[REDACTED]**. *Various expressions used in this summary are defined in "Definitions" and "Glossary of Technical Terms" in this document.*

OVERVIEW

We are a manufacturer of quality lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis and have built a customer portfolio comprising globally reputable and long standing names, such as Walmart, Telebrands, SEB, Sensio, Hamilton Beach and Philips etc. With our capability to design, develop and manufacture a wide range of small home appliances, we have gained particular success in our small kitchen appliances. We were the "Top 10 Small Kitchen Appliance Export Companies (十大廚房小家電出口企業)" in 2022 and 2023 from China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會). According to the F&S Report, we were one of the top 10 companies in terms of export value in 2023 in the small kitchen appliance industry in the PRC.[1] Our electric kettles had a market share of approximately 21.4% and 32.3% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. and Canada, respectively, in 2023. Our motor-driven products such as mixers had a market share of approximately 6.7% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. in 2023. Please see "Industry Overview" in this document for the details.

We focus on research and development, design, manufacturing and sales of electric home appliances and non-electric household goods. Our electric home appliances consist of three categories, namely (i) electro-thermic appliances, such as electric griddle, air fryer and kettle; (ii) motor-driven appliances, such as blender, mixer and electric can opener; and (iii) electronic appliances such as digital scale, humidifier and laser projector light. We also offer non-electric household goods such as garden hose and cookware. As at 30 August 2024, we had over 10 ODM/OEM products that made Amazon's "best-sellers" list of respective categories, among which our steamer, rice cooker, electric griddle and electric skillet were in the top 10 of the Amazon's "best-sellers" list of respective categories.

(1) According to Frost & Sullivan, small kitchen appliance accounted for the largest share of the global small home appliance industry.

The table below sets out a breakdown of our total revenue by product type during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Electric home appliances								
– Electro-thermic appliances	572,916	38.7	459,013	41.8	499,099	42.0	296,238	48.2
– Motor-driven appliances	365,729	24.7	317,623	29.0	321,937	27.1	127,415	20.7
– Electronic appliances	188,518	12.7	122,997	11.2	111,570	9.4	43,885	7.2
Subtotal	1,127,163	76.1	899,633	82.0	932,606	78.5	467,538	76.1
Non-electric household goods								
– Garden hose	326,168	22.0	181,460	16.5	221,788	18.7	135,033	22.0
– Others *(Note)*	27,027	1.9	15,872	1.5	33,927	2.8	11,852	1.9
Subtotal	353,195	23.9	197,332	18.0	255,715	21.5	146,885	23.9
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**614,423**	**100.0**

Note: Others include cookware, cleaning tools and other household goods etc.

During the Track Record Period, we primarily manufactured and sold our products to our ODM/OEM customers under their respective brands. Leveraging our experience and knowledge in the industry and capabilities we have developed throughout the last two decades, as a strategic approach, in 2016, we started our OBM business to design, develop, manufacture and sell home appliances under our own brands (“**Weighmax**”), (“**Accuteck**”) and (“**Aigoli**”). We sell our OBM products mainly on e-commerce market place including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多).

The following table sets out a breakdown of our total revenue by business model during the Track Record Period:

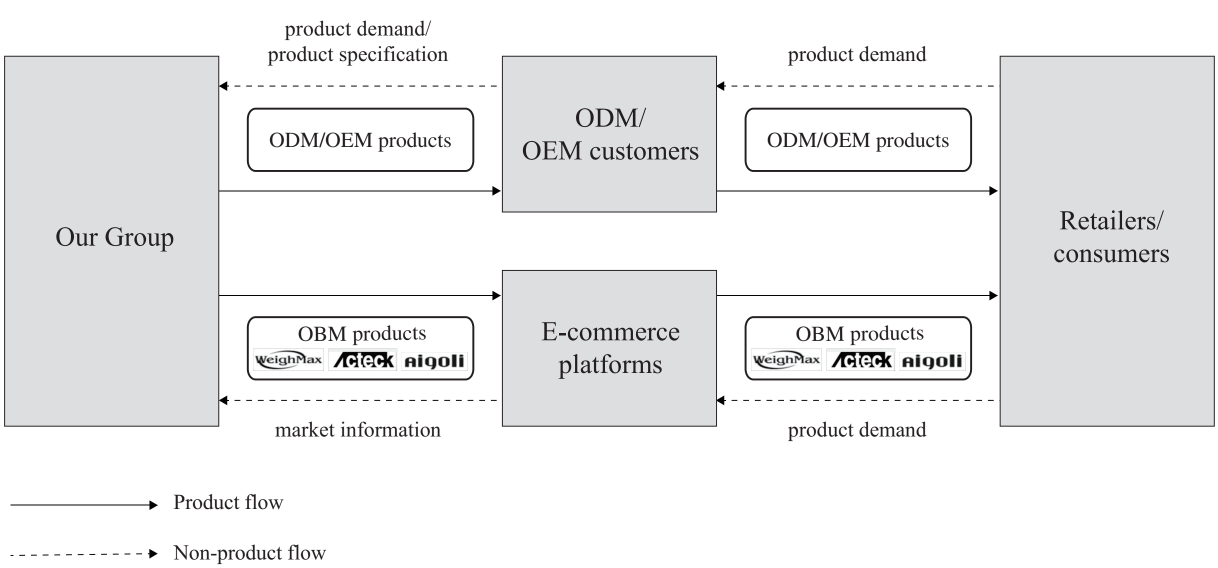
	FY2021		FY2022		FY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ODM/OEM	1,386,409	93.7	1,035,592	94.4	1,138,615	95.8	591,463	96.3
OBM	93,949	6.3	61,373	5.6	49,706	4.2	22,960	3.7
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**614,423**	**100.0**

Note: Revenue from our OBM business represents revenue of Aigrentrading, Nawu Technology, Nuocheng E-Commerce and Weighmax. Revenue from our ODM/OEM business represents revenue of other subsidiaries of our Group.

Since 2000, we have established different production facilities in different parts of China. Currently, we have seven manufacturing bases in the PRC with a total construction area of approximately 367,000 sq.m. To establish our global presence, we have established a production base in Indonesia which is expected to commence production in the first quarter of 2025 and we plan to establish another production base with a site area of 43,436.8 sq.m. in Thailand, which is expected to commence production by the end of 2025. For details of our production facilities, please see "Business – Our Production Facilities" in this document.

OUR BUSINESS MODEL

The following diagramme sets out our main business model:



We are a manufacturer of quality lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis with a customer portfolio comprising globally reputable and long standing names. Under ODM model, we collaborate with our customers to develop designs of products and then we manufacture; whereas under OEM model, our customers provide us their designs and we are only responsible for manufacturing. We procure raw materials for production and finished products are affixed with our customers' brand labels and shipped to ports designated by customers. In addition to our ODM/OEM operations, since 2016, we have started our OBM operation that we design, develop, manufacture and sell our products under three self-owned brands, namely, brands WeighMax ("**Weighmax**"), Acteck ("**Accuteck**") and aigoli ("**Aigoli**"). We sell our OBM products mainly on major e-commerce market place including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多)。

During the Track Record Period, our products are delivered to more than 70 countries and regions covering six continents while a majority of our sales came from North America during the Track Record Period.

The table below sets out a breakdown of our total revenue by geographical locations during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
North America	1,077,993	72.8	781,129	71.2	993,949	83.6	505,598	82.3
Europe	282,625	19.1	227,672	20.8	111,730	9.4	62,042	10.1
Oceania	46,849	3.2	44,073	4.0	28,834	2.4	23,214	3.8
Asia (excluding mainland China)	41,646	2.8	26,331	2.4	35,833	3.0	16,381	2.7
South America	14,650	0.9	8,527	0.8	12,228	1.0	4,228	0.7
Africa	2,512	0.2	552	0.1	759	0.1	135	0.0
Mainland China	14,083	1.0	8,681	0.7	4,988	0.5	2,825	0.4
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**614,423**	**100.0**

COMPETITIVE LANDSCAPE

According to Frost & Sullivan, in 2023, the market size of the global lifestyle household goods industry, measured by retail value was USD1,055.4 billion. The global lifestyle household goods industry is divided into three categories, namely, major home appliances, small home appliances and non-electric household goods. The global small home appliance industry has experienced a robust growth in recent years, with its retail value reaching USD175.9 billion in 2023; and small kitchen appliances account for the largest share of the global small home appliance industry, with the retail value reaching USD71.6 billion in 2023. In 2023, the export value of small kitchen appliances in China reached approximately RMB130.7 billion. The top ten companies accounted for a total market share of 32.9% by export value in 2023. We were one of the top 10 companies in terms of export value in 2023 in the small kitchen appliance industry in the PRC with a market share of 0.6%.

In relation to garden hoses, the global garden hose market is highly fragmented with numerous participants, especially in China. In 2023, the export value of our Company's garden hose series products (Customs HS Codes 39173900 and 40091200) to the U.S. accounted for 9.13% of China's total export value to the United States, securing a leading position in the industry.

OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

- Established relationships with internationally reputable customers, including some of the world's famous brand names

- Reputation as a supplier of quality lifestyle household goods with decades of track record

- Global presence with our strategically positioned overseas manufacturing bases and versatile production operation

- R&D capabilities enabling continual product innovation

- Highly experienced and stable management team and a functional organisational structure with effective internal control system

For details, please see "Business – Our Competitive Strengths" in this document.

OUR STRATEGIES

Our strategies to foster the development of our Group include:

- Set up our Thailand Factory to enhance our global presence

- Increase the level of automation and digitalisation for sustainable growth

- Set up a new R&D Centre

- Enlist new brands to enhance our OBM business

For details, please see "Business – Our Strategies" in this document.

RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors". As different **[REDACTED]** may have different interpretations and criteria when assessing the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in our H Shares. Some of the major risks that we face include:

- We rely on few major customers, which, in aggregate, accounted for more than 60% of our total revenue during the Track Record Period

- We do not have long-term purchase commitments from most of our customers, which may subject us to uncertainty and revenue volatility from period to period

- Our Group is exposed to currency risk

- Trade tension between the United States and the PRC may adversely affect our business, financial conditions and results of operation

- Our business is subject to legal, regulatory, political, economic, commercial and other risks associated with conducting operations in overseas markets

- The rights to use certain leased properties could be challenged by third parties or relevant authorities, and we may be forced to relocate due to title defects of such leased properties.

- We have not obtained ownership certificates for and had non-compliance with some of our owned properties and we may incur loss if we become subject to the relevant penalties

OUR CUSTOMERS AND SUPPLIERS

During the Track Record Period, we generated our revenue mostly from ODM/OEM customers which represent 93.7%, 94.4%, 95.8% and 96.3% of our total revenue. Our ODM/OEM customers mainly comprise international brand owners and their procurement service providers. The remaining portion of our revenue came from our OBM business including direct sales of our self-branded products to end consumers through ecommerce marketplaces, including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多). Our five largest customers accounted for 62.4%, 62.4%, 72.4% and 74.9% of our total revenue for FY2021, FY2022, FY2023 and 1HFY2024, respectively; and our largest customer accounted for 27.1%, 21.3%, 28.5% and 25.0% of our total revenue for FY2021, FY2022, FY2023 and 1HFY2024, respectively. For details, please see "Business – Our Customers" in this document.

Our major suppliers are suppliers of metal and plastic raw materials, components and accessories. Our five largest suppliers accounted for 25.5%, 18.2%, 22.4% and 19.4% of our total purchase for FY2021, FY2022, FY2023 and 1HFY2024, respectively; and our largest supplier accounted for 8.9%, 7.2%, 9.4% and 5.8% of our total purchase for FY2021, FY2022, FY2023 and 1HFY2024, respectively. For details, please see "Business – Our Suppliers" in this document.

OUR CONTROLLING SHAREHOLDERS

Immediately prior to the **[REDACTED]**, our Company was held by Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing as to approximately 54.07%, 26.39% and 19.54%, respectively. X.J. Management (Qichun) is owned as to 70.37% by Mr. Pan Yun. Qichun Hengxing is an employee shareholding platform of our Group, which is owned as to 47.50% by Mr. Pan Yun. Mr. Pan Yun is the sole general partner of each of X.J. Management (Qichun) and Qichun Hengxing.

As such, Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing are considered to be a group of Controlling Shareholders, who collectively held 100% of our total issued Shares as at the Latest Practicable Date.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing will collectively hold approximately **[REDACTED]** of our total issued Shares. Accordingly, Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing will remain as a group of Controlling Shareholders upon **[REDACTED]**.

For details, please see "Relationship with Our Controlling Shareholders" in this document.

SELECTED FINANCIAL INFORMATION

The following tables set forth a summary of our consolidated financial information for the Track Record Period, extracted from the Accountant's Report set out in Appendix I. The summary of consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes. Our consolidated financial information has been prepared in accordance with HKFRS.

Summary Consolidated Statements of Profit or Loss

	FY2021	**FY2022**	**FY2023**	**1HFY2023**	**1HFY2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	1,480,358	1,096,965	1,188,321	556,901	614,423
Cost of sales	(1,220,843)	(873,095)	(902,300)	(414,656)	(477,013)
Gross profit	259,515	223,870	286,021	142,245	137,410
Other income	17,229	23,215	22,149	11,772	8,762
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	126	(1,610)	(2,494)	(2,336)	773
Other gains and losses	(6,493)	8,602	9,798	8,321	8,523
Selling expenses	(33,339)	(24,188)	(28,274)	(12,440)	(14,900)
Administrative expenses	(101,201)	(87,714)	(90,071)	(41,223)	(45,819)
Research and development expenses	(36,096)	(31,981)	(34,447)	(15,086)	(16,455)
Other expenses	(1,440)	(3,806)	(3,470)	(2,674)	(1,806)
Finance costs	(15,106)	(14,467)	(12,519)	(6,676)	(5,561)
Profit before tax	83,195	91,921	146,693	81,903	70,927
Income tax expense	(11,393)	(11,660)	(25,231)	(12,773)	(10,388)
Profit for the year/period	71,802	80,261	121,462	69,130	60,539

During the Track Record Period, we offer a wide range of electric and non-electric household goods. Our electric home appliances comprise three major categories, namely, (i) electro-thermic appliances, such as electric griddle, air fryer and kettle; (ii) motor-driven appliances, such as blender, mixer and electric can opener; and (iii) electronic appliances such as digital scale, humidifier and laser projector light. We also offer non-electric household goods such as garden hose and cookware. The following table sets forth the breakdown of the revenue of our Group by product type during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Electric home appliances										
– Electro-thermic appliances	572,916	38.7	459,013	41.8	499,099	42.0	191,078	34.3	296,238	48.2
– Motor-driven appliances	365,729	24.7	317,623	29.0	321,937	27.1	123,071	22.1	127,415	20.7
– Electronic appliances	188,518	12.7	122,997	11.2	111,570	9.4	60,670	10.9	43,885	7.2
Subtotal	1,127,163	76.1	899,633	82.0	932,606	78.5	374,819	67.3	467,538	76.1
Non-electric household goods										
– Garden hose	326,168	22.0	181,460	16.5	221,788	18.7	164,461	29.5	135,033	22.0
– Others *(note)*	27,027	1.9	15,872	1.5	33,927	2.8	17,621	3.2	11,852	1.9
Subtotal	353,195	23.9	197,332	18.0	255,715	21.5	182,082	32.7	146,885	23.9
Total	1,480,358	100.0	1,096,965	100.0	1,188,321	100.0	556,901	100	614,423	100.0

Note: Others include cookware, cleaning tools and other household goods etc.

During the Track Record Period, our total sales decreased from RMB1,480.4 million for FY2021 to RMB1,097.0 million for FY2022. Such decrease was primarily due to the fact that the pandemic has prompted more people to stay at home and reduce social gathering, which has in turn boosted our sales of electric home appliances and non-electric household goods during FY2020 and FY2021. Subsequently, in FY2022, our sales returned to our pre-pandemic level. In addition, our sales of garden hoses decreased by RMB144.7 million in FY2022, compared with FY2021, as we initiated product upgrade for garden hoses in FY2022 and during the same year, our sales of older version of garden hoses have decreased.

The following table sets forth the breakdown of the gross profit and gross profit margin of our Group by product type during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Electric home appliances										
– Electro-thermic appliances	50,952	8.9	63,665	13.9	88,944	17.8	28,551	14.9	51,711	17.5
– Motor-driven appliances	36,707	10.0	50,132	15.8	67,057	20.8	22,477	18.3	20,167	15.8
– Electronic appliances	39,282	20.8	35,201	28.6	38,650	34.6	22,368	36.9	15,711	35.8
Subtotal	126,941	11.3	148,998	16.6	194,651	20.9	73,396	19.6	87,589	18.7
Non-electric household goods										
– Garden hose	128,894	39.5	72,876	40.2	85,082	38.4	65,142	39.6	47,414	35.1
– Others *(Note)*	3,680	13.6	1,996	12.6	6,288	18.5	3,707	21.0	2,407	20.3
Subtotal	132,574	37.5	74,872	37.9	91,370	35.7	68,849	37.8	49,821	33.9
Total/Overall gross profit margin	**259,515**	**17.5**	**223,870**	**20.4**	**286,021**	**24.1**	**142,245**	**25.5**	**137,410**	**22.4**

Note: Others include cookware, cleaning tools and other household goods etc.

The gross profit of our Group decreased by RMB35.7 million or 13.8% from RMB259.6 million for FY2021 to RMB223.9 million for FY2022. Such decrease was primarily due to the declined revenue in FY2022, partially offset by the improvement of our overall gross profit margin from 17.5% in FY2022 to 20.4% in FY2023, primarily reflected by the increased gross profit margin of our electric home appliances. Gross profit margin of our electric home appliances increased from 11.3% in FY2021 to 16.6% in FY2022 primarily attributable to (i) the depreciation of RMB against US dollars for FY2022, which in turn resulted in a higher average selling prices of our products; and (ii) the increase in sales of products with higher gross profit margin, such as mechanical air fryer.

The gross profit of our Group increased by RMB62.1 million or 27.7% from RMB223.9 million for FY2022 to RMB286.0 million for FY2023, which was primarily due to revenue growth in most product categories and the improvement of our overall gross profit margin. The increase in our overall gross profit margin for FY2023 was mainly driven by the increase of gross profit margin of electric home appliances, which was mainly due to that the percentage increase in the average selling price of these appliances exceeded the percentage increase in average costs of sales of these products. The increase of profit margin of electric home appliances was partially offset by the decrease of gross profit margin of garden hose in FY2023, as the increase in average cost of sales outweigh the increase in average selling price of garden hose, following its successful upgrade in FY2022.

Despite that we recorded an increase of 10.3% in our revenue for 1HFY2024 as compared to 1HFY2023, our gross profit decreased by RMB4.8 million or 3.4% from RMB142.2 million for 1HFY2023 to RMB137.4 million for 1HFY2024, mainly because our gross profit margin decreased from 25.5% to 22.4% during the same period. The decrease in our Group's gross profit was primarily due to the decrease in gross profit margin of garden hose and motor-driven appliances. The aggregate sales amount of garden hoses and motor-driven appliances account for 51.6% and 42.7% of our total sales for 1HFY2023 and 1HFY2024, respectively.

The table below sets out the breakdown of average selling price and sales volume by product category for FY2021, FY2022, FY2023, 1HFY2023 and 1HFY2024:

	FY2021		**FY2022**		**FY2023**		**1HFY2023**		**1HFY2024**	
	Average selling price *(per unit)* *RMB*	**Volume** *(units)* *('000)*	**Average selling price** *(per unit)* *RMB*	**Volume** *(units)* *('000)*	**Average selling price** *(per unit)* *RMB*	**Volume** *(units)* *('000)*	**Average selling price** *(per unit)* *RMB*	**Volume** *(units)* *('000)*	**Average selling price** *(per unit)* *RMB*	**Volume** *(units)* *('000)*
Electric home appliances										
– Electro-thermic appliances	83.3	6,881	91.6	5,012	80.3	6,215	83.5	2,288	78.0	3,797
– Motor-driven appliances	59.9	6,110	60.6	5,241	55.5	5,802	56.7	2,170	54.7	2,331
– Electronic appliances	45.5	4,141	49.5	2,484	55.0	2,028	57.2	1,060	56.7	774
Non-electric household goods										
– Garden hose	53.2	6,131	58.9	3,082	59.7	3,713	62.9	2,615	55.0	2,453
– Others *(Note)*	10.3	2,616	4.5	3,497	8.9	3,818	8.9	1,970	9.3	1,280

Note: Others include cookware, cleaning tools and other household goods etc.

Summary of Consolidated Statement of Financial Position

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Total current assets	890,070	730,463	924,726	972,519
Total current liabilities	660,263	450,481	599,301	625,252
Net current assets	**229,807**	**279,982**	**325,425**	**347,267**
Total non-current assets	358,831	490,311	625,566	666,909
Total non-current liabilities	7,225	107,126	166,056	168,902
Total equity	**581,413**	**663,167**	**784,935**	**845,274**

Our Group's net current assets increased by 21.8% from RMB229.8 million as at 31 December 2021 to RMB280.0 million as at 31 December 2022, mainly due to (i) a decrease in borrowings of RMB134.2 million and (ii) a decrease in trade and bills payables of RMB84.9 million, which were partially offset by (i) a decrease in inventory of RMB70.7 million and (ii) a decrease in trade and bills receivables of RMB70.9 million.

Our Group's net current assets increased by 16.2% from RMB280.0 million as at 31 December 2022 to RMB325.4 million as at 31 December 2023, mainly due to an increase in bank balances and cash of RMB166.8 million which was partially offset by an increase in trade and bills payables of RMB65.8 million and an increase in other payables and accruals of RMB39.3 million.

Our net current assets increased by 6.3% from RMB325.4 million as at 31 December 2023 to RMB347.3 million as at 30 June 2024. Such increase was mainly due to (i) an increase in inventory of RMB47.3 million (ii) an increase in trade and bills receivables of RMB34.8 million and (iii) a decrease in other payables and accruals of RMB28.2 million, which were partially offset by (i) a decrease in bank balances and cash of RMB51.3 million, a decrease in other payables and accruals of RMB28.2 million and (ii) an increase in borrowings of RMB31.2 million.

Summary of Consolidated Statements of Cash Flows

	FY2021	FY2022	FY2023	1HFY2023	1HFY2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating cash flows before movements in working capital changes	166,509	168,075	215,977	115,935	90,995
Change in working capital	(138,290)	62,297	52,827	(4,410)	(57,649)
Income tax paid	(10,230)	(5,908)	(26,014)	(13,697)	(11,283)
Net cash generated from operating activities	17,989	224,464	242,790	97,828	22,063
Net cash used in investing activities	(36,223)	(116,446)	(112,103)	(60,614)	(97,177)
Net cash generated from/(used in) financing activities	16,163	(108,484)	24,598	34,468	12,751
Net (decrease)/increase in cash and cash equivalents	**(2,071)**	**(466)**	**155,285**	**71,682**	**(62,363)**
Effect of foreign exchange rate changes	(10,028)	17,149	11,493	9,556	11,043
Cash and cash equivalents at the beginning of year/period	376,976	364,877	381,560	381,560	548,338
Cash and cash equivalents at the end of year/period	**364,877**	**381,560**	**548,338**	**462,798**	**497,018**

Net cash generated from operating activities in 1HFY2024 was RMB22.1 million, which was primarily attributable to our profit before tax for 1HFY2024 of RMB70.9 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included, increase in trade and bills payables of RMB47.0 million, and (ii) negative adjustments, which primarily included increase in inventories of RMB44.4 million, increase in trade and bills receivables of RMB34.2 million and decrease in contract liabilities of RMB14.5 million.

Net cash generated from operating activities in FY2023 was RMB242.8 million, which was primarily attributable to our profit before tax for FY2023 of RMB146.7 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included, depreciation of property, plant and equipment of RMB40.0 million, depreciation of right-of-use assets of RMB24.9 million and increase in trade and bills payables of RMB65.8 million, and (ii) negative adjustments, which primarily included interest income of RMB10.2 million and increase in trade and bills receivables of RMB15.3 million.

Net cash generated from operating activities in FY2022 was RMB224.5 million, which was primarily attributable to our profit before tax for FY2022 of RMB91.9 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily include depreciation of property, plant and equipment of RMB47.1 million, depreciation of right-of-use assets of RMB23.7 million, decrease in inventories of RMB66.2 million, decrease in trade and bills receivables of RMB68.5 million, decrease in other receivables, prepayments and others of RMB17.8 million, and (ii) negative adjustments, which primarily included decrease in trade and bills payables of RMB84.9 million.

Net cash generated from operating activities in FY2021 was RMB18.0 million, which was primarily attributable to our profit before tax for FY2021 of RMB83.2 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included depreciation of property, plant and equipment of RMB50.9 million, depreciation of right-of-use assets of RMB23.6 million, and (ii) negative adjustments, which primarily included increase in trade and bills receivables of RMB8.6 million, decrease in trade and bills payables of RMB89.0 million and decrease in contract liabilities of RMB23.8 million.

KEY FINANCIAL RATIOS

	For the year ended/As at 31 December			For the six months ended/As at 30 June
	2021	2022	2023	2024
Current ratio(1)	1.3 times	1.6 times	1.5 times	1.6 times
Quick ratio(2)	1.0 times	1.2 times	1.3 times	1.2 times
Return on equity(3)	12.3%	12.1%	15.5%	N/A(4)
Return on total assets(5)	5.7%	6.6%	7.8%	N/A(4)
Gearing ratio(6)	42.9%	27.2%	31.4%	34.5%

Notes:

(1) Current ratio is calculated by dividing current assets with current liabilities as at the end of the respective year/period.

(2) Quick ratio is calculated by dividing total current assets net of inventory with current liabilities as at the end of the respective year/period.

(3) Return on equity is calculated by profit for the year/period attributable to owners of our Company divided by equity attributable to owners of our Company as at the end of the respective year/period multiplied by 100%.

(4) This semi-annual number is not meaningful as it is not comparable to the annual numbers.

(5) Return on total assets is calculated by profit for the year/period attributable to owners of our Company divided by total assets as at the end of the respective year/period multiplied by 100%.

(6) Gearing ratio is calculated based on the total borrowings divided by total equity as at the end of respective year/period multiplied by 100%.

For an analysis of our key financial ratios, please see "Financial Information – Key Financial Ratios" in this document.

[REDACTED] STATISTICS

Unless otherwise indicated, all statistics in the following table are based on the assumptions that (i) the **[REDACTED]** has been completed and **[REDACTED]** are issued pursuant to the **[REDACTED]**; and (ii) the **[REDACTED]** is not exercised:

	Based on an [REDACTED] of HK$[REDACTED] per Share	Based on an [REDACTED] of HK$[REDACTED] per Share
[REDACTED] of our Shares *(Note 1)*	HK$**[REDACTED]** million	HK$**[REDACTED]** million
Unaudited **[REDACTED]** adjusted consolidated net tangible assets of our Group per Share *(Note 2)*	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

1. The calculation of **[REDACTED]** is based on the total number of **[REDACTED]** Shares, being the total of 204,659,509 Domestic Unlisted Shares and **[REDACTED]** H Shares expected to be issued immediately upon completion of the **[REDACTED]** assuming the **[REDACTED]** is not exercised.

2. The unaudited **[REDACTED]** adjusted consolidated net tangible asset of our Group per Share as at 30 June 2024 is calculated after making the adjustments referred to "Appendix II – Unaudited **[REDACTED]** Financial Information – A. Unaudited **[REDACTED]** Statement of Adjusted Consolidated Net Tangible Assets of our Group Attributable to Owners of our Company".

[REDACTED] EXPENSES

Our total **[REDACTED]** expenses are expected to be HK$**[REDACTED]** million, which is approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** (assuming **[REDACTED]** will not be exercised and based on the mid-point of the indicative **[REDACTED]** range) with (i) an amount of approximately HK$**[REDACTED]** million being directly attributable to **[REDACTED]** will be deducted from our equity upon completion of the **[REDACTED]**; and (ii) an amount of approximately HK$**[REDACTED]** million to be charged to profit or loss of our Group. Such **[REDACTED]** expenses comprise **[REDACTED]**-related expenses of HK$**[REDACTED]** million and non-**[REDACTED]** expenses of HK$**[REDACTED]** million, which includes (i) professional fees paid and payable to the Sole Sponsor, legal advisers, and the reporting accountants of HK$**[REDACTED]** million, and (ii) fees paid and payable to other working parties and other expenses in relation to the **[REDACTED]** and the **[REDACTED]** of HK$**[REDACTED]** million.

During the Track Record Period, we did not incur any **[REDACTED]** expenses. The **[REDACTED]** expenses above are our Directors' best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive **[REDACTED]** from the **[REDACTED]**, after deducting the estimated **[REDACTED]** fees and expenses payable by us in the **[REDACTED]**, of approximately HK$**[REDACTED]** million (i.e. approximately RMB**[REDACTED]** million), assuming (i) an **[REDACTED]** of HK$**[REDACTED]** per Share, being the midpoint of the indicative **[REDACTED]** range, and (ii) no exercise of the **[REDACTED]**. In line with our strategies, we intend to use our **[REDACTED]** from the **[REDACTED]**:

- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, is expected to be used for setting up our Thailand Factory to enhance our global presence;

- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, is expected to be used for increasing the level of automation and digitalisation for sustainable growth. In particular, such **[REDACTED]** will be used for acquiring and installing machines and equipment;

- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, is expected to be used for setting up the New R&D Centre;

- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, is expected to be used for enlisting new brands to enhance our OBM business; and

- approximately **[REDACTED]**% of the **[REDACTED]**, or HK$**[REDACTED]** million, is expected to be used for the general working capital of our Group.

For details, please see "Future Plans and **[REDACTED]**" in this document.

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute any dividend.

In order to return capital to our Shareholders in line with our growth, we have adopted in our general dividend policy a dividend payout ratio of no less than 30% of our annual distributable net profit of the immediately preceding year for each of the three financial years upon **[REDACTED]** (including the year of the **[REDACTED]**) (the "**Initial Period**"). After the Initial Period, pursuant to such general policy, we will determine the dividend payout ratio with reference to our results of operations, cash flows, financial condition, operating and capital expenditure requirements, distributable profits and other factors that our Directors may consider relevant. We may declare and pay dividends by way of cash or by other means that we consider appropriate. The dividend payout ratio will be decided by our Board at their discretion and distribution of dividends will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law and any other applicable law and regulations.

COMPLIANCE

Except for non-compliance in relation to our (i) social insurance and housing provident fund contribution, (ii) owned properties and (iii) leased properties as disclosed in "Business – Legal Proceedings and Compliance – Non-compliance" and "Business – Properties", during the Track Record Period, our Directors confirm that our Group had not been involved in any non-compliance matters which had or may have a material adverse effect on its results of operations or financial conditions during the Track Record Period and up to the Latest Practicable Date.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Our business operation remained stable after the Track Record Period and up to the Latest Practicable Date and for the same period, there was no material change to our business and its industry, market or regulatory environment. After the Track Record Period and as at the Latest Practicable Date, we had entered into an agreement to purchase a parcel of land for setting up a new production site in Rayong Province, Thailand and we had paid a first instalment of the land price of RMB6.3 million. For further details, please see "Business – Our Strategies – Set up our Thailand Factory to enhance our global presence" in this document.

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial operational and/or trading position or prospects of our Group since 30 June 2024, which is the end date of the period reported on in the Accountants' Report in Appendix I to this document, and there is no event since 30 June 2024 and up to the date of this document which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

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

"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	Accounting and Financial Reporting Council
"Aigrentrading"	AigrentradingCo., Ltd.* (湖北艾格麗經貿有限公司), a limited liability company established in the PRC on 26 April 2013 and a directly wholly-owned subsidiary of our Company
"Aisijie Factory"	our production facilities in Shenzhen, Guangdong Province, the PRC
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company, conditionally adopted by the then Shareholders on 24 September 2024 which will become effective on the **[REDACTED]**, as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix V to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	the Board of Directors of our Company
[REDACTED]	**[REDACTED]**
"business day"	a day on which banks in Hong Kong are generally open to the public for normal banking business and which is not a Saturday, Sunday or public holiday in Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

DEFINITIONS

"China" or "PRC"	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires, references in this document to ''China'' or the ''PRC'' do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance" or "Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	X.J. Electrics (Hu Bei) Co., Ltd* (湖北香江電器股份有限公司), a joint stock company with limited liability established in the PRC on 23 July 2012
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing. For further details, please see "Relationship with Our Controlling Shareholders" in this document
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"COVID-19"	a respiratory illness that was first reported in December 2019 and officially named by the World Health Organisation as COVID-19
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the director(s) of our Company, including all executive and independent non-executive Directors

"Domestic Unlisted Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are not listed on any stock exchange
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
"EU"	European Union
[REDACTED]	**[REDACTED]**
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent industry consultant commissioned by us to prepare the F&S Report
"F&S Report"	an independent market research report, commissioned by our Company and prepared by Frost & Sullivan
"FY2021"	the financial year ended 31 December 2021
"FY2022"	the financial year ended 31 December 2022
"FY2023"	the financial year ended 31 December 2023
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Goodlife Global"	Goodlife Global Imports Inc, a limited liability company established in the U.S. on 19 November 2021 and an indirectly wholly-owned subsidiary of our Company

"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries
[REDACTED]	**[REDACTED]**
"H Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each, which are to be **[REDACTED]** for and **[REDACTED]** in Hong Kong dollars and are to be **[REDACTED]** on the Stock Exchange
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"HNW Electronics"	HNW Electronics (Shenzhen) Co., Ltd.* (深圳市宏諾威電子有限公司), a limited liability company established in the PRC on 2 June 2020 and a directly wholly-owned subsidiary of our Company
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hongnuowei Factory"	our production facilities in Shenzhen, Guangdong Province, the PRC
"Hubei XJ Factory"	our production facilities in Huanggang, Hubei Province, the PRC
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
"Innovative (Jiangyin)"	Innovative (Jiangyin) Electronics Co., Ltd.* (益諾威(江陰)電子有限公司), a limited liability company established in the PRC on 5 September 2000 and a directly wholly-owned subsidiary of our Company
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
"International Sanctions"	all applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the United States, the EU and its member states, United Nations or Australia
"International Sanctions Legal Advisers"	Stephen Peepels, our legal advisers as to International Sanctions law
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Jikai Plastic Products"	Jikai Plastic Products (Shenzhen) Co., Ltd.* (暨凱塑料製品(深圳)有限公司), a limited liability company established by Mr. Pan Yun in the PRC on 29 May 1997, which was subsequently deregistered on 5 June 2012
"Latest Practicable Date"	[23 September 2024], being the latest practicable date for ascertaining certain information in this document before its publication
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	the date on which **[REDACTED]** in our H Shares first commence on the Main Board

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MeiNuoWei Electrics"	MeiNuoWei Electrics (HuiZhou) Co., Ltd.* (惠州市美諾威電器有限公司), a limited liability company established in the PRC on 9 March 2017 and a directly wholly-owned subsidiary of our Company
"Meinuowei Factory"	our production facilities in Huizhou, Guangdong Province, the PRC
"Nawu Technology"	Shenzhen Nawu Technology Co., Ltd.* (深圳市納吾科技有限公司), a limited liability company established in the PRC on 22 January 2020 and an indirectly wholly-owned subsidiary of our Company
"Nuocheng Electronic Commerce"	Shenzhen Nuocheng Electronic Commerce Co., Ltd.* (深圳市諾誠電子商務有限公司), a limited liability company established in the PRC on 20 January 2020 and an indirectly wholly-owned subsidiary of our Company
"OFAC"	the United States Department of Treasury's Office of Foreign Assets Control
[REDACTED]	**[REDACTED]**

DEFINITIONS

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"PRC Legal Advisers"	Zhong Lun Law Firm, legal advisers to our Company as to PRC Law
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	this document being issued in connection with the **[REDACTED]**
"PT Dingsheng"	PT Dingsheng Electrics Indonesia (鼎盛電器(印尼)有限公司*), a limited liability company established in Indonesia on 8 August 2023 and an indirectly wholly-owned subsidiary of our Company
"Qichun Hengxing"	Qichun Hengxing Technology Management Centre (Limited Partnership)* (蘄春恒興科技管理中心(有限合夥)), a limited partnership established in the PRC on 28 October 2016 whose sole general partner is Mr. Pan Yun, is an employee shareholding platform of our Company and is one of our Controlling Shareholders

[REDACTED]	**[REDACTED]**
"Regulation S"	Regulation S under the U.S. Securities Act
"Relevant Countries"	Egypt, Haiti, Lebanon, Russia, Ukraine and Venezuela
"Relevant Persons"	the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, any of their or our Company's respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the **[REDACTED]**
"Renminbi" or "RMB"	the lawful currency of the PRC
"R&D"	research and development
"SDN List"	the list of Specially Designated Nationals and Blocked Persons maintained by OFAC, which sets forth individuals and entities that are subject to its sanctions and restricted from dealing with U.S. persons
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of RMB1.00 each
"Shareholder(s)"	holder(s) of our Share(s)
"Shenzhen Branch"	X.J. Electrics (Hu Bei) Co., Ltd., Shenzhen Branch* (湖北香江電器股份有限公司深圳分公司), a branch office of our Company established in the PRC on 19 July 2017
"Sole Sponsor"	Sinolink Securities (Hong Kong) Company Limited, a licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities, being the sole sponsor of the **[REDACTED]**

[REDACTED]	**[REDACTED]**
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholders"	has the meaning ascribed to it in the Listing Rules
"THB"	Thai Baht, the lawful currency of Thailand
"THS Industrial"	THS Industrial Limited (泰鴻升實業有限公司), a limited liability company established in Hong Kong on 26 June 2017 and an indirectly wholly-owned subsidiary of our Company
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising FY2021, FY2022, FY2023 and 1HFY2024
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"United States", "U.S." or "US"	the United States of America
"USD", "US$" or "US dollars"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"U.S. Legal Advisers"	Law Offices of Bin Li & Associates
"Weighmax"	Weighmax Group (威麥絲公司), a limited liability company established in the U.S. on 30 March 2016 and a directly wholly-owned subsidiary of our Company
"Xiangjiang Plastic Products"	Xiangjiang Plastic Products (Shenzhen) Co., Ltd.* (深圳香江塑料製品有限公司), a limited liability company established in the PRC on 5 February 1990, which was subsequently deregistered on 4 November 2010

"X.J. Electrical Appliances"	X.J. Electrical Appliances Co., Ltd.* (惠州市香江智能電器有限公司), a limited liability company established in the PRC on 23 October 2020 and a directly wholly-owned subsidiary of our Company
"X.J. Electrics (Shenzhen)"	X.J. Electrics (Shenzhen) Co., Ltd.* (愛思傑電器(深圳)有限公司), a limited liability company established in the PRC on 12 August 2002 and a directly wholly-owned subsidiary of our Company
"X.J. Electrics (Thailand)"	X.J. Electrics (Thailand) Co., Ltd. (香江電器(泰國)有限公司*) a limited liability company established in Thailand on 23 April 2024 and an indirectly wholly-owned subsidiary of our Company
"X.J. Electronics (Shenzhen)"	X.J. Electronics (Shenzhen) Co., Ltd.* (遠特信電子(深圳)有限公司), a limited liability company established in the PRC on 7 June 2004 and a directly wholly-owned subsidiary of our Company
"XJ Intelligance Factory"	our product facilities in Huizhou, Guangdong Province, the PRC
"X.J. Group (HK)"	X.J. Group (HK) Limited (湖北香江電器(香港)股份有限公司), a limited liability company established in Hong Kong on 30 June 2014 and a directly wholly-owned subsidiary of our Company
"X.J. Management (Qichun)"	X.J. Management (Qichun) Limited Partnership* (蘄春華鈺科技管理中心(有限合夥)), a limited partnership established in the PRC on 18 November 2016 whose sole general partner is Mr. Pan Yun, is owned by Mr. Pan Yun and Mr. Guangshe Pan as to 70.37% and 29.63%, respectively, as at the Latest Practicable Date, and is one of our Controlling Shareholders
"Yinnowei Factory"	our production facilities in Jiangyiu, Jiangsu Province, the PRC
"Yuantexin Factory"	our production facilities in Shenzhen, Guangdong Province, the PRC
"%"	per cent
"1HFY2024"	the six months ended 30 June 2024

Unless expressly stated or the context otherwise requires, all information and data in this document is as of the Latest Practicable Date.

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

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

* *For identification purposes only*

This glossary contains explanations of certain terms used in this document in connection with our Group and our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"ERP system"	acronym for enterprise resource planning system, a type of software that organisations use to manage day-to-day business activities such as procurement
"OBM"	acronym for "original brand manufacturing", whereby products are design in-house and manufactured which ultimately will be branded under our self-owned brands for sale by us
"ODM"	acronym for "original design manufacturing", whereby products are design in-house and manufactured which ultimately will be branded under the customer's brand for sale by customers
"OEM"	acronym for "original equipment manufacturing", whereby products are manufactured in accordance with a customer's specifications for sale by customers under the customer's or third-party's brand
"PCBA"	acronym for printed circuit board assembly
"PCB"	acronym for printed circuit board
"SMT"	acronym for surface-mount technology, an assembly and production method that applies electronic components directly onto the surface of a PCB
"sq.m."	square metre(s)

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to our Group that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "might", "ought to", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to control or reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in "Business" and "Financial Information" with respect to trends in prices, operations, margins, overall market trends, and risk management; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of the Directors are made as of the date of this document. Any such information may change in light of future developments.

An **[REDACTED]** *in our H Shares involves significant risks. Potential* **[REDACTED]** *should read and consider carefully all the information set out in this document, and, in particular, should evaluate the following risks and uncertainties before deciding to make any* **[REDACTED]** *in our H Shares. Any of the risks and uncertainties listed below could have a material adverse effect on our business, results of operations, financial condition or on the* **[REDACTED]** *of our H Shares, and could cause you to lose all or part of your* **[REDACTED]**. *The risks and uncertainties identified below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations.*

These factors are contingencies that may or may not occur, and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorised into (1) risks relating to our industry and business, (2) risks relating to doing business in the PRC, and (3) risks relating to the **[REDACTED]**.

RISKS RELATING TO OUR INDUSTRY AND BUSINESS

We rely on few major customers, which, in aggregate, accounted for more than 60% of our total revenue during the Track Record Period.

A majority of our revenue is derived from a limited number of customers. For FY2021, FY2022, FY2023 and 1HFY2024, sales to our five largest customers accounted for 62.4%, 62.4%, 72.4% and 74.9% of our total revenue, respectively and sales to our largest customer of the relevant year/period accounted for 27.1%, 21.3%, 28.5% and 25.0% of our total revenue, respectively. During the Track Record Period, one of our major customers, namely, Telebrands, was the only customer of our garden hoses which represented 22.0%, 16.5%, 18.7%, 22.0% of our total revenue, for FY2021, FY2022, FY2023 and 1HFY2024, respectively.

Our current concentration on a few significant customers exposes us to the risks of substantial losses if such major customers stop engaging in businesses with us or significantly reduce orders to us. Specifically, any of the following events, among others, may cause material fluctuations or declines in our revenue and have a material and adverse effect on our business, financial condition and results of operations:

- the reduction, delay or cancellation of purchase orders from one or more of our significant customers;

- the reduction in the purchase price of our products;

- the rejection of products manufactured by us for one or more of our significant customers due to manufacturing defects or other reasons;

- the loss of one or more of our significant customers and our failure to identify and obtain additional or replacement customers that can replace the lost sales volume at satisfactory pricing or other terms; or

- the failure or inability of any of our significant customers to make timely payment for our products.

We anticipate that our dependence on a limited number of major customers will continue for the foreseeable future. We cannot assure you that our customer relationships will continue to develop or if these customers will continue to generate significant revenue for us in the future. Any failure to maintain our existing customer relationships or to expand our customer base will materially and adversely affect our results of operations and financial condition.

We do not have long-term purchase commitments from most of our customers, which may subject us to uncertainty and revenue volatility from period to period.

We do not have long-term purchase commitments from our customers. While certain our customers may provide us their procurement forecast, orders are confirmed made on a purchase order basis. We cannot assure you that the production volume or purchaser orders will be consistent with our expectation when we plan for our expenditures. Cancellations, reductions or postponements of purchase orders by a major customer or by a group of customers could adversely affect our business, financial condition and results of operations.

In addition, we make significant decisions, including determining the levels of business that we will seek and accept, production schedules, raw material procurement commitments, personnel needs and other resource requirements, based on our estimates of customer requirements. The nature of our customers' commitments and the possibility of rapid changes in demand for their products reduce our ability to accurately estimate future customer requirements. On occasion, customers may require rapid increases in production which can strain our resources. We may not be able to increase our manufacturing capacity at any given time to meet our customers' demands. On the other hand, a reduction in customer demand may negatively impact our financial condition, result of operations and prospect.

Our Group is exposed to currency risk.

Our consolidated financial results are affected by currency exchange rate fluctuations. During the Track Record Period, our export sales to regions outside of the PRC are usually denominated in USD. On the other hand, our costs, including our transactions with our top five suppliers, are generally denominated in RMB. Accordingly, fluctuations in exchange rate of USD and RMB may affect our price competitiveness and harm our business operation and financial performance. For FY2021, we recorded a net foreign exchange loss of RMB6.8 million. For FY2022, FY2023 and 1HFY2024, we recorded a net foreign exchange gain of RMB14.4 million, RMB9.9 million and RMB8.8 million, respectively.

Furthermore, our multi-country operations subject us to foreign exchange fluctuations on translation from functional currencies of our foreign operation to our presentation currency (i.e. RMB). We have subsidiaries in the United States, Indonesia, and Thailand, and most of our foreign operations are denominated in its local currency which is different from our presentation currency. Therefore, we are exposed to foreign currency risks related to exchange differences arising on translation of foreign operations. For FY2022 and FY2023, we recorded positive exchange differences arising on translation of foreign operation of RMB1.5 million and RMB0.3 million, respectively. For FY2021 and 1HFY2024, we recorded negative exchange differences arising on translation of foreign operation of RMB0.3 million and RMB0.2 million, respectively. As a result of foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations.

During the Track Record Period, we had entered into foreign currency forward contracts with a view to manage risks associated with foreign exchange fluctuations. All of our foreign currency forward transactions had been settled by FY2022 and we had not entered into foreign currency forward contracts since then. For FY2021 and FY2022, we incurred loss from disposal of foreign currency forward contracts in the amount of RMB0.2 million and RMB8.0 million, respectively.

Trade tension between the United States and the PRC may adversely affect our business, financial conditions and results of operation.

Due to the Sino-U.S. trade tension in recent years, trading activities of certain products exported from the PRC to the U.S. were impacted. During the Track Record Period, a significant portion of our revenue was derived from the sale of our products to the U.S. as shipment destination, while our products are manufactured in the PRC. During the Track Record Period, sales of our products with the U.S. as the shipment destination accounted for 70.3%, 68.8% 80.6% and 77.0% of our total revenue, respectively. Since 2018, the Office of the U.S. Trade Representative has released different lists of Chinese imported goods to be the subject of different level of tariffs. Please see " Appendix IV – Summary of Principal Legal and Regulatory Provisions – The U.S." for details of the relevant U.S. laws and regulations. Although, as advised by our U.S. Legal Advisers, the liability for payment for the U.S. import duties lies with the importer of the goods (i.e. our customers), we cannot assure you that our sales to the U.S. in the future will remain unaffected or how our sales will be affected in light of the significant uncertainties to the development of the trade tension. Any trade restrictions imposed by the U.S. on our products may significantly increase our U.S. customers' purchase costs of our products and hence lower our competitiveness. Our customers may look for alternative suppliers as a result of any trade restrictions imposed by the U.S. The uncertainty on the trade restrictions resulting from the Sino-U.S. trade tension may cause difficulties for our customers to project their purchasing plans and may cause them to reduce their orders from us, as such, our financial position, business and results of operations could be materially and adversely affected. Also, in recent years, in addition to import tariffs, there have been others steps taken by U.S. government to impose restrictions on trade with China, affecting areas such as, transfer of data and protection of intellectual property, which may eventually affect our sales to the U.S. in the future. If we are subject to any anti-dumping allegation or investigation, we may need to incur material legal costs and divert the effort of our management in defending ourselves against such allegation or investigation, and the sales of our products in the relevant country may be adversely affected if we do not succeed in these proceedings. Any further escalation in these trade tensions could negatively impact our sales into the U.S., whether due to tariffs, duties, export controls, restrictions on market access, or other measures. Consequently, our business, results of operations, financial condition and propsect may be adversely and materially affected.

Our business is subject to legal, regulatory, political, economic, commercial and other risks associated with conducting operations in overseas markets.

We derive a significant portion of our revenues from our overseas operations. During the Track Record Period, we generated over 90% of our revenue from overseas market. Our products are shipped to over 70 countries and regions during the Track Record Period and we have subsidiaries in Hong Kong, the United States, Indonesia and Thailand. Accordingly, we face numerous risks, including legal, regulatory, political, economic, commercial and other risks associated with conducting operations in various jurisdictions, any of which could negatively affect our financial performance. While North America is our major market at present, our risk exposure is not limited to that arisen from the U.S. market. For details of our risks specifically related to our sales to U.S., please see " – Trade tension between the United States and the PRC may adversely affect our business, financial conditions and results of operation." in this section. These risks associated with overseas market include the following, which may affect demand of our Group's products:

- legal, regulatory, political and economic changes;
- changes in foreign tax rules, regulations and other requirements, such as changes in tax rates and statutory and judicial interpretations of tax laws;
- changes in international trade policies and regulations including those in relation to economic sanctions, export controls, and import restrictions, as well in trade barriers such as imposition of tariffs;
- difficulty in coping with possible conflict of laws resulting from sanctions and import/export controls measures of different jurisdictions where we operate;

- changes in foreign country regulatory requirements, including data privacy laws;
- complexities relating to compliance with foreign anti-bribery, anti-corruption and anti-money laundering regulations and antitrust laws;
- difficulty in obtaining or enforcing intellectual property rights;
- difficulty in enforcing agreements and collecting overdue receivables through local legal systems;
- changes in geopolitical situations especially those in jurisdictions where we do business;
- foreign currency exchange rate fluctuations;
- strict foreign exchange controls and cash repatriation restrictions;
- inflation and/or deflation, and changes in interest rates;
- misconduct by our customers beyond our control, including but not limited to breaching the agreements with them, policies that we require them to adhere to, and laws and regulations of various jurisdictions that are applicable to them;
- labour disputes and work stoppages at our operations and suppliers; and
- increased costs associated with maintaining the ability to understand local markets and follow their trends, as well as develop and maintain an effective marketing and distribution presence.

We are subject to various laws and regulations of different jurisdictions in which we operate and are required to obtain and comply with various permits, licences, certificates, consents and other approvals from administrative authorities. Each approval is dependent on the satisfaction of certain conditions and failure to obtain governmental approvals could have an adverse effect on our operations. We are also subject to inspections, examinations, inquiries and audits by governmental authorities as part of the process of maintaining or renewing our permits, licences or certificates. There can be no assurance that we will be able to fulfil the pre-conditions necessary to obtain the required governmental approvals or that we will be able to adapt to new laws, regulations or policies that may come into effect from time to time with respect to our operations. There may be delays on the part of relevant administrative bodies in reviewing our applications and granting approvals. In recent years, there have been heightened complexity in international relations. There is no guarantee that we would only be subject to the risks associated with the geopolitical tension between the PRC and the U.S. If the relationship between the PRC and other countries deteriorates, other risks in addition to those we currently face may arise. In the event we are not able to manage the aforementioned risks, whether individually or collectively, partly or at all, our business, financial condition and results of operations may be materially and adversely affected.

The rights to use certain leased properties could be challenged by third parties or relevant authorities, and we may be forced to relocate due to title defects of such leased properties.

We lease certain properties in the PRC as our production facilities, which form part of our Aisijie Factory, Yuantexin Factory and Hongnuowei Factory. Lessors of such leased properties have not obtained relevant title ownership certificates. For details, please see "Business – Properties – Leased Properties – Defects in our leased properties" in this document. As a result of such title defects, there is a risk that our right to occupy and use such leased properties may face challenges by the property owners. Moreover, the leased properties may be subject to the order of demolition or relocation. If any of these risks is materialised, we may not be able to locate suitable alternative sites for our use. The occurrence of any of such events could cause material adverse impacts on our business, financial condition, results of operations and prospects.

We have not obtained ownership certificates for and had non-compliance with some of our owned properties and we may incur loss if we become subject to the relevant penalties.

As at the Latest Practicable Date, we had not obtained ownership certificates for and had non-compliance with certain properties situated in our Yinuowei Factory, Hubei XJ Factory and XJ Intelligence Factory. For details, of the background and potential consequence of such title defects and non-compliance, please see "Business – Properties – Owned properties without ownership certificates" and "Business – Legal Proceedings and Compliance – Non-compliance – Production facilities in XJ Intelligence Factory" in this document. If we are forced to demolish and/or relocate from the aforementioned properties, we may have to incur demolition and/or relocation costs. Moreover, if we cannot identify suitable replacement properties at a timely manner or at a manageable cost, or at all, our production, and hence our business, results of operations, financial condition and prospects may be materially and adversely affected. In addition, if we are penalised by the relevant authority due to the non-compliance in relation to XJ Intelligence Factory, we may be liable for penalties and order of suspension. In this case, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We rely on our suppliers and subcontractors to deliver materials or provide services as required in terms of time, cost, quality and quantity.

We rely on our suppliers and subcontractors to deliver materials or provide services for our production. Shun Liang Fa Industrial (Shenzhen) Co., Ltd.* (and its related party, Hubei Yixiong Industrial Technology Co., Ltd.*), our overall largest supplier and the largest supplier for our manufacture of garden hoses (which supplied fabric cover and provided pipe assembly and tube extrusion processing services) accounted for 8.9%, 7.2%, 9.4% and 5.8% of our total purchase during the Track Record Period. Generally, we make our procurement for materials and services on an as-need basis and we did not enter into long-term agreement which stipulates supply commitment with our suppliers/subcontractors during the Track Record Period. Accordingly, although, taking into account their respective representation out of our total purchase and the availability of alternative supplier for the same raw materials and services, we do not have material reliance on our suppliers/subcontractors, including Shun Liang Fa Industrial (Shenzhen) Co.,Ltd.* if we are unable to procure raw materials and services in the quantity, of a quality or at a price that we require, our business, operation, financial performance and reputation will be adversely affected. Moreover, there is no assurance that we will be able to monitor the performance of our suppliers and subcontractors as directly and efficiently as with our own staff. Our ability to complete orders could be impaired if we are unable to make procurement from suitable suppliers and subcontractors at reasonable costs or at all. If a supplier or subcontractor fails to provide materials or services as required, we may need to source substitutes on a delayed basis or at a higher replacement cost than anticipated, which may have an adverse impact on our profitability. If the performance of a subcontractor or the quality of raw materials does not meet our standards, our reputation may be harmed and we may be exposed to litigation and damage claims from our customers, which may in turn adversely and materially affect our business, financial condition and results of operations.

Our financial results may be subject to tax risks relating to our transfer pricing arrangement.

During the Track Record Period, there were intra-group transactions among our subsidiaries in Hong Kong, the PRC and the U.S. Accordingly, our tax position may be subject to review and possible challenge by the relevant government authorities due to the existence of intra-group transactions. For further details regarding our transfer pricing arrangement, please see "Business – Transfer Pricing Arrangement" in this document. We cannot assure you that the relevant tax authorities in Hong Kong, the PRC and the U.S. would not challenge the transfer pricing arrangement of our Group. If any regulatory tax authority disagrees with our assessment and determines that our transfer pricing arrangements do not comply with the relevant transfer pricing laws and regulations, we may face adverse tax consequences, such as the payment of outstanding tax, statutory interest or tax penalty. Such adverse tax consequences could result in a higher overall tax liability for our Group and may adversely affect our business, financial condition and results of operation.

We did not make adequate contributions to social insurance and housing provident fund and additional payment may adversely and materially affect our results of operation and financial condition.

Under the applicable PRC laws and regulations, we are required to register with the relevant authorities in respect of social insurance and housing provident fund and to contribute social insurance and housing provident fund for their employees. During the Track Record Period, we failed to comply with the relevant PRC laws and regulations in relation to social insurance and housing provident fund. For FY2021, FY2022, FY2023 and 1HFY2024, the outstanding social insurance and housing provident fund amounted to RMB2.3 million, RMB1.7 million, RMB2.2 million and RMB1.3 million, respectively. please see "Business – Legal Proceedings and Compliance – Non-compliance – Social Insurance and Housing Provident Funds" in this document for details. If an employer fails to pay its social insurance contributions in accordance with the Social Insurance Law of the PRC (中華人民共和國社會保險法), the regulator may demand that the employer to pay all outstanding social insurance contributions within a prescribed time limit. The employer may also be subject to a surcharge at a daily rate of 0.05% on the outstanding amount, accruing from the date when the social insurance funds are due. If the employer fails to make such payment within a prescribed time limit, the relevant authority may impose an additional fine of one to three times the outstanding amount. If an employer fails to pay its housing provident fund contributions in accordance with the Administrative Regulations on the Housing Provident Fund of the PRC (中華人民共和國住房公積金管理條例), the regulator has the power to order the employer to make contribution within a prescribed time limit and if the employer fails to act accordingly, an application of compulsory enforcement can be made to the People's Court of the PRC.

In the event that we are required to pay the outstanding of social insurance and housing provident fund or be penalised as a result of our failure to make contribution to the social security insurance and housing provident fund in respect of all of our employees by relevant governmental authorities, our operating expenses will increase and consequently our results of operation and financial condition will be adversely and materially affected.

We operate in a highly competitive industry.

We manufacture electric home appliances and non-electric household goods for export. We compete principally in terms of our product design, development and production capabilities, scale of production capacity, product quality and ability to deliver quality products in compliance with stringent international standards. Our products compete in highly competitive markets that include intense price competition, frequent introduction of new products, short product life cycles, rapid adoption of product advancements and diverse preferences of consumers. We also see competition from companies who use lower prices or other means to provide more attractive solutions to customers. Thus, we may not compete successfully against our competitors.

Our competition is increasing as the technology and markets mature. Current competitors and new entrants may seek to develop new offerings, technologies or capabilities that could render many of our products obsolete or less competitive. In addition, our competitors may attract our current and potential customers to favour their products and therefore reduce our sales volume. The occurrence of any of these circumstances may hinder our growth and our ability to compete and reduce our market share and in turn materially and adversely affect our business, results of operations, financial condition and prospects.

Any disruption of our current production facilities could reduce or restrict sales and materially and adversely affect our business.

As at the Latest Practicable Date, we had seven production facilities in the PRC and one production facilities in Indonesia. Natural disasters or other unanticipated catastrophic events, including storms, fires, explosions, earthquakes, terrorist attacks and wars, as well as changes in governmental planning for the land underlying our facility, could significantly impair our ability to manufacture our products and operate our business. If we experience any unanticipated situation that forces us to shut down our production facilities, our production will be severely disrupted, which may in turn materially and adversely affect our business and results of operations. Catastrophic events could also destroy any inventory located in our production facilities. The occurrence of any catastrophic event could result in the temporary or long-term closure of our production facilities, severely disrupt our business operations and materially and adversely affect our results of operations and financial condition.

We have leased properties, and we may not be able to renew current leases or relocate in a timely manner or a reasonable commercial terms.

Currently, we leased properties for our production facilities and offices in the PRC, Indonesia and the U.S. For details, please see "Business – Properties – Leased properties" in this document. We cannot assure you that our rights to use these premises may not be challenged or we will always be able to successfully renew such leases upon their expiry. If we are required to relocate certain of our leased properties, we may not be able to relocate in a timely manner or on reasonable commercial terms, which, in turn, may materially and adversely affect our operations. In addition, we would incur additional relocation costs, thus affecting our business operations and financial condition. Certain of our leased properties may also be exposed to the risk of invalid lease agreements under the relevant laws and regulations as a result of the lessors' failure to obtain valid proof of ownership of the property. If our lease agreements are deemed to be invalid and we are required to vacate the existing property, and we are unable to find alternative premises, our business operations will be adversely affected. Moreover, due to rapid rental increases, we may not be able to renew the existing leases at reasonable prices. Therefore, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms, in a timely fashion or at all, resulting in the closure or relocation of the leased properties, which could adversely affect our business and results of operations.

We may not be able to operate our production facilities in Indonesia and the proposed production facilities in Thailand as smoothly as those in the PRC.

As at the Latest Practicable Date, we had not commenced large-scale production at our production facilities in Indonesia and it is our plan to build a new production facility in Thailand. The operation of such overseas production facilities is subject to various risks, including those relating to political and economic instability, local labour market conditions, trade barriers, governmental expropriation and differences in business practices. We may incur increased costs or experience delays or disruptions in product deliveries that could cause loss of revenues and earnings. Unfavourable changes in the political, regulatory and business climates could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Any downtime for maintenance and repair of our equipment could lead to business interruptions that could be expensive and harmful to our reputation and to our business.

Our machinery and equipment may be subject to breakdowns. Significant downtime associated with the maintenance and repair of equipment used in our manufacturing facilities will result in temporary interruption of our production. Although we have implemented a comprehensive maintenance system for our facilities and equipment, including scheduled downtimes for maintenance and repairs and regular inspections of facilities and equipment, the failure of equipment manufacturers or our team to provide timely repairs on our equipment could interrupt the operation of our production facility for extended periods of time. Such extended downtime could result in lost revenue for us. We may lose customers and may be unable to regain those customers thereafter. As a result, our business and results of operations could be materially and adversely affected.

We grant credit terms to our customers and our working capital and cash flow position may be adversely affected if such customers fail to settle or delay in making their payments.

Our financial position and profitability are dependent on the creditworthiness of our customers. Currently, the normal credit term to the customers ranged between 30 to 135 days, depending on the past payment history and the length of business relationship with the relevant customers. For FY2021, FY2022, FY2023 and 1HFY2024, our trade receivables were RMB203.5 million, RMB135.2 million, RMB150.6 million and RMB184.8 million, respectively, while our trade and bills receivable turnover days were approximately 55 days, 63 days, 49 days and 55 days, respectively. For FY2021, FY2022 and FY2023, our total impairment provision of trade and bills receivables amounted to RMB19,000, RMB2.5 million and RMB2.0 million, respectively. For 1HFY2024, our total impairment reversed on trade and bills receivables amounted to RMB0.6 million.

We cannot guarantee that we will be able to successfully collect any or all of the debts due. We may encounter doubtful or bad debts due to a slow-down of industry growth, individual customer's deteriorating financial condition or otherwise in the future. Any failure on the part of our customers to settle or settle on time the amounts due may adversely affect our financial condition and operating cash flows, which may have a material adverse effect on our business and results of operations.

We expect to incur additional depreciation expenses from our future plans, which may adversely affect our results of operations and financial conditions.

We may be subject to significant depreciation expenses arising from our future plans, which encompasses construction of facilities and purchase of machineries and equipment when they are ready for use. Our consolidated financial information has been prepared in accordance with IFRSs. According to IFRSs, depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. Our buildings have estimated useful lives of 20 years, and our machinery and equipment are depreciated with useful lives of 10 years. For details of the depreciation expenses during the Track Record Period, please see Note 17 to the Accountants' Report in Appendix I to this document and for details of our future plans and strategies which will incur depreciation expenses, please see "Business – Our Strategies" and "Future Plans and **[REDACTED]**".

We estimate that the increase in depreciation and amortisation expenses associated with our future plans will be not less than RMB0.4 million and RMB12.4 million for the year ending 31 December 2025 and 2026, respectively. Such additional depreciation expenses would have a negative effect on our profitability, results of operations and financial conditions.

Our success depends on a stable and adequate supply of raw materials which are subject to price volatility and other risks.

For FY2021, FY2022, FY2023 and 1HFY2024, our costs of materials consumed amounted to RMB836.0 million, RMB600.5 million, RMB619.9 million and RMB334.0 million, representing 68.5%, 68.8%, 68.7% and 70.0% of our total cost of sales, respectively. The principal raw materials we use in our production include plastic and metal raw materials, components and accessories. As a result, our production volume and production costs depend on our ability to source quality key raw materials at competitive prices. If we are unable to obtain raw materials in the quantities, of a quality or at a price that we require, our production volume, quality of products and profit margins may be adversely affected. Raw materials used in our production are subject to price volatility caused by external conditions, such as market supply and demand, commodity price fluctuations, currency fluctuations, fluctuations in transportation costs, changes in governmental policies and natural disasters. Therefore, there is no assurance that our raw material cost will not increase significantly in the future. Our ability to pass increased raw material costs along to our customers may be limited by competitive pressure. We cannot assure you that we will be able to raise the prices of our products sufficiently to cover increased costs resulting from increases in the cost of our raw materials or overcome the interruption of sufficient supply of qualified raw materials for our products. As a result, any significant price increase of our raw materials may have an adverse effect on our profitability and results of operations.

If our current suppliers decide to terminate business relationships with us or if the raw materials supplied by our current suppliers fail to meet our standard, or if our current supplies of raw materials are interrupted for any reason, qualified suppliers may not be readily available and we may not be able to easily switch to other suppliers in a timely fashion, which may materially and adversely affect our business and financial results.

Failure to maintain optimal inventory levels could increase our inventory holding costs and obsolescence risk which could have a material adverse effect on our business, financial condition and results of operations.

Maintaining an optimal level of inventory is critical to the success of business. We are exposed to inventory risks as a result of a variety of factors beyond our control, including, changing market trends and consumer needs. We generally make our procurement on an as-need basis. We cannot assure you that we can accurately predict trends and possible events to avoid under or over-stocking inventory. While we have adopted an inventory policy which aims at optimising our inventory level, a sudden decrease in the market demand for our products could cause our inventory of raw materials to accumulate, which in turn may adversely affect our financial condition and results of operations. On the other hand, in the event of under-stocking inventory of raw materials, we may lose sales and our results of operations may be adversely affected.

Our results of operations could be adversely affected if we fail to keep pace with customer demands and consumer preferences for product design, research and development and manufacturing of our products.

Our success and continued development is dependent on our ability to develop new products and product technologies. Developing new products and product technologies are a complex process requiring high levels of innovation and skilled research and development personnel, as well as the accurate anticipation of technological and market trends. We cannot assure you that we will be able to identify and develop new products and product technologies successfully, if at all, or on a timely basis. In addition, we cannot assure you that products will be well received by customers and gain market acceptance.

The lifestyle household goods market is affected by consumer preferences as well as changes in consumers' spending patterns, which are often difficult to predict. Consequently, our success depends on our ability to accurately identify these factors and take them into account during our product planning and manufacturing process. This requires a combination of various elements, including, without limitation, accurate analysis and prediction of market trends, timely collection of consumer feedback, strong research and development capability and flexible and cost-effective product production. If we are unable to successfully anticipate, identify or timely react to changing consumer preferences or market trends or if we misjudge the market for our products, the growth and success of our business could be materially and adversely affected, potentially resulting in significant decreases in sales. Specifically, any of the following events, among others, may have a material and adverse effect on our business, financial condition and results of operations:

- failure to remain competitive in our product design, research and development capabilities;
- inability to maintain the high-quality of our manufacturing;
- failure to maintain our efficient and cost-effective production operation;
- inability to distribute our products in a timely and efficient manner in response to customer demand; or
- failure to recruit or train sufficient product design, research and development employees.

Our sales and results of operations are subject to seasonal variations.

There are certain seasonal patterns for purchases of our products due to holiday-driven promotions in different regions. For example, the major holidays in North America are concentrated in the latter half of the year, therefore, the peak number of sales in North America will generally coincide in the second half of the year. We expect the impact of seasonality on our business to remain in the future. The seasonality changes may cause fluctuations in our financial results and any occurrence that disrupts our product supply during our busy seasons could have a disproportionately material adverse effect on our business, financial condition and results of operations.

We could be adversely affected as a result of our operations in certain countries that are subject to evolving economic sanctions of the United States government, the United Nations Security Council, the EU and other relevant sanctions authorities.

The United States and other jurisdictions or organisations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries. During the Track Record Period, we generated a small amount of our revenue from the sales and/or deliveries of our products to customers located in the Relevant Countries. Our revenue generated from sales and/or deliveries to the Relevant Countries amounted to RMB8.2 million, RMB5.0 million, RMB7.4 million and RMB2.8 million, representing 0.6%, 0.5%, 0.6% and 0.5% of our total revenue for each of FY2021, FY2022, FY2023 and 1HFY2024, respectively. Other than our sales and/or deliveries to the Relevant Countries, we did not sell or deliver our products to any other countries subject to International Sanctions. Please see "Business – Business activities in countries subject to International Sanctions" in this document for further details.

We cannot predict the interpretation or implementation of government policy at the U.S. federal, state or local levels or the interpretation or implementation of any policy by the EU, the United Nations or the government of Australia or by the governments or agencies of other applicable jurisdictions with respect to any current or future activities by us or our affiliates in these countries. Our business and reputation could be adversely affected if the government of the United States, the EU, the United Nations or any governmental entities were to determine that any of our activities constitute violations of the sanctions they impose. In addition, as sanctions programmes evolve over time, new requirements or restrictions may render our business activities to be the subject of sanctions and increase our associated risks. In addition, in the event that any of our customers becomes subject to economic sanctions in the future, we may have to discontinue our business with such customers due to potential economic sanctions liability risks. In such events, our financial results may be materially and adversely affected.

We may be have intellectual property disputes with our customers and other third parties and may be exposed to intellectual property infringement.

Our success depends on our ability to protect the intellectual property rights of our customers and our intellectual property rights, including our self-owned brands such as "Weighmax", "Accuteck" and "Aigoli". Pursuant to the framework agreements we entered into with certain customers, we are bound by intellectual property-related obligations. We cannot assure you that our customers' designs, trademarks, patents and other intellectual property rights that we have access to during the manufacturing process will not be misappropriated despite the precautions and measures that we have taken to protect those rights. As at the Latest Practicable Date, we were not aware of any incident of failure to protect the intellectual property rights of our customers. In the event that our measures and precautions we have taken do not adequately safeguard our customers' intellectual property rights or at all, customers may initiate legal proceedings against us or even reduce or discontinue their purchase orders with us, which would have a material adverse effect on our business, financial condition and results of operations.

Moreover, we may be subject to claims from other parties such as industry participants and competitors alleging our infringement of their patents, trade marks and/or other intellectual property rights in the future. Any legal or administrative proceedings resulting from such allegations is likely subject us to significant liability and even to cause a declaration of invalidity of our existing intellectual property rights. These lawsuits or proceedings would be time-consuming and costly to resolve, and would divert much of our managerial attention and administrative resources. Any lawsuits or proceedings or threat of the same as instituted by other parties could necessitate us to:

- pay pecuniary damages to the claimant;
- stop selling or distributing products to which the technology or manufacturing processes bearing the allegedly infringing intellectual property apply;
- obtain from the claimant in respect of the relevant intellectual property rights a licence, which may not be available on a commercially acceptable terms or at all; and
- redesign those products that contain the allegedly infringing intellectual property with the replacement of non-infringing intellectual property, which may be technically or commercially impossible.

The outcome of a dispute arising from such kind of infringement allegations may force us to use non-infringing technology or, alternatively, negotiate and enter into royalty or licensing agreements with the owner of the intellectual property which may involve substantial time and costs. Accordingly, our business, financial condition and results of operations may be materially and adversely affected.

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

We rely on a combination of applicable intellectual property laws as well as confidentiality agreements to protect our trademarks, trade names, copyrights, product designs and other intellectual property rights. Details of our intellectual property rights are set out in "Appendix VII – Statutory and General Information – B. Further Information about Our Business – 2. Our Material Intellectual Property Rights" to this document. Our intellectual property rights may be subject to various forms of infringement. As at the Latest Practicable Date, we were not aware of any material violations or infringements of our trademarks, trade names, copyrights, patents or any other intellectual property rights.

Policing unauthorised use of proprietary technology is difficult and costly, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. Any such litigation may require significant expenditure of financial and managerial resources and could have a material adverse impact on our business, financial condition and results of operations. An adverse determination in any such litigation will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, given that the enforceability and scope of protection of proprietary rights in China are uncertain and still evolving, we may choose not to litigate or spend significant resources in litigation to enforce our intellectual property rights or to defend our patents against unauthorised use by third parties.

Our success depends largely on the continued service of our senior management and key technical personnel.

Much of our future success depends on the continued contributions of our senior management and other key employees, many of whom are difficult to replace. The loss of the services of any of our executive officers, our senior management and other highly skilled employees could harm our business. Competition for qualified talent is intense. Our future success depends on our ability to attract a large number of qualified employees and retain existing key employees. If we are unable to do so, our business and growth may be materially and adversely affected.

Our future success therefore depends, to a significant extent, on our ability to recruit, train or retain qualified personnel, particularly technical, marketing and other operational personnel with relevant experience. Our experienced mid-level managers are instrumental in implementing our business strategies, executing our business plans and supporting our business operations and growth. We can provide no assurance that we will be able to attract or retain qualified staff or other highly skilled employees that we will need to achieve our strategic objectives.

We may face labour shortages, increases in labour costs and labour disputes which could adversely affect our growth and results of operations.

Our production activities are dependent on the availability of a large number of labour. For FY2021, FY2022, FY2023 and 1HFY2024, our direct labour costs included in cost of sales amounted to RMB185.2 million, RMB120.8 million, RMB114.5 million and RMB56.9 million, representing 15.2%, 13.8%, 12.7% and 11.9% of our total cost of sales, respectively. Substantial shortage of labour, inefficient labour management or substantial number of labour disputes may result in disruption of our business operations, which may in turn have a material and adverse effect on our business, prospects, financial condition and results of operations. In addition, labour costs in China have been increasing in recent years and our labour costs in the PRC may continue to increase as well. If labour costs in the PRC continue to increase, our production costs will increase which may in turn affect competitiveness of our products. We may not be able to pass on these increased costs to consumers by increasing the selling prices of our products in light of competitive pressure in the markets where we operate. In such circumstances, our profit margin may decrease, which could have an adverse effect on our results of operations.

We are subject to various regulatory and customer-imposed guidelines and may not be successful in maintaining an effective quality control system.

In addition to PRC laws and regulations, we are subject to a variety of guidelines imposed by our customers relating to production safety, health and environmental conditions, and our customers may require us to implement an internal quality control system to perform various inspections over the course of the entire manufacturing process. In addition, most of our customers require us to comply with specific guidelines based on the U.S., EU and other international product safety and restricted and hazardous materials laws and regulations that are applicable in the jurisdictions into which they sell their products. We cannot assure you that our quality control system will continue to be effective in ensuring full compliance with our customers' stringent quality control requirements. Any significant failure or deterioration of our quality control system in respect of, among other things, our production process and product inspection, may seriously damage our product quality and have a material adverse effect on our reputation in the market among our existing or prospective customers, which may, in turn, lead to a reduction of orders or loss of customers in the future, harming our business, financial condition and results of operations.

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

We may be involved from time to time in disputes with various parties involved in our business operations, including but not limited to our customers, suppliers, employees, logistics service providers, insurers and banks. These disputes may lead to legal or other proceedings, which may result in damages to our reputation, substantial costs and diversion of our resources and management's attention. In addition, we may encounter additional compliance issues in the course of our operations, which may subject us to administrative proceedings and unfavourable results, and result in liabilities and delays relating to our production or product launch schedules. Regardless of the outcome of such legal proceedings, we may incur substantial cost and divert our resources, including our management's time and attention, to handle them. We cannot assure you as to the outcome of such legal proceedings, and any negative outcome may materially and adversely affect our business, financial condition and results of operations.

We are also exposed to potential product liability claims in the event that there is any damage caused by defective products. A successful product liability claim against us could require us to pay for substantial damages. Product liability claims against us, whether or not successful, are costly and time-consuming to defend, and have a negative impact on our brand image. Though we have never recalled any of our products in the past, in the event that our products prove to be defective, we may be required to redesign or recall such products. We cannot assure you that a product liability claim will not be brought against us in the future. A product liability claim, with or without merit, could result in significant adverse publicity against us, and could have a material adverse effect on the marketability of our products and our reputation, which in turn, could have a material adverse effect on our business, financial condition and results of operations.

There is no assurance that the implementation of our future plans will be successful.

We have formulated our future plans with the view to increase our market share and sustain business growth. The future plans of our Group as described in "Business – Our Strategies" and "Future Plans and **[REDACTED]**" in this document are based on current intentions and assumptions.

Whether our future plans can be implemented successfully may be affected by various factors which are beyond our control, such as business environment, economic conditions, market demand and regulatory framework, and other contingencies which are beyond are control. Such uncertainties and contingencies may lead to postponement of our future plans or may increase the costs of implementation. There can be no assurance that our future plans will materialise.

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

We believe that our current cash and cash equivalents and the anticipated cash flows from operations will be sufficient to meet our anticipated cash needs for the next 12 months. We may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. There can be no assurance that we can obtain additional funds on terms acceptable to us, or at all. In addition, our ability to raise additional funds in the future is subject to a variety of uncertainties, including, but not limited to:

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

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

Our business relies on the proper operation of our information technology infrastructure.

We depend on our information technology systems such as our ERP system to conduct our manufacturing and warehousing activities, manage risks, implement our internal control systems as well as oversee our business operations. Our ERP system enables us to monitor and exchange information on, among other aspects, our supply chain and retail network, from and among various enterprise departments. Any malfunctioning or breakdown of our information technology systems for an extended period of time may result in network disruption. Even worse, a serious dispute with our information technology service provider or termination of the service contract with such provider may materially and adversely affect our ability to give effect to a prompt and cost-effective maintenance and/or upgrade of our information technology infrastructure. We may also experience interruptions to our operations during regular upgrades or in the course of integration of new components with our existing network systems. Should any of the foregoing situation occur, our business, results of operations and growth prospects would likely be impacted to a material extent.

Past dividend records should not be treated as indicative of future dividend payments.

No dividend was declared and paid by our Company during the Track Record Period

Our Board has adopted a dividend policy with a pre-determined dividend payout ratio. For details, please see "Financial Information – Dividends". The payment and the amount of any dividends will depend on our results of operations, cash flows, financial condition, future prospects, capital expenditure, expansion plans and other factors that our Board may consider relevant. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Company in the future.

We may not continue to receive preferential tax treatment currently available to us, and the increase in enterprise income tax could decrease our net income and materially and adversely affect our financial condition and results of operations.

The rate of income tax assessable on companies in China may vary depending on the availability of preferential tax treatment or subsidies granted to the specific industries or locations. Under the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "**EIT Law**") and its relevant regulations, PRC companies are typically subject to an income tax rate of 25% under the EIT Law. During the Track Record Period, our Company qualified as a High and New Technology Enterprise (高新技術企業) and was subject to a preferential income tax rate of 15%. For FY2021, FY2022, FY2023 and 1HFY2024, benefiting from the preferential income tax rate, our effective income tax rate, which was calculated by dividing our income tax expense of each year/period by our profit before tax of the corresponding year/period, was 13.7%, 12.7%, 17.2% and 14.6% in FY2021, FY2022, FY2023 and 1HFY2024, respectively. The High and New Technology Enterprise Certificate (高新技術企業證書) was first obtained in 2016 and subsequently renewed in 2019 and 2022, which will expire in 2025. In the event that our Company fails to renew its qualification as a High and New Technology Enterprise (高新技術企業), it would not be able to enjoy the relevant preferential tax treatment. The PRC Government or provincial government could also eliminate or reduce the preferential tax treatment in the future, which, would lead to an increase in our effective tax rate. Upon the eventual lapse of any preferential tax treatments, our effective tax rate will also increase in the future. As a result, our financial condition and results of operation could be materially and adversely affected. For details of the income tax expenses during the Track Record Period, please see Note 11 to the Accountants' Report in Appendix I to this document.

The lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.

Under the PRC law, all lease agreements are required to be registered with the local land and real estate administration bureau. However, the enforcement of this legal requirement varies depending on the local regulations and practices. Although failure to do so does not in itself invalidate the leases, the lessees may not be able to defend these leases against bona fide third parties and may also be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As at the Latest Practicable Date, the lease agreements for some of our leased properties in the PRC which had been used as dormitory have not been registered with the relevant PRC government authorities. In the event that any fine is imposed on us for our failure to register our lease agreements, we may not be able to recover such losses from the lessors. For details, please see "Business – Properties – Lease Properties – Lease Registration" in this document.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Failure to respond to development in the economic, government policies, and laws and regulations in the principal place where we operate may have a material adverse effect on our business, financial condition and results of operations.

A substantial portion of our businesses, assets and operations are located in the PRC. Accordingly, our financial condition, results of operations and business prospects are, to a significant degree, subject to the economic, political and legal and regulatory developments in the PRC.

The PRC economy has experienced significant growth over the past decades since the implementation of reform and opening-up policy. In recent years, the PRC government has implemented measures emphasising the utilisation of market forces in economic reform and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adaptively adjusted from industry to industry or across different regions of the country. Failure to respond to such development may materially and adversely affect our business in the PRC.

The interpretation and enforcement of PRC laws and regulations may change from time to time, which may subject us to non-compliance due to unexpected changes to laws and regulations applicable to 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 overall effect of legislation over the past four decades has significantly increased the protections afforded to various forms of foreign or private-sector investment in China. Our PRC subsidiaries are subject to various PRC laws and regulations generally applicable to companies in China. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve, the interpretations and enforcement of many laws, regulations and rules are subject to changes from time to time.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC administrative and court authorities have a certain degree of discretion within their scope of authority in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy. Such uncertainties, including uncertainty 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, and may further affect the legal remedies and protections available to investors, which may, in turn, adversely affect the value of your investment.

We may be subject to filing procedure and other requirements of the CSRC or other PRC governmental authorities in connection with this [REDACTED], future capital raising activities and future major events.

On 6 July 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》). These opinions enhanced administration and supervision on overseas listing by the PRC-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by The PRC based oversea-listed companies.

On 17 February 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (the "**Trial Measures**") and five supporting guidelines, which came into effect on 31 March 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas listing of securities of PRC domestic companies, and had regulated both direct and indirect overseas listing of PRC domestic companies' securities by adopting a filing based regulatory regime. Pursuant to the Trial Measures, domestic companies that seek to offer listing securities and list overseas, both directly and indirectly (the "**Overseas Offering and Listing**"), should fulfil the filing procedure and report relevant information to the CSRC, and in the event of subsequent offering and occurrence of certain major events, domestic companies shall also fulfil relevant filing procedures and report information to the CSRC. If a domestic company fails to complete the filing procedure, omits any material fact, falsifies any content or contains any misleading statement in its filing documents, such domestic company may be subject to administrative penalties, such as 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 "Appendix IV – Summary of Principal Legal and Regulatory Provisions – The PRC" in this document.

If it is determined that we are subject to any filing or other authorisation or requirements of the CSRC or other PRC governmental authorities for future fund raising activities or other major events, and we fail to complete such filing or meet such requirements in a timely manner or at all, we could be subject to sanctions by the CSRC or other PRC regulators authorities. If we are determined not in compliance with the requirements under the Trial Measures, and thus are unable to complete the filing with the CSRC, we may need to postpone or terminate our future fund-raising activities if any. Any uncertainties or negative publicity regarding such filing or other requirements stated above could materially and adversely affect our business, prospects, financial condition, reputation, and **[REDACTED]** and **[REDACTED]** of the Shares.

Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.

During the Track Record Period, our expenditures were mainly denominated in Renminbi, while the **[REDACTED]** from the **[REDACTED]** will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar will affect the relative purchasing power in Renminbi terms of the **[REDACTED]** from the **[REDACTED]**. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by us.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system, and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against other currencies in the future. It is difficult to predict how market forces or relevant government policies may impact the exchange rate between the Renminbi and other currencies in the future.

Regulations on currency exchange may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your H Shares.

Currently, the conversion and remittance of foreign currencies from RMB are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the **[REDACTED]**, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, the foreign exchange policies regarding payment of dividends in foreign currencies may change from time to time in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

Holders of our H Shares may be subject to PRC income tax on dividends from us or on any gain realised on the transfer of our H Shares.

As is customary with all major economies, China has tax treaties or similar arrangements with jurisdictions across the world. Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between China and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are resident enterprises outside of the PRC, which do not have an establishment or place of business in the PRC, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realised on the transfer of shares by such investors is subject to 10% (or a lower rate) PRC income tax if such gain is regarded as income derived from sources within the PRC unless a treaty or similar arrangement otherwise provides. Under the Individual Income Tax Law of the People’s Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules, dividends from sources within the PRC paid to foreign individual investors who are not residents in the PRC are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realised by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws. Although our business operations are in China, it is unclear whether dividends we pay with respect to our H Shares, or the gain realised from the transfer of our H Shares, would be treated as income derived from sources within the PRC and as a result be subject to PRC income tax. If PRC income tax is imposed on gains realised through the transfer of our H Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with the PRC may not qualify for benefits under such tax treaties or arrangements.

Payment of dividends is subject to restrictions under PRC laws.

Under the PRC laws, dividends may be paid only out of distributable profits. Our distributable profits represent our distributable net profits less appropriations to statutory surplus reserve, general reserve, and discretionary surplus reserve (as approved by our Shareholders’ meeting), each such appropriation based on the unconsolidated net profit determined under PRC GAAP. Our distributable net profit referred to above represents the lowest of (i) our net profit attributable to our equity holders for a period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under PRC GAAP, and (ii) our net profit attributable to our equity holders for the period plus distributable profits or net of accumulated losses, if any, at the beginning of such period, as determined under IFRS. As a result, we may not have sufficient distributable profits, if any, to make dividend distributions to our Shareholders in the future, including in respect of periods where we register an accounting profit. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

It may be difficult to effect service of process upon us or our Directors, Supervisors or executive officers who reside in China or to enforce against us or them in China any judgments obtained from non-PRC courts.

All of our executive Directors, Supervisors and executive officers reside within China, and substantially all of our assets are located within China. Similar to the difficulties faced by most of the countries around the world on effecting service of process and enforcing judgment obtained from foreign countries, it may be difficult for investors to effect service of process upon us or our executive Directors, Supervisors and officers inside China or to enforce against us or them in China any judgments obtained from non-PRC courts.

A judgment of a court of another jurisdiction may be reciprocally recognised or enforced in the PRC only if the jurisdiction has a treaty with China or if the jurisdiction has been otherwise deemed by the courts in China to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of some other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

On 3 July 2008, the Supreme People's Court and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2008 Arrangement**"). Under the 2008 Arrangement, where any designated court of mainland China or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant court of mainland China or Hong Kong court for recognition and enforcement of the judgment. The 2008 Arrangement took effect on 1 August 2008, but the effectiveness of any action brought under the arrangement remains uncertain. On 18 January 2019, the Supreme People's Court and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"), which became effective on 29 January 2024. The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in Hong Kong. However, the 2008 Arrangement will remain applicable to a "choice of court agreement in writing" within the meaning of 2008 Arrangement which is made before the effective date of 2019 Arrangement.

If we fail to comply with anti-bribery or anti-money laundering laws, our reputation may be harmed, and we could be subject to significant penalties and expenses that could have a material adverse effect on our business, financial conditions and results of operations.

We are subject to the laws governing anti-bribery and anti-money laundering in the PRC. In the PRC, the Anti-Unfair Competition Law, and provisions of the Criminal Code, prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, in the PRC, Anti-Money Laundering Law of the People's Republic of the PRC (《中華人民共和國反洗錢法》), promulgated by the Standing Committee of the National People's Congress on 31 October 2006 and effective on 1 January 2007, prohibits money laundering. Our procedures and controls to monitor anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees. If we fail to comply with applicable anti-bribery laws and anti-money laundering laws, we may be subject to criminal and civil penalties and sanctions or incur significant expenses, and our reputation could be harmed, all of which could have a material adverse effect on our business, financial conditions and results of operations.

RISKS RELATING TO THE [REDACTED]

There has been no prior market for our H Shares.

Prior to the completion of the **[REDACTED]**, there has been no public market for our H Shares. The **[REDACTED]** range for our H Shares was the result of, and the **[REDACTED]** will be the result of, negotiations among us and the **[REDACTED]** (for itself and on behalf of the **[REDACTED]**). The **[REDACTED]** may thus not be indicative of the price at which our H Shares will be **[REDACTED]** following the completion of the **[REDACTED]**.

We have applied to **[REDACTED]** in our H Shares on the Stock Exchange. However, even if approved, there can be no assurance that (i) an active **[REDACTED]** market for our H Shares will develop, or (ii) if it does develop, that it will be sustained following the completion of the **[REDACTED]** or that the **[REDACTED]** and **[REDACTED]** of our H Shares will not be adversely affected.

[REDACTED] of our H Shares may be volatile.

The **[REDACTED]** of our H Shares is likely to be volatile and subject to wide fluctuations in response to one or more of the following factors, over some of which we have no control:

- Regulatory and legal developments in our target markets affecting us, our clients or our competitors;

- Announcements of market studies or reports relating to the quality of our lifestyle household goods or those of our competitors;

- Changes in the financial performance or market valuations of other companies that provide lifestyle household goods in the form and of the scale comparable to ours;

- Actual or anticipated fluctuations in our financial and/or operating results, as well as changes or revisions of our expected results;

- Actual or anticipated fluctuations in our cash flow;

- Changes in the securities research analysts' estimates or general market perceptions of the financial estimates of us and our competitors;

- Variations in market sentiments driven by economic or political considerations in the PRC, the United States and elsewhere in the world that could affect the contemporary as well as prospective competitive landscape of the lifestyle household goods industry;

- Announcements by us or our competitors of the launch of new products and services, changes in pricing or promotion policies, execution of business restructuring (including but not limited to significant acquisitions and dispositions) and other forms of capital commitment plans, establishment of strategic alliances or joint ventures etc.;

- Recruitment or loss of key personnel by us or our competitors;

- Fluctuations in the **[REDACTED]** or the release and/or expiration of lock-up or other share transfer restrictions on our outstanding Shares or sales of additional Shares by us;

- **[REDACTED]** of our H Shares in the market;

- Ability to safeguard our intellectual property rights against infringement and to keep up-to-date with the latest technologies and research methodologies with respect to the development of lifestyle household goods; and

- Valuation of publicly-traded companies that are engaged in business activities similar to ours.

We cannot give assurance as to Shareholders' ability to sell their H Shares or to achieve their desired price for, or any profit on, such H Shares. Shareholders may not be able to sell their H Shares at prices equal to or greater than the price paid for their H Shares in the **[REDACTED]**. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in the PRC have experienced in the past significant volatility in the **[REDACTED]** and **[REDACTED]**. Common to the shares of other listed companies, it is possible that our H Shares may equally be subject to changes in price for reasons which are beyond our Group's control and are unrelated or disproportionate to our operational performance.

Our Controlling Shareholders has significant influence over our Company and their interests may not be aligned with the interest of our other Shareholders.

Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and delegates on the Board, have significant influence over our business and affairs, including decisions in respect of mergers or other business combinations, acquisition or disposition of assets, issuance of additional shares or other equity securities, timing and amount of dividend payments, and our management. Our Controlling Shareholders may not act in the best interests of our minority Shareholders. In addition, without the consent of our Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the H Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Shareholders' equity interests may be diluted.

We may need to raise additional funds in the future to finance, inter alia, expansion or new developments relating to its existing operations. If additional funds are raised through the issue of new equity and equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in our Company may be reduced and Shareholders may experience dilution in their percentage shareholdings in our Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

[REDACTED] of our H Shares may experience dilution in the net tangible asset book value per Share of the Shares they **[REDACTED]** if our Company **[REDACTED]** additional H Shares in the future at a price which is lower than the net tangible asset book value per Share.

Future [REDACTED] of our Shares or conversion of our Domestic Unlisted Shares into H Shares could have a material adverse effect on the prevailing [REDACTED] of our H Shares.

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

The PRC Company Law provides that the Shares issued by our Company prior to the **[REDACTED]** shall not be transferred within a period of one year from the date on which **[REDACTED]** in our H Shares commences on the Stock Exchange. We cannot assure you that the current Shareholders will not be in breach of such statutory restriction and dispose of any Shares they own now or may own in the future.

Our Domestic Unlisted Shares can be converted into H Shares, provided that such conversion and the trading of H Shares so converted have been duly completed pursuant to our requisite internal approval process and the approval from the relevant PRC regulatory authorities. In addition, such conversion and **[REDACTED]** must, in all aspects, comply with the regulations promulgated by the securities regulatory authority under the State Council, as well as the regulations, requirements and procedures of the Stock Exchange. If a significant number of our Domestic Unlisted Shares are converted into H Shares, the supply of H Shares may be substantially increased, which could materially and adversely affect the prevailing **[REDACTED]** of our H Shares.

There may be a possible fall in price of [REDACTED] below the [REDACTED] when trading commences due to the gap of several days between [REDACTED] and [REDACTED] of our [REDACTED].

The **[REDACTED]** of our H Shares is expected to be determined on the **[REDACTED]**. However, our H Shares will not commence **[REDACTED]** on the Stock Exchange until they are delivered, which is expected to be a short period after the date of **[REDACTED]**. As a result, **[REDACTED]** may not be able to **[REDACTED]** our H Shares during that period. In view of adverse market conditions or other adverse developments, if any, that could occur between the time of **[REDACTED]** and time at which **[REDACTED]** begins, holders of our H Shares are accordingly subject to the risk that the price of our H Shares could fall below the **[REDACTED]** when the **[REDACTED]** commences.

We have no experience operating as a public company, and we may incur increased costs as a result of becoming a [REDACTED] company.

We have no experience conducting our operations as a public company. As a result of the **[REDACTED]**, we may face enhanced administrative and compliance requirements, which may make us incur substantial related costs and expenses that we did not incur as a private company. We expect rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management may be required to devote substantial time and attention to our public reporting obligations and other compliance matters. We will evaluate and monitor developments with respect to these rules and regulations, but we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance obligations as a public company may place a significant strain on our management, operational and financial resources and systems for the foreseeable future.

In addition, since we are becoming a public company, our management team will need to develop the expertise necessary to comply with the numerous regulatory and other requirements applicable to public companies, including requirements relating to corporate governance, **[REDACTED]** standards and securities and investor relationships issues. As a public company, our management will have to evaluate our internal controls system with new thresholds of materiality, and to implement necessary changes to our internal controls system. We cannot guarantee that we will be able to do so in a timely and effective manner.

There is no assurance on the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third party sources, including the industry report, contained in this document.

Certain facts, forecasts, indicators and other statistics contained in this document relating to the PRC and other countries and regions, the PRC economy and the lifestyle household goods industry have been derived from various official government publications, market data providers and other independent third party sources, including Frost & Sullivan, an independent industry expert, and generally are believed to be reliable. However, we cannot assure you, or make any representation, as to the accuracy, completeness, quality or reliability of such information. These facts, forecasts, indicators and other statistics have not been prepared or independently verified by our Company, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, **[REDACTED]** or any of the **[REDACTED]** or any of our respective directors, affiliates or advisors or any other parties involved in the **[REDACTED]** and, therefore, none of them make any representation as to the accuracy, completeness, quality or reliability of such facts, forecasts, indicators and other statistics, which may not be consistent with other information compiled within or outside of the PRC.

We have, however, taken reasonable care in the production or extraction of the official government publications for the purpose of disclosure in this document. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts, indicators and other statistics in this document may be inaccurate or may not be comparable to other facts, forecasts, indicators and other statistics compiled. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, you should give careful consideration as to how much weight or importance you should attach to or place on such facts, forecasts, indicators and other statistics relating to the economy and the industry. For the aforesaid reasons, you should not place undue reliance on such information as a basis for making your assessment in our Shares.

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

This document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain **[REDACTED]** information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, amongst others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgement of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in the section headed "Risk Factors" in this document. Accordingly, such statements are not a guarantee of future performance and **[REDACTED]** should not place undue reliance.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding us and the [REDACTED].

Our Directors wish to emphasise to potential **[REDACTED]** that they do not accept any responsibility for the accuracy or completeness of the information contained in any press articles or other media and those information was not sourced from or authorised by us. We make no representation as to appropriateness, accuracy, completeness or reliability of any information contained by press articles or other media. To the extent that any of such information is inconsistent or in contradiction with the information contained in this document, the Directors disclaim it. Accordingly, prospective **[REDACTED]** should not place reliance on any of the information in the press articles or other media channels.

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong, which normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. As at the Latest Practicable Date, none of our executive Directors resided in Hong Kong.

Pursuant to Rule 19A.15 of the Listing Rules, the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange.

Since our headquarters and principal business operations and management of our Group are carried out in the PRC, and all of our executive Directors ordinarily reside outside Hong Kong, our Company considers that it would be practically difficult and commercially unreasonable and undesirable for our Company to arrange for two executive Directors to be ordinarily resident in Hong Kong, either by means of relocation of existing executive Directors or appointment of additional executive Directors. Therefore, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

1. we have appointed Ms. Hu Yan (胡彥) ("**Ms. Hu**"), our executive Director, secretary to our Board, chief financial officer and one of our joint company secretaries, and Mr. Ng Chun Hoi (吳浚鎧) ("**Mr. Ng**"), one of our joint company secretaries, as our authorised representatives (the "**Authorised Representatives**") pursuant to Rule 3.05 of the Listing Rules. The Authorised Representatives will act as our principal channel of communication with the Stock Exchange. Each of the Authorised Representatives will be readily contactable by phone, facsimile and email to promptly deal with enquiries from the Stock Exchange, and will also be available to meet with the Stock Exchange to discuss any matter within a reasonable period of time upon request of the Stock Exchange;

2. when the Stock Exchange wishes to contact our Directors on any matter, each of the Authorised Representatives will have all necessary means to contact all of our Directors (including our independent non-executive Directors) and senior management team promptly at all times. Our Company will also inform the Stock Exchange promptly in respect of any changes in the Authorised Representatives. We have provided the Stock Exchange with the contact details (i.e., mobile phone number, office phone number, fax number and email address) of each of our Authorised Representatives and our Directors to facilitate communication with the Stock Exchange;

3. all Directors who do not ordinarily reside in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period of time upon request;

4. in compliance with Rules 3A.19 of the Listing Rules, we have appointed Sinolink Securities (HK) Co., Ltd. as our compliance adviser (the "**Compliance Adviser**"), which has access at all times to our Authorised Representatives, Directors and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange. Our Company will keep the Stock Exchange up to date in respect of any change to such details. Our Authorised Representatives, our Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, our Authorised Representatives, our Directors and other officers and the Compliance Adviser, and to the extent reasonably practicable and legally permissible, our Company will keep the Compliance Adviser informed of all communications and dealings between our Company and the Stock Exchange; and

5. we shall ensure that there are adequate and efficient means of communication among our Company, our Authorised Representatives, our Directors, other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between us and the Stock Exchange.

WAIVER IN RESPECT OF APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers that the following academic or professional qualifications to be acceptable:

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

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

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

Note 2 to Rule 3.28 of the Listing Rules provides that the Stock Exchange will consider the following factors in assessing an individual's "relevant experience":

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

(ii) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(iii) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

We have appointed Ms. Hu, as one of our joint company secretaries. In view of her experience within our Group and her thorough understanding of the internal administration and business operations of our Group, our Directors consider that Ms. Hu is a suitable person to act as a company secretary of our Company. In addition, as the core business and operations of our Group are substantially based and conducted in the PRC, our Directors believe that it is necessary to appoint Ms. Hu as a company secretary whose presence in the headquarters of our Group enables her to attend to the day-to-day corporate secretarial matters concerning our Group.

Given Ms. Hu does not possess the qualification and sufficient relevant experience stipulated in Rule 3.28 of the Listing Rules, she is not able to solely fulfil the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. To provide assistance to Ms. Hu and enable her to acquire all qualifications and experience as our company secretary of our Company required under Rule 3.28 of the Listing Rules, we have also appointed Mr. Ng, a member of the Hong Kong Institute of Certified Public Accountants, who fully meets the requirements stipulated under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Hu for an initial period of three years from the **[REDACTED]**.

Since Ms. Hu does not possess the formal qualifications required of a company secretary under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Hu may act as a joint company secretary of our Company. Pursuant to paragraph 13 of Chapter 3.10 of the Guide for New Listing Applicants published by the Stock Exchange, the waiver will be for a fixed period of time (the "**Waiver Period**") and on the following conditions:

(i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the Waiver Period; and

(ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer.

The waiver is valid for an initial period of three years from the **[REDACTED]**, and is granted on the condition that Mr. Ng, as a joint company secretary of our Company, will work closely with, and provide assistance to, Ms. Hu in the discharge of her duties as a joint company secretary and in gaining the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become familiar with the requirements of the Listing Rules and other applicable Hong Kong laws and regulations, for an initial period of three years commencing on the **[REDACTED]**.

Given Mr. Ng's professional qualifications and experience, he will be able to explain to both Ms. Hu and our Company the relevant requirements under the Listing Rules. Mr. Ng will also assist Ms. Hu in organising Board meetings and Shareholders' meetings of our Company as well as other matters of our Company which are incidental to the duties of a company secretary. He is expected to work closely with Ms. Hu, and will maintain regular contact with Ms. Hu, our Directors, Supervisors and the senior management of our Company. The waiver will be revoked immediately if Mr. Ng ceases to provide assistance to Ms. Hu as a joint company secretary for the three-year period after the **[REDACTED]** or where there are material breaches of the Listing Rules by our Company.

In addition, Ms. Hu will comply with the annual professional training requirement under Rule 3.29 of the Listing Rules and will enhance her knowledge of the Listing Rules during the three-year period from the **[REDACTED]**. Ms. Hu will also be assisted by (a) the Compliance Adviser, particularly in relation to compliance with the Listing Rules; and (b) the Hong Kong legal advisers of our Company, on matters concerning our Company's ongoing compliance with the Listing Rules and the applicable laws and regulations.

Prior to the expiration of the initial three-year period, the qualifications and experience of Ms. Hu will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for ongoing assistance of Mr. Ng will continue. We will liaise with the Stock Exchange to enable it to assess whether Ms. Hu, having benefited from the assistance of Mr. Ng for the preceding three years, will have acquired the skills necessary to carry out the duties of company secretary and the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

For the biographical information of Ms. Hu and Mr. Ng, please see "Directors, Supervisors and Senior Management" in this document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Names	Residential address	Nationality
Executive Directors		
Mr. Pan Yun (潘允)	7-501 Tonglin Garden Haishan Road Shatoujiao Yantian District Shenzhen PRC	Chinese
Mr. Guangshe Pan	4060 Duke Dr Yorba Linda CA 92886	American
Ms. Ji Ying (吉穎)	3B202 Tonglin Garden Haishan Road Shatoujiao Yantian District Shenzhen PRC	Chinese
Ms. Li Youxiang (李友香)	Block E, Yishan Garden Phase III Shatoujiao Shenzhen PRC	Chinese
Mr. Xu Xiping (徐細平)	Room 205, Block 1 Shangshan Wutong Garden Shenyan Road Yantian District Shenzhen PRC	Chinese
Ms. Hu Yan (胡彥)	Room 11A, Unit 2, Block 1 Jindi Meilong Town Longhua District Shenzhen PRC	Chinese

Names	Residential address	Nationality
Independent non-executive Directors		
Dr. Huang Hanxiong (黃漢雄)	2-801 Xixiu Village South China University of Technology Tianhe District Guangzhou PRC	Chinese
Dr. Li Jiannan (李健男)	Room 1802, Building F Lideyashe West Zhongshan Road Tianhe District Guangzhou PRC	Chinese
Dr. Gu Zhaoyang (顧朝陽)	G/F, 7D Tai Yang Che Lam Tsuen, Tai Po New Territories Hong Kong	Chinese (Hong Kong)

SUPERVISORS

Names	Residential address	Nationality
Mr. Yip Hung Tung (葉紅東)	Flat 7, Floor 17 Wah Lun House Siu Lun Court Tuen Mun New Territories Hong Kong	Chinese (Hong Kong)
Mr. Shi Chuanlai (史傳來)	Room 208 Aisijie Shantang Industrial Zone Henggang Street Longgang District Shenzhen PRC	Chinese
Ms. Yi Hongliang (易紅良)	Junlin Haiyu No. 2 Haijing Road Shatoujiao Yantian District Shenzhen PRC	Chinese

Please see "Directors, Supervisors and Senior Management" in this document for further information on our Directors and Supervisors.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**Sinolink Securities (Hong Kong) Company Limited** *(a licensed corporation under the SFO to engage in type 1 (dealing in securities) , type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities* Units 3501–08 35/F, Cosco Tower 183 Queen's Road Central Hong Kong
[REDACTED], [REDACTED], [REDACTED] and [REDACTED]	**[REDACTED]**
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Company's Website	**http://www.xjgroup.com** *(Note: the information on this website does not form part of this document)*
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The information and statistics set out in this section and other sections of this document were extracted from the Frost & Sullivan Report, which was commissioned by us, and from various official government publications and other publicly available publications. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the **[REDACTED]**. *We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor,* **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, **[REDACTED]**, *any of their respective directors and advisors, or any other persons or parties involved in the* **[REDACTED]**, *and no representation is given as to its accuracy.*

SOURCE OF INFORMATION

We commissioned Frost & Sullivan to conduct market research on global lifestyle household goods industry, global small home appliance industry and global garden hose industry, and prepare the Frost & Sullivan Report. Frost & Sullivan is an independent global consulting firm founded in 1961 in New York that offers industry research and market strategies. We have contracted to pay RMB320,000 to Frost & Sullivan for compiling the Frost & Sullivan Report.

In preparing the Frost & Sullivan Report, Frost & Sullivan conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and conducting interviews with relevant parties. Frost & Sullivan also conducted secondary research which involved reviewing company reports, independent research reports and data based on its own research database. Frost & Sullivan obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considered the above-mentioned industry key drivers. Its market engineering forecasting methodology integrates several forecasting techniques with the market engineering measurement-based system and relies on the expertise of the analyst team in integrating the critical market elements investigated during the research phase of the project. These elements primarily include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

The Frost & Sullivan Report is compiled based on the following assumptions: (i) the social, economic and political environment of the globe and mainland China is likely to remain stable in the forecast period; and (ii) related industry key drivers are likely to drive the market in the forecast period.

OVERVIEW OF GLOBAL LIFESTYLE HOUSEHOLD GOODS INDUSTRY

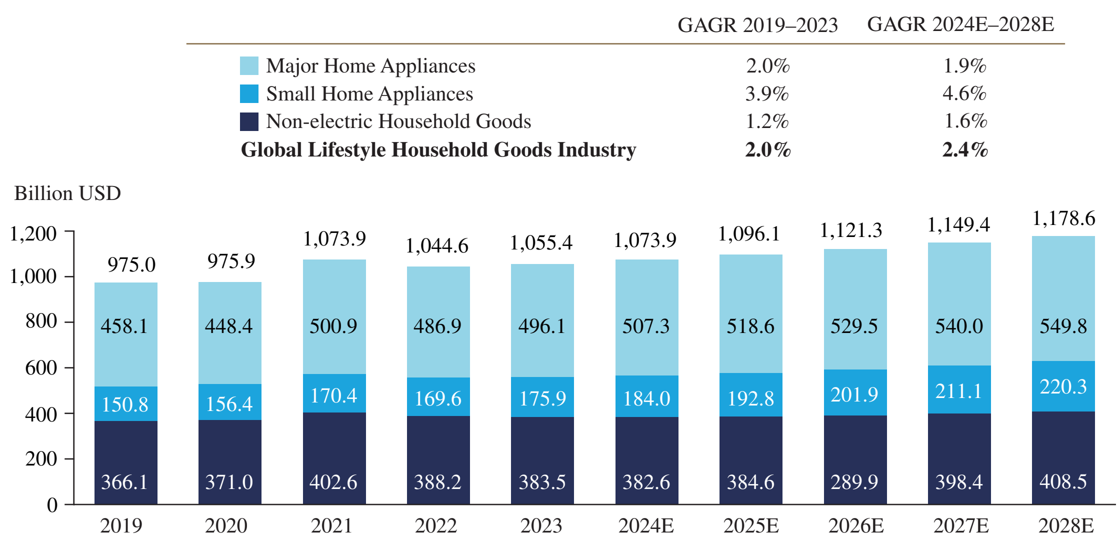
Definition and Classification of Lifestyle Household Goods

Lifestyle household goods encompass a range of items designed to optimise modern home environments and elevate living experiences and can be categorised into electric home appliances and non-electric household goods based on their usage characteristics and modes of operation. Electric home appliances consist of major home appliances and small home appliances. Non-electric household goods mainly consist of non-electric household items relating to gardening, bathroom, kitchen, indoor living, etc.

Market Size of Global Lifestyle Household Goods Industry

The following chart illustrates the historical and forecast market size of global lifestyle household goods industry by retail value from 2019 to 2028:

Market Size of Global Lifestyle Household Goods Industry by Retail Value, 2019–2028E



Source: Interviews with Industry Experts, Frost & Sullivan

OVERVIEW OF GLOBAL SMALL HOME APPLIANCE INDUSTRY

Definition and Classification of Small Home Appliances

Small home appliances are compact household devices that consume minimal electricity, exclude high-power output, and are designed to enhance quality of life. They are integral to modern living, providing convenience and efficiency in various aspects of daily life. Small home appliances can be categorised based on their functions into small kitchen appliances, small home living and environment appliances, and small personal care appliances.

- **Small Kitchen Appliances:** Small kitchen appliances consist of small food preparation appliances and small cooking appliances. Small food preparation appliances are used for the preparation and processing of food (e.g., blender, mixer, juice extractor, food processor, etc.). Small cooking appliances are used for cooking food in the kitchen (e.g., kettle, rice cooker, electric steamer, fryer, electric grill, etc.).

- **Small Home Living and Environment Appliances:** Small home living and environment appliances are used to reduce household chores, improve living conditions and maintain cleanliness (e.g., air purifier, dehumidifier, humidifier, electric fan, vacuum, etc.).

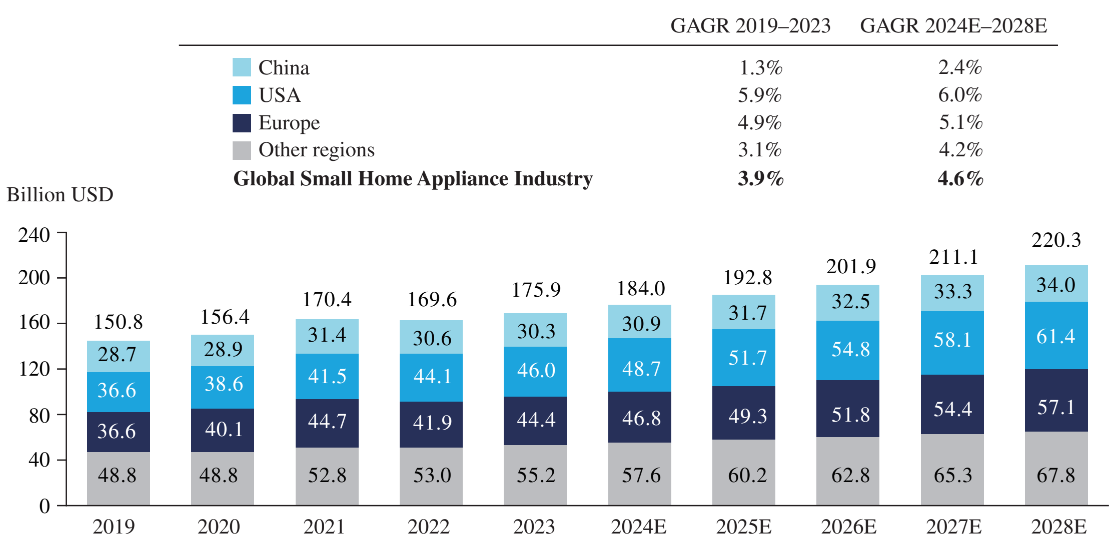
- **Small Personal Care Appliances:** Small personal care appliances are used for personal hygiene, health and grooming (e.g., body shaver, electric toothbrush, electric facial cleanser, etc.).

Market Size of Global Small Home Appliance Industry

Driven by advancements in technology, increasing consumer demand for energy-efficient products and the rise of smart home solutions, the global small home appliance industry has experienced a steady growth in recent years, with its retail value increasing from USD150.8 billion in 2019 to USD175.9 billion in 2023, representing a CAGR of 3.9%. The COVID-19 pandemic led to more people staying at home and reducing social gatherings, which boosted global demand for small home appliances in 2020 and 2021. As the world transitioned into the post-pandemic period, combined with factors such as geopolitical tensions and a global macroeconomic downturn, the retail value of global small home appliance industry declined in 2022. Moving forward, with ongoing technological advancements and environmental-friendly innovations, the global small home appliance industry is expected to keep a steady growth from USD184.0 billion in 2024 to USD220.3 billion in 2028, representing a CAGR of 4.6%.

Driven by increasing demand for convenient, time-saving and energy efficient products, the market size of the small home appliance industry in the USA has experienced rapid growth in recent years, with its retail value rising from USD36.6 billion in 2019 to USD46.0 billion in 2023, with a CAGR of 5.9%. With advancements in technology and changing lifestyle preferences, increasing number of households are adopting innovative appliances. Fueled by ongoing innovation, rising disposable incomes and growing focus on sustainability, the upward trend is expected to accelerate further over the next five years, with retail value in small home appliance industry in the USA growing from USD48.7 billion in 2024 to USD61.4 billion in 2028, representing a CAGR of 6.0%.

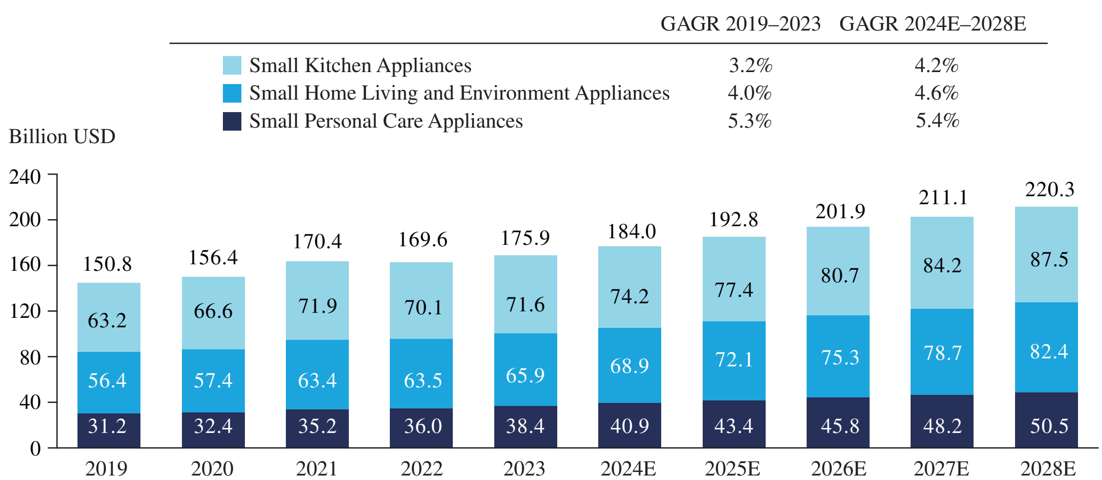
Market Size of Global Small Home Appliance Industry by Retail Value by Region, 2019–2028E



Source: Interviews with Industry Experts, Frost & Sullivan

The global small home appliance industry has undergone notable advancements with significant growth across various product types, driven by increasing consumer demand for convenience, health and sustainability. Small kitchen appliances account for the largest share of the market, with the retail value increasing from USD63.2 billion in 2019 to USD71.6 billion in 2023 at a CAGR of 3.2%. The retail value of small home living and environment appliances increased from USD56.4 billion in 2019 to USD65.9 billion in 2023, with a CAGR of 4.0%. Meanwhile, fueled by growing focus on personal wellness, beauty trends and adoption of smart, portable personal care technologies, small personal care appliances have experienced a rapid growth over the past few years, with its retail value increasing from USD31.2 billion in 2019 to USD38.4 billion in 2023 at a CAGR of 5.3%. As the industry moves forward, small kitchen appliances are expected to maintain the dominance, with the retail value increasing from USD74.2 billion in 2024 to USD87.5 billion in 2028 at a CAGR of 4.2%.

Market Size of Global Small Home Appliance Industry by Retail Value by Type of Functions, 2019–2028E

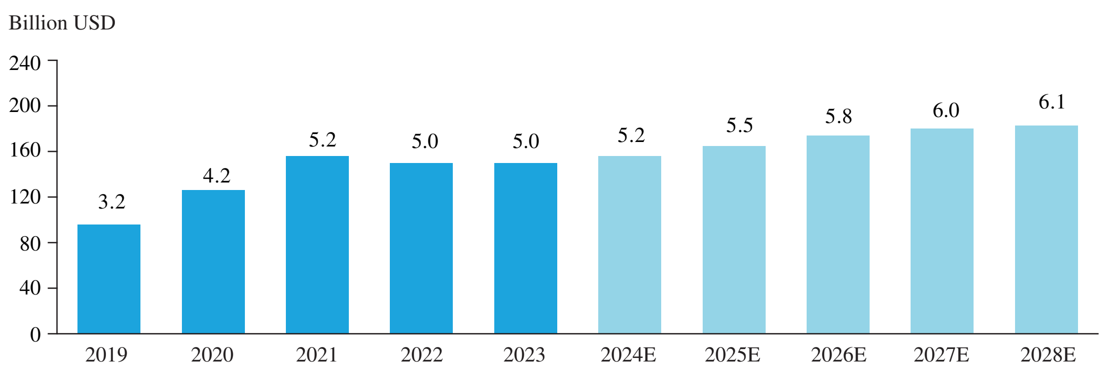


Source: Interviews with Industry Experts, Frost & Sullivan

As the global division of labour deepens, well-known brands in Europe and the USA have increasingly focused on market research, product design, and brand influence, gradually shifting development, manufacturing, and logistics to countries like China, which have a labour advantage. Meanwhile, the Chinese government continues to implement policies to stabilise foreign trade, and channels such as cross-border and overseas e-commerce are rapidly expanding, promoting the export of China's small home appliances. After years of development, China's small home appliance industry has evolved from simple assembly to lean manufacturing, becoming one of the world's leading production bases. The export value of China's small home appliances increased from USD3.2 billion in 2019 to USD5.0 billion in 2023, with a CAGR of 11.7%. Looking forward, the continued recovery of the global economy, particularly the rising demand for small home appliance in developing countries, combined with China's ongoing technological innovations and diverse range of exported small home appliances, is expected to drive the export value of China's small home appliance from USD5.2 billion in 2024 to USD6.1 billion in 2028, with a CAGR of 3.9%.

Export Value of China's Small Home Appliances, 2019–2028E

	GAGR 2019–2023	GAGR 2024E–2028E
Export Value of Small Home Appliances	11.7%	3.9%



Source: China Household Electrical Appliances Association, China Chamber of Commerce for Import and Export of Machinery and Electronic Products, Frost & Sullivan

Market Drivers and Trends Analysis of Global Small Home Appliance Industry and Small Kitchen Appliance Industry

Increasing Government Support Drives Sustainable Development

The Chinese small home appliance industry is experiencing a notable transformation, spurred by comprehensive national and industrial policies that are imparting meaningful momentum to the sector, driving it towards green, intelligent, and energy-efficient development. In April 2022, the State Council issued the "Guidelines to Further Unleash Consumption Potential" (關於進一步釋放消費潛力促進消費持續恢復的意見), emphasising green consumption and encouraging consumers to replace or purchase energy-efficient and environmentally friendly appliances. Later, in November, various government bodies introduced the "Action Plan to Further Improve Product, Engineering, and Service Quality (2022–2025)" (進一步提高產品、工程和服務質量行動方案(2022–2025年)), aiming to enhance the sterilisation, disinfection, and purification capabilities of cleaning appliances, promote the integration, intelligence, and efficiency of kitchen appliances, and foster innovation in portable small home appliances. The Ministry of Commerce highlighted the critical role of home appliances in boosting consumption and expanding domestic demand, designating the sector as one of the "Four Pillars" of consumption. By mid-2023, the State Council approved the "Several Measures to Promote Household Consumption" (關於促進家居消費的若干措施) to stimulate home consumption, recognising the extensive reach and significant scale of the home appliance industry as essential for driving consumer spending and economic recovery. Building on these measures, the "Action Plan for Large-Scale Equipment Renewal and Consumer Goods Replacement" (推動大規模設備更新和消費品以舊換新行動方案), introduced in 2024, further strengthens this shift by focusing on modernising equipment and advancing energy-efficient and sustainable practices across industries. This plan encourages the replacement of outdated consumer goods, including old small home appliances, with environmentally friendly, high-efficiency alternatives, boosting market demand. By 2027, the plan aims to achieve a significant increase in recycling rates and promote the adoption of advanced, durable products in households. The plan's emphasis on green standards, smart technologies, and resource recycling is expected to further energise the small home appliance industry, aligning it with China's broader goals of environmental sustainability and economic growth. These supportive policies are expected to invigorate the small home appliance and small kitchen appliance market, promoting high-quality development and collaboration across the industry's supply chain. This wave of innovation and efficiency is not only revitalising the market but also aligning with broader economic and environmental objectives.

Rising Demand for Innovative and Eco-friendly Small Home Appliances

As global living standards continue to rise, consumers are demanding higher quality and more functional small home appliances. They are no longer satisfied with basic operational capabilities and instead seek advanced performance, user-friendly designs, and greater convenience. This shift is further influenced by increasing awareness of low-carbon and green living principles. Modern consumers prioritise products that are efficient, environmentally friendly, made from sustainable materials, and safe for personal health. Health and wellness considerations also play a pivotal role in shaping product trends. For example, with a rising emphasis on hygiene, there is a growing demand for small kitchen appliances that incorporate sterilisation, antibacterial, and non-toxic features. Consumers are increasingly opting for products that support a cleaner and healthier lifestyle. Consequently, small home appliance manufacturers are investing heavily in research and development to enhance product quality and functionality, aiming to meet the diverse and evolving needs of consumers. This trend signifies a significant move towards innovation and sustainability within the small home appliance industry, reflecting broader societal values and consumer expectations.

Innovative Technological Advancements

Technological innovation is profoundly shaping the global small home appliance industry, driven by a growing demand for advanced, high-tech products. Companies are significantly increasing their R&D investments to introduce appliances with cutting-edge features such as smart connectivity, remote control, and automated operations. This push for innovation is enhancing product differentiation and helping firms stand out in a highly competitive market. By leveraging unique designs, advanced technologies, and superior performance, companies are developing products with distinct competitive advantages that capture consumer interest. Additionally, with the rise of Industry 4.0, small home appliance production is increasingly moving towards smart and automated processes. For example, modern smart small kitchen appliances now feature app-based controls, voice activation, and automated heating or cooking schedules, enabling users to effortlessly customise their settings. These innovations highlight the growing trend of technology integration in small kitchen appliances, enhancing both convenience and efficiency in daily life. Intelligent production lines are improving efficiency and product quality while reducing costs, enabling firms to better meet market demands. At the same time, there is a strong emphasis on sustainability, with the industry actively responding to global calls for energy conservation and emission reduction. Manufacturers are launching eco-friendly products that minimise energy consumption and emissions while maximising efficiency, aligning with sustainable development goals. This integration of technological innovation and green production practices is setting new standards in the small home appliance industry, paving the way for a future where efficiency, intelligence, and sustainability coexist.

Transformation of Traditional Business Model

The global small home appliance industry is undergoing a significant shift in business models, transitioning from traditional OEM approaches to more integrated ODM and OBM models. Historically, many manufacturers focused primarily on producing appliances for established brands. However, as market competition intensifies and consumer demands diversify, companies are increasingly adopting the ODM model, where they design, produce, and sell their own products to boost market competitiveness. Additionally, enterprises with strong design capabilities and brand influence are embracing the OBM model, creating and marketing their proprietary brands. This shift enables companies to better control market channels and brand image, enhancing brand value and market share. This evolution has led to the emergence of some Chinese small home appliance brands, which are adopting a hybrid ODM/OEM+OBM approach. By redefining product design, manufacturing processes, and brand positioning, these companies are adding significant value to their products. High quality, cost-effectiveness, and excellent service have helped these emerging Chinese brands gain recognition and support from global consumers, securing a strong position in the competitive market.

E-Commerce Fuels Global Expansion of Chinese Companies

The rapid advancement of the internet and e-commerce has transformed online channels into essential sales avenues for the global small home appliance industry. Consumers now enjoy the convenience of purchasing small home appliance through e-commerce platforms and brand websites, which offer ease of use, efficiency, and extensive reach. This shift to online sales has become a crucial strategy for companies aiming to enhance their market presence. At the same time, Chinese small home appliance companies are accelerating their global expansion efforts, driven by intense domestic competition and the need for business diversification and growth. By leveraging their cost advantages, manufacturing expertise, and technological innovations, these companies are rapidly gaining prominence in the international market. In particular, in emerging markets such as Southeast Asia, Chinese enterprises are setting up production facilities and marketing networks to speed up their global market penetration. This dual strategy of utilising e-commerce for broader reach and expanding internationally positions small home appliance companies to access new consumer bases and achieve sustained growth.

Rising Southeast Asia Economy Fuels International Expansion

The rapid economic growth, urbanisation and increasing disposable income across Southeast Asia have positioned the region as an attractive destination for Chinese companies seeking to expand their presence in overseas markets, particularly in the small home appliance sector. From 2019 to 2023, Southeast Asia's GDP grew at a robust CAGR of 4.1%, with projections indicating a rise from USD3.5 trillion in 2024 to USD4.7 trillion by 2028, achieving a CAGR of 7.1%. Concurrently, the population is set to increase from 488.4 million in 2023 to 505.4 million by 2028, with a notable rise in urbanisation rates from 66.2% to 69.2% during the same period. Per-capita disposable income is also on the rise, with Southeast Asia's increasing from USD15.7 thousand in 2023 to an anticipated USD18.8 thousand by 2028. Furthermore, with the deepening of the China-ASEAN Free Trade Area (ACFTA), the full implementation of the

"Regional Comprehensive Economic Partnership" (RCEP) and the comprehensive progress of the "Belt and Road Initiative", coupled with Southeast Asian countries' efforts to encourage foreign investment, Chinese home appliance companies are actively pursuing opportunities in the Southeast Asian market. These favourable economic and demographic conditions, as well as the supportive policy environment, are driving the expansion of Chinese small home appliance manufacturing companies, who are establishing overseas production facilities in Southeast Asia (e.g., Thailand and Indonesia) to reduce costs and improve supply chain efficiency, while also strengthening brand awareness through localised marketing strategies and partnerships with regional e-commerce platforms and retailers. This enables them to capitalise on the growing demand for small kitchen, personal care and home environment appliances that cater to Southeast Asia's rising middle class and urban populations.

Industry Barrier Analysis of Global Small Home Appliance Industry and Small Kitchen Appliance Industry

Technological Barrier

As consumers increasingly prioritise the functionality, aesthetics, environmental friendliness, and health attributes of products, small home appliance manufacturers must continuously innovate in technology and processes to meet rapidly evolving market demands. The application of new technologies, materials, and manufacturing techniques drives product iterations and upgrades, creating significant technological barriers for new entrants. These newcomers must invest substantial resources into research and development to keep pace with industry advancements. Additionally, they need to quickly master and implement these technologies and processes to respond to market changes effectively. The complexity of manufacturing processes and the precision required in production further elevate the challenges and costs for new entrants. This environment necessitates a high level of technical expertise and substantial financial investment, making it difficult for new companies to compete with established players who already possess the necessary technological capabilities and manufacturing efficiencies. Thus, the technological sophistication and innovation within the small home appliance industry act as formidable barriers, safeguarding the competitive edge of established manufacturers while deterring less-equipped newcomers from entering the market.

Customer Recognition Barrier

The small home appliance market is characterised by high demand for quality, and the nature of the ODM/OEM industry necessitates that manufacturing enterprises gain recognition and establish stable business partnerships with overseas clients based on their long-term experience and solid reputation in the small home appliance industry. The supplier certification process for well-known international customers is typically very rigorous, involving comprehensive assessments of a manufacturer's operational qualifications, production capacity, quality management, human rights policies, anti-terrorism and factory safety measures and environmental protection practices. This thorough vetting process generally spans 2-3 years, encompassing initial client contact, factory inspections, sample trials, small-scale trial production, and finally, large-scale orders. Once a manufacturer achieves certified supplier status and begins cooperation, large clients are unlikely to switch suppliers easily due to high switching costs. This creates a significant barrier for new entrants, who find it challenging to quickly establish trust and business relationships with potential clients. Therefore, the lengthy and demanding process of gaining customer recognition, coupled with the reluctance of established clients to change suppliers, forms a formidable barrier to entry in the global small home appliance industry.

Qualification Barrier

The small home appliance industry is governed by stringent requirements for production qualifications and product certifications, posing significant barriers for new entrants. To legally manufacture and sell products, newcomers must obtain relevant production licences and certifications. Various countries and regions around the world have established mandatory certification systems for electric home appliances. For example, products exported to the United States and Canada must pass safety certifications such as ETL and UL, as well as FDA food-grade certifications. Exports to Europe require CE, GS, and UKCA safety certifications, along with food-grade certifications such as Germany's LFGB, France's DGCCRF, and Italy's DM. Australian exports need SAA safety certifications, while exports to the Asia-Pacific region require PSE and CB safety certifications. Additionally, with growing environmental awareness, companies must also secure appropriate environmental qualifications to meet ecological standards. The process of obtaining these certifications is complex and time-consuming, significantly increasing the difficulty for new entrants to break into the market. These rigorous certification requirements ensure that only manufacturers who can meet high standards of safety, quality, and environmental compliance can compete in the global small home appliance industry, thereby protecting established players and maintaining industry standards.

Capital Barrier

Entering the small home appliance industry requires substantial capital investment across several critical areas, including research and development, marketing, and the construction of production lines. The industry's downstream customers, particularly global well-known brands, have stringent requirements for delivery times and product quality, making supplier selection highly dependent on the supplier's capacity for large-scale production. As a result, companies must invest heavily in building standardised factories, acquiring advanced production lines, and implementing automation technologies to meet these demands. Achieving economies of scale is essential and can only be realised after reaching a certain volume of business, which necessitates ongoing capital expenditure to expand production capacity in response to growing market demand. New entrants often lack the significant financial resources or effective financing capabilities needed to develop large-scale production facilities quickly. This financial barrier, combined with the need for continuous investment to scale operations, makes it challenging for new competitors to establish a foothold in the market and compete with established players who already possess the necessary capital and production capabilities.

Major Development Challenge Analysis of Global Small Home Appliance Industry and Small Kitchen Appliance Industry

Uncertainties in International Trade

Ongoing trade disputes, particularly the US-China trade tension, have heightened trade barriers between the two countries, creating significant challenges for the export and import of small home appliances. High tariffs and stringent trade restrictions may drive up export costs, potentially weakening the competitiveness of Chinese small home appliance companies in the U.S. market. In addition to the US-China trade tensions, global trade tensions are also intensifying, and geopolitical tensions are escalating, increasing the risk of a global economic downturn. The uncertainties in international trade may impact the development of the small home appliance industry.

Diverse Consumer Demand

In the small home appliance industry, consumer demands are evolving rapidly. Today's customers increasingly seek products that are not only intelligent and personalised but also of the highest quality. This shift in consumer expectations calls for constant innovation in product development and marketing strategies to stay ahead of the curve. For example, some smart small kitchen appliance products have gained increasing popularity due to their ability to offer diverse options, time-saving features, and app-based controls that allow users to monitor and adjust settings remotely. Companies in the small home appliance industry need to invest in cutting-edge technologies and sophisticated design features that cater to the growing demand for smarter and more customised appliances. To succeed in a highly competitive market, small home appliance companies must ensure their products exceed evolving consumer preferences, allowing them to stand out from the competition.

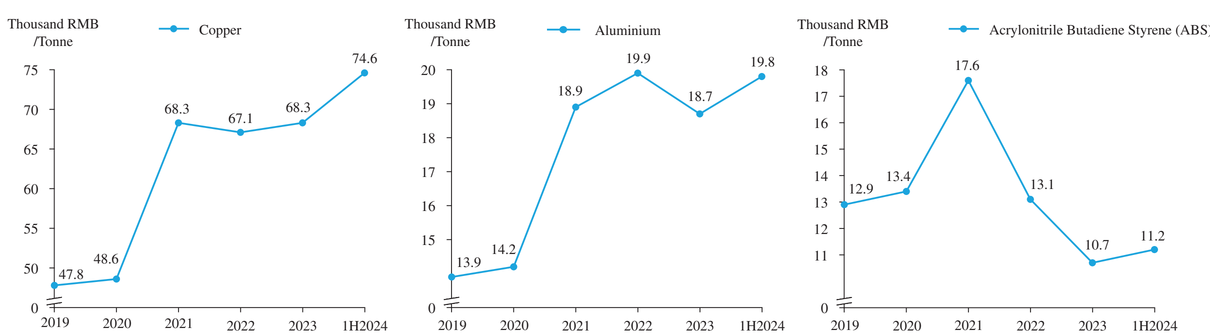
Rising Environmental Standards

The global focus on environmental protection and sustainable development is intensifying, with countries implementing stricter environmental regulations and standards. Manufacturers of small home appliances must adhere to these regulations by integrating eco-friendly materials and technologies into their product design and production processes. This compliance increases production costs and technical challenges, forcing companies to balance environmental responsibility with economic viability. However, adopting sustainable practices not only fulfils regulatory requirements but also resonates with environmentally conscious consumers, fostering long-term brand loyalty and driving market growth.

Raw Material Price Analysis of Global Small Home Appliance Industry and Small Kitchen Appliance Industry

The small home appliance industry faces challenges due to the fluctuating prices of key raw materials such as copper, aluminum and Acrylonitrile Butadiene Styrene (ABS). These fluctuations necessitate efficient procurement strategies and cost management practices to ensure manufacturers can maintain profitability and competitiveness in the market. Copper, a primary raw material for metal components and electronic parts, has seen its average price in China rose from RMB47.8 thousand per tonne in 2019 to RMB74.6 thousand per tonne in the first half of 2024 ("**1H2024**"). This increase is driven by growing demand and limited supply in the market. The high cost of copper affects various components of small home appliances such as power cords, thermostats, and PCB boards, which rely on copper for their production. Consequently, manufacturers must navigate these rising costs to maintain profitability and competitive pricing. Aluminium is a key material for various appliance components such as aluminium motors, heating pipes, etc., and its price changes directly impact manufacturing costs. Aluminium prices have also shown notable fluctuations, impacting the small home appliance sector. The average price of aluminium in China has increased from RMB13.9 thousand per tonne in 2019 to RMB19.8 thousand per tonne in 1H2024. This surge is driven by rising downstream demand from emerging sectors such as automotive and renewable energy, alongside supply constraints due to capacity lags and operational disruptions related to regulatory interventions and environmental concerns. The average price of ABS, a crucial plastic material for small home appliances, has experienced significant volatility over the past few years in China. The average price of ABS in China peaked at RMB17.6 thousand per tonne in 2021 then dropped to RMB11.2 thousand per tonne in 1H2024. The ABS industry is currently experiencing a potential oversupply due to expanding production capacity and increased supply.

Average Prices of Copper, Aluminium, Acrylonitrile Butadiene Styrene (China), 2019–1H2024



Source: BAIINFO, Frost & Sullivan

Competitive Landscape Analysis of Global Small Home Appliance Industry and Small Kitchen Appliance Industry

The product categories involved in the small home appliance industry are relatively complex, and the product categories are still growing, making the industry highly fragmented and segmented. After years of development, small home appliance companies in China have primarily split into two major categories. The first category comprises brand-focused companies, which dominate the domestic market and wield significant brand influence. The second category includes OEM/ODM companies, which mainly focus on ODM/OEM models. These companies, primarily provide integrated R&D and production services to well-known international brands.

In 2023, the export value of small kitchen appliances in China reached approximately RMB130.7 billion. The top ten companies accounted for a total market share of 32.9% by export value in 2023. The export value for our Group was approximately RMB0.8 billion in 2023, ranking the 10th among the market participants in China and accounting for a market share of 0.6%.

Top Ten Companies in China's Small Kitchen Appliance Industry by Export Value, 2023

Ranking	Company Name	Export Value of Small Kitchen Appliances in 2023 *(RMB Billion)*	Market Share
1	Guangdong Galanz Electrical Appliances Manufacturing Co., Ltd.	13.5	10.3%
2	Guangdong Xinbao Electrical Appliances Holdings Co., Ltd.	7.3	5.6%
3	Midea Group Co., Ltd.	6.6	5.1%
4	Zhejiang Supor Co., Ltd.	6.2	4.7%
5	Joyoung Co., Ltd.	2.2	1.7%
6	Guangdong WELLY Electrical Appliances Co, Ltd.	1.8	1.4%
7	Ningbo careline Electric Appliance Co., Ltd.	1.7	1.3%
8	Ningbo Borine Electric Appliance Co., Ltd.	1.5	1.1%
9	Zhejiang Biyi Electric Appliance Co., Ltd.	1.4	1.1%
10	**our Group**	**0.8**	**0.6%**
	TOP 10	**43.0**	**32.9%**
	TOTAL	**130.7**	

Source: Annual Reports of Listed Companies, China Chamber of Commerce for Import and Export of Machinery and Electronic Products, Interviews with Industry Experts, Frost & Sullivan

The following sets forth the profile of the companies in the ranking:

Company Name	Establish Year and Registered Place	Listed or Not	Major Types of Small Home Appliances	Major Business Model of Overseas Business
Guangdong Galanz Electrical Appliances Manufacturing Co., Ltd.	2011 Zhongshan, Guangdong	Unlisted	• Small Kitchen Appliances	OBM+OEM/ODM
Guangdong Xinbao Electrical Appliances Holdings Co., Ltd.	1995 Foshan, Guangdong	Listed (002705.SZ)	• Small Kitchen Appliances • Small Home Living and Environment Appliances • Small Personal Care Appliances	OEM/ODM
Midea Group Co., Ltd.	2000 Foshan, Guangdong	Listed (000333.SZ)	• Small Kitchen Appliances • Small Home Living and Environment Appliances • Small Personal Care Appliances	OBM+OEM/ODM
Zhejiang Supor Co., Ltd.	1996 Yuhuan, Zhejiang	Listed (002032.SZ)	• Small Kitchen Appliances • Small Home Living and Environment Appliances	OBM+OEM/ODM
Joyoung Co., Ltd.	2002 Jinan, Shandong	Listed (002242.SZ)	• Small Kitchen Appliances • Small Home Living and Environment Appliances	OBM+OEM/ODM

Company Name	Establish Year and Registered Place	Listed or Not	Major Types of Small Home Appliances	Major Business Model of Overseas Business
Guangdong WELLY Electrical Appliances Co, Ltd.	2005 Zhongshan, Guangdong	Unlisted	• Small Kitchen Appliances	OEM/ODM
Ningbo careline Electric Appliance Co., Ltd.	2010 Ningbo, Zhejiang	Unlisted	• Small Kitchen Appliances	OEM/ODM
Ningbo Borine Electric Appliance Co., Ltd.	2007 Ningbo, Zhejiang	Listed (873083.NQ)	• Small Kitchen Appliances	OEM/ODM
Zhejiang Biyi Electric Appliance Co., Ltd.	2001 Yuyao, Zhejiang	Listed (603215.SH)	• Small Kitchen Appliances	OEM/ODM

According to the data released by the General Administration of Customs of PRC, the following is the proportion of the export volume of our Group's major small home appliance product series to China's export volume to the corresponding countries:

Customs Goods and HS Codes	Exporter Country	Units	China's Export Volume in 2023	Our Group's Export Volume in 2023	Our Group's Market Share in China *(%)*
Food grinder and blender (85094090)[1]	The U.S.	Piece	59,539,686	4,000,855	6.72
	Australia	Piece	4,397,760	39,833	0.91
	Netherlands	Piece	8,588,233	43,273	0.50
	Switzerland	Piece	393,438	1,196	0.30
Other electric furnace; electric pot, electric heating plate, heating ring, barbecue oven, etc. (85166090)	The U.S.	Piece	40,356,336	2,208,175	5.47
	Germany	Piece	7,240,938	174,046	2.40
	France	Piece	5,865,022	194,877	3.32
	The U.K.	Piece	13,152,785	95,768	0.73
	Switzerland	Piece	290,670	7,438	2.56

Customs Goods and HS Codes	Exporter Country	Units	China's Export Volume in 2023	Our Group's Export Volume in 2023	Our Group's Market Share in China *(%)*
Other electric coffee and tea maker (85167190)	The U.S.	Piece	5,017,403	1,073,265	21.39
	Canada	Piece	583,107	188,596	32.34
	France	Piece	161,511	3,000	1.86
	Sweden	Piece	38,256	1,600	4.18
Scale, including baby scale, household scale (84231000)	The U.S.	Ten Thousand Pieces	2,681	117.54	4.38

Source: General Administration of Customs of PRC, Frost & Sullivan

Notes:

1. Corresponds to our Group's products including mixer and other motor-driven products;
2. Corresponds to our Group's products including electric oven, electric fryer, electric boiler, air fryer, dried fruit machine, slow cooker, football oven, waffle machine and other electro-thermic products;
3. Corresponds to our Group's products including electric kettle;
4. Corresponds to our Group's products including electronic scale series (kitchen scale, human scale, etc.).

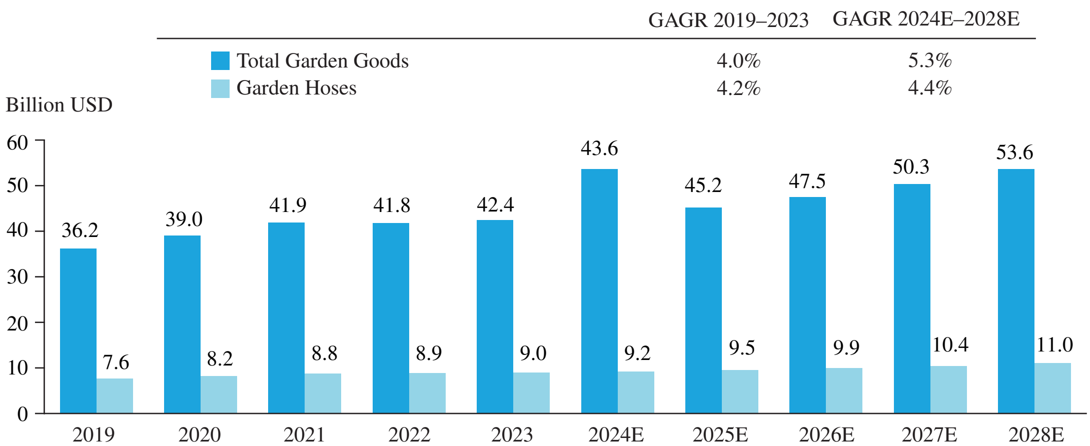
OVERVIEW OF GLOBAL GARDEN HOSE INDUSTRY

Garden goods refer to tools, machines, or devices specifically designed for gardening and outdoor maintenance. Garden hose is one of the major garden goods used for garden irrigation, cleaning, and other purposes. It is typically made of durable materials such as PVC, polyethylene, TPE (thermoplastic elastomers), latex, etc., characterised by being soft, lightweight, and durable.

Market Size of Garden Hose and Garden Goods Industry

As the global economy expands and the demand for high-quality lifestyles rises, an increasing number of consumers are investing in personal gardens and there are ongoing shift towards outdoor living and rising popularity of gardening as a leisure activities which fueled the significant growth of the garden goods market. Within this broader market of garden goods, garden hoses represent a critical segment. The retail value of the garden hose market increased from USD7.6 billion in 2019 to USD9.0 billion in 2023, reflecting a CAGR of 4.2%. This growth is attributed to the increasing adoption of high-performance and durable garden hose products that cater to both amateur gardeners and professional landscapers. As the garden goods industry continues to expand, the market size of garden hoses is projected to grow from USD9.2 billion in 2024 to USD11.0 billion by 2028, with a CAGR of 4.4%.

Market Size of Garden Hose and Garden Goods Industry by Retail Value, 2019–2028E



Source: Frost & Sullivan

Market Drivers and Trends Analysis of Global Garden Hose Industry

Continuous Urbanisation Process

The trend of continuous urbanisation promotes the global garden goods industry, as expanding cities and growing populations drive up the demand for green spaces such as gardens. These spaces are crucial for maintaining a healthy urban environment, leading to heightened demand for garden goods, including garden hoses. Garden hoses, in particular, are indispensable for the efficient watering and maintenance of green spaces in urban environments. As water conservation becomes increasingly critical, the demand for durable, lightweight, and flexible garden hoses. The global market for garden hoses, including hoses, has benefited from trends in sustainability, DIY gardening, and technological advancements. Consumers are increasingly seeking eco-friendly, compact, and smart garden tools suited for urban settings. Consequently, the garden hose market is experiencing notable diversification and innovation to address the evolving needs of urban areas.

Increasing Garden Activity

The global garden goods market is witnessing continuous growth, driven by the increasing popularity of gardening as both a hobby and a home maintenance activity. In developed regions, higher disposable incomes and the prevalence of private gardens sustain strong demand for high-quality tools, while in emerging markets, rising purchasing power is fueling a desire for enhanced outdoor spaces. Essential items like garden hoses are seeing heightened demand, particularly as consumers focus on outdoor aesthetics and efficient water use. Garden hoses, featuring lightweight, kink-free designs and flexibility, are becoming key products in response to the growing emphasis on sustainability and convenience. This trend is driving innovation and diversification in the market, with products tailored to meet global consumers' needs for efficiency, durability, and ease of use.

Rapid Innovation and Integration of Advanced Technologies

Consumers are increasingly drawn to products that offer superior functionality, such as expandable garden hoses that are easy to handle, store, and transport. These hoses, designed for convenience, are gaining popularity due to their compact nature and ability to stretch when in use, making them ideal for small garden spaces or urban environments. Additionally, durability is a key factor, with consumers seeking hoses that are resistant to kinking, extreme temperatures, and wear over time. Advanced features such as UV protection and anti-ageing properties are also appealing, as they extend the lifespan of the hoses in various climates. The industry's focus on eco-friendly materials and sustainable production techniques is further enhancing product safety and longevity, aligning with the rising consumer demand for environmentally responsible garden tools. This trend is contributing to the overall growth of the garden hose market, driving continuous innovation in materials and design to meet the evolving expectations for both functionality and sustainability.

Industry Barrier Analysis of Global Garden Hose Industry

Technological Barrier

In the garden hose market, technical barriers encompass the use of advanced materials and construction techniques, as well as innovative design features that complicate product development. Achieving high performance in areas such as temperature and pressure resistance, as well as freeze resistance, involves complex engineering that new entrants may find challenging to replicate without significant investment in R&D. Additionally, existing patents and intellectual property rights on these technologies present substantial hurdles, requiring new entrants to navigate legal constraints while striving to develop competitive products.

Customer Network Barrier

Established garden hose manufacturers have built extensive customer networks over time, leveraging their OEM/ODM models to secure long-term partnerships and client relationships. New entrants must navigate the complexities of establishing their own customer networks, often requiring significant effort to forge new partnerships and build credibility within the industry. Additionally, existing manufacturers benefit from established relationships and loyalty among their clientele, which new entrants must develop from the ground up.

Supply Chain Barrier

Building relationships with reliable suppliers for raw materials and components can be both challenging and time-consuming for new entrants. Effective supply chain management is essential for controlling costs and ensuring timely product delivery, which new players may initially struggle with. Furthermore, established companies often have well-developed risk management strategies to handle supply chain disruptions–a capability new entrants will need to develop to effectively mitigate potential risks.

Capital Barrier

Establishing production facilities for garden hoses requires a significant investment in machinery, equipment, and raw materials, necessitating substantial capital for infrastructure and technology. Additionally, developing innovative products demands considerable funding for research and development. New entrants must also invest heavily in marketing, advertising, and brand-building campaigns to gain market visibility and attract consumers, which can be particularly costly in the initial stages.

Major Development Challenge Analysis of Global Garden Hose Industry

Supply Chain Disruptions

Managing a global supply chain for garden hoses can be complex and vulnerable to disruptions. Fluctuations in the availability and cost of raw materials, transportation delays, and geopolitical tensions can impact production schedules and cost control. Ensuring a reliable supply of components and managing logistics effectively are critical for maintaining consistent product availability and competitive pricing.

Regulatory Compliance and Environmental Standards

The industry faces increasing pressure to meet stringent environmental regulations and sustainability standards. Compliance with these regulations requires investment in eco-friendly materials and production processes, which can drive up costs. Additionally, navigating varying regulatory requirements across different regions can be challenging for global manufacturers.

Technological Innovation and Competition

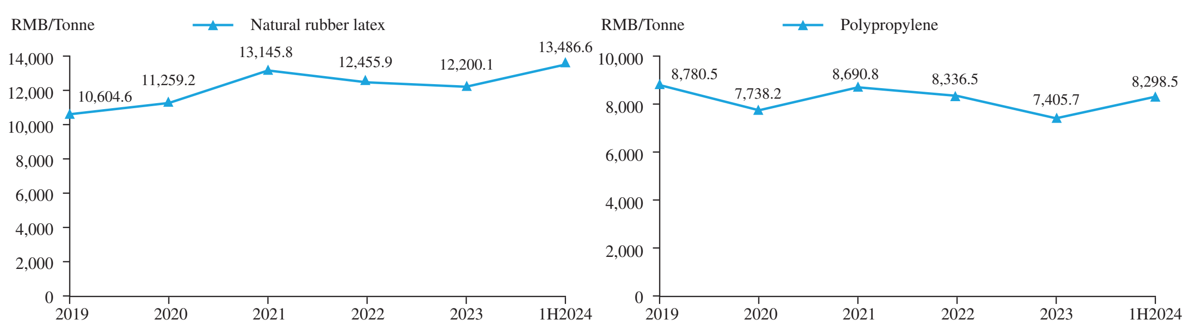
The rapid pace of technological advancements in garden hoses, such as smart technologies and energy-efficient features, requires continuous investment in research and development. Manufacturers must stay ahead of trends and incorporate the latest innovations to remain competitive. This need for ongoing innovation can be resource-intensive and requires balancing technological advancements with cost-effectiveness.

Raw Material Price Analysis of Global Garden Hose Industry

Natural rubber latex is a milky fluid that is collected from the rubber tree. It is composed mainly of water along with rubber particles, proteins, lipids, sugars, and other compounds. Natural rubber latex is widely used in the production of various products such as gloves, balloons, garden hose, and other rubber products. The average price of rubber latex in China has remained relatively stable, reaching RMB13,486.6 per tonne in 1H2024.

PP (Polypropylene) is a lightweight, chemically resistant material recognised for its durability and versatility. It is widely used in the production of various types of pipes and hoses, including garden hoses, due to its ability to endure harsh environmental conditions and chemical exposure. The average price of polypropylene in China has remained relatively stable, reaching RMB8,298.5 per tonne in 1H2024.

Average Prices of Nature Rubber Latex and Polypropylene (China), 2019–1H2024



Source: Wind, Frost & Sullivan

Competitive Landscape Analysis of Global Garden Hose Industry

The global garden hose market is highly fragmented with numerous participants, especially in China. Many companies operate on a smaller scale, focusing on mid-to-low-end products, which intensifies competition. However, as technology advances and consumer preferences shift towards higher-quality and innovative products, there is increasing emphasis on product differentiation. Companies that invest in R&D to develop advanced features—such as enhanced durability and self-retracting mechanisms–can gain a competitive edge. Additionally, global competition and existing patents create barriers for new entrants, making it essential for companies in the garden hose industry to continually innovate and adapt to thrive in this dynamic market.

The following sets forth the profile of the major Chinese companies in the garden hose industry:

Company Name	Establish Year and Registered Place	Listed or Not	Major Business Model
Ningbo Daye Garden Industry Co., Ltd.	2001 Ningbo, Zhejiang	Unlisted	OEM/ODM
Zhejiang Helen Garden Co., Ltd.	2001 Taizhou, Zhejiang	Unlisted	OEM/ODM

In 2023, the export value of our Group's garden hose series products (Customs HS Codes 39173900 and 40091200) to the U.S. accounted for 9.13% of China's total export value to the U.S., securing a leading position in the industry.

Customs Goods and HS Codes	Exporter Country	China's Export Value in 2023 (RMB Million)	Our Group's Export Value of Garden Hose in 2023 (RMB Million)	Our Group's Market Share in China (%)
Plastic pipes, not specified (39173900) & pipes with accessories not reinforced or combined with other materials (40091200)[1]	The U.S.	2,491.8	227.4	9.13

Source: General Administration of Customs of PRC, Frost & Sullivan

Note: 1. The corresponding company products under "Customs HS Code (39173900)" are garden hose series (aluminum head hoses, ribbed bungee hoses etc.); the corresponding products under "Customs HS Code (40091200)" are latex garden hoses.

THE PRC

Our business operations are subject to extensive supervision and regulation by the PRC government. This section sets out: (i) an introduction to the major PRC government authorities with jurisdiction over our current operations; (ii) a summary of the major laws and regulations to which we are subject.

Principal Regulatory Authorities

In addition to the supervision and management by authorities that perform general regulation on companies in the PRC, our operations in the PRC are mainly subject to supervision and management under the following authorities:

Ministry of Industry and Information Technology of the People's Republic of China

Ministry of Industry and Information Technology of the People's Republic of China (the "**MIIT**") is the department in charge of proposing strategies and policies of new industrialization development, drafting and organising the implementation of industrial plans and industrial policies, drafting and formulating regulations, formulating industrial technical specifications, formulating and implementing standards and policies of new materials and high-tech industries, promoting the development of emerging industries, and guiding relevant industries in strengthening safety production management.

Ministry of Ecology and Environment of the People's Republic of China

Ministry of Ecology and Environment of the People's Republic of China (the "**MEE**") is the department in charge of formulating the basic system relevant to ecological environment, examining and approving fixed asset investment projects, supervising environmental pollution prevention and control, formulating and supervising the implementation of pollution prevention and control system, enforcing the law, and investigating and dealing with major ecological and environmental violations.

National Development and Reform Commission of the People's Republic of China

The National Development and Reform Commission of the People's Republic of China (the "**NDRC**") is an authority that formulates and implements economic and social development policies, carries out overall balances and guides the overall economic system reform from an all-rounded macro perspective. It is responsible for promoting the economic and social development, formulating and implementing the national strategic emerging industries development plan, coordinating high-stake investment projects. Our Company is also subject to NDRC's supervision and management on overseas investment regarding to establishment of enterprises or acquisition of assets and shares outside China.

Ministry of Emergency Management of the People's Republic of China

Ministry of Emergency Management of the People's Republic of China (the "**MEM**") is the department in charge of organising the preparation of the national overall emergency response plan and planning, guiding all regions' and departments' respond to emergencies, promoting the formation of the emergency response system, guiding emergency rescue on safe production, and in charge of the supervision of safe production of industrial, mining and commercial industries.

Regulations in Relation to Product Liability

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) which was promulgated by the SCNPC on 22 February 1993 and last amended on 29 December 2018, producers and sellers shall have their own proper regulations for the management of product quality, rigorously implementing post-oriented quality regulations, quality liabilities and relevant measures for their assessment. Producers and sellers are responsible for the product quality according to the provisions of the laws.

Quality of products shall pass standard examinations and no substandard products shall be used as standard ones. Industrial products which may be hazardous to the health of the people and the safety of lives and property shall conform to the state and trade standards for ensuring the health of the human body and safety of lives and property. In absence of such state or trade standards, the products shall conform to the minimum requirements for ensuring the health of the human body and the safety of lives and property. It shall be prohibited to produce or sell industrial products that do not come to the requirements and demands for physical health and safety of body and property. Producers or sellers shall be responsible for any compensation arising from their unlawful acts such as production or sales of defective, eliminated or ineffective products, faking the place of origin or quality marks, mixing or adulterating products or passing off imitations as genuine, substandard products as quality ones or non-conforming products as conforming. Proceeds from the sales may be confiscated, the business licence may be revoked and penalties may be imposed. If the case is serious, criminal responsibilities shall be investigated. Producers or sellers shall be liable for any damage to any person or property due to the defects of products resulting from the default of the producers or sellers.

Regulations in Relation to Consumer Production

Law of the People's Republic of China on the Protection of Consumer Rights and Interests (《中華人民共和國消費者權益保護法》) was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 31 October 1993, latest revised on 25 October 2013 and became effective on 15 March 2014. Business operators, when providing consumers with the commodities produced or sold by them or services, shall abide by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests. Business operators that provide goods or services in any of the following circumstances shall bear civil liability in accordance with other relevant laws and regulations, except as otherwise provided in the Law: (1) there are defects in the goods or services provided; (2) the goods provided do not possess the usability they are supposed to possess with no declaration thereabout made at the time of sale; (3) the goods provided do not conform to the standards indicated on the goods or on the packages thereof; (4) the goods provided do not conform to the quality indicated by the product description or by physical samples; (5) production of goods that have been formally declared by the State to be obsolete or sales of goods that are no longer effective or have deteriorated; (6) goods are sold short of weight or quantity; (7) service contents and fees are in violation of a prior agreement; (8) deliberately delaying or unreasonably refusing consumers' demand for the repair, remake, change or return of goods, making up for any shortage in quantity, refunding the expenses for goods or services, or compensating for losses; or (9) other circumstances infringing consumer rights and interests as specified by laws and regulations. Business operators who fail to fulfil the obligation of guaranteeing the safety of consumers and cause damage to consumers shall be liable for tort. Business operators who provide goods or services in violation of the provisions of the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, infringe the legitimate rights and interests of consumers and constitute crimes shall be investigated for criminal liability in accordance with the law.

Regulations in Relation to Safe Production

The Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**") on 29 June 2002, which was implemented on 1 November 2002, and latest revised on 10 June 2021 and became effective on 1 September 2021. Production and business entities shall abide by this Law and other laws and regulations concerning work safety, strengthen work safety management, establish and improve a work safety responsibility system and work safety rules and systems for all employees, increase efforts to guarantee the input of funds, materials, technology, and personnel in work safety, improve work safety conditions, strengthen standardisation and informatisation of work safety, construct a dual prevention mechanism consisting of graded management and control of safety risks and examination and control of potential risks, improve the risk prevention and resolution mechanism, raise work safety levels, and ensure work safety. The law stipulates provisions on guarantee of safety by production and business operation entities, rights and obligations of employees relating to work safety, supervision and administration of work safety, emergency rescue, investigation, and handling of work safety accidents and legal responsibilities.

Regulations in Relation to E-Commerce and Online Transaction

The E-commerce Law of the People's Republic of China (《中華人民共和國電子商務法》) was promulgated by the Standing Committee of the National People's Congress on 31 August 2018, which became effective on 1 January 2019. The E-commerce Law promulgated to safeguard the legitimate rights and interests of all subjects involved in electronic commerce, regulate e-commerce practices, maintain the sound market order and foster the development of the e-commerce industry in a sustainable and healthy manner. The E-commerce Law proposes a series of requirements on e-commerce operators. According to the E-commerce Law, in carrying out business activities, e-commerce operators shall comply with the principles of voluntariness, equality, fairness, and good faith, abide by laws, observe business ethics, equally participate in market competition, perform obligations regarding the protection of consumers' rights and interests, environmental protection, intellectual property protection, and the protection of cyberspace safety and personal information, take charge of the quality of products and services, and receive the supervision of the government and the general public.

Measures for the Supervision and Administration of Online Transactions(《網絡交易監督管理辦法》) was promulgated by State Administration for Market Regulation on 15 March 2021, which became effective on 1 May 2021. Measures for the Supervision and Administration of Online Transactions applies to business activities involving the sale of commodities or provision of services through information networks such as the Internet (hereinafter referred to as "online") as well as to the supervision and administration thereof by departments for market regulation within the territory of the People's Republic of China. According to Measures for the Supervision and Administration of Online Transactions, online transaction operators shall, when engaging in business activities, follow the principles of voluntariness, equality, fairness and good faith, abide by laws, regulations, rules and business ethics as well as public order and good customs, participate in market competition on an equal footing, earnestly fulfil their statutory obligations, proactively assume the primary responsibility and accept supervision from all sectors of society. No online transaction operator may, in violation of laws, regulations or decisions of the State Council, engage in business operations without a licence or permit. Except under the circumstances for exemption from registration as prescribed in Article 10 of the E-commerce Law of the People's Republic of China, online transaction operators shall go through market entity registration in accordance with the law.

Regulations in Relation to Import and Export of Goods

According to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) promulgated by the SCNPC on 12 May 1994 and recently amended on 30 December 2022, and the Measures for the Record Registration of Foreign Trade Operators (《對外貿易經營者備案登記辦法》) promulgated by the MOFCOM on 25 June 2004 and last amended on 10 May 2021, foreign trade operators engaged in goods or technology import and export are required to go through the record-filing registration procedures with the competent department of foreign trade under the State Council or its entrusted institutions, except for those that are not required to complete the record-filing registration as prescribed by laws, administrative regulations and the provisions of the competent department of foreign trade under the State Council. Where a foreign trade operator fails to go through the record-filing registration formalities according to relevant provisions, the Customs are entitled to refuse to handle the formalities for declaration and clearance of goods imported or exported by the operator.

In accordance with the Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) published by the General Administration of Customs of the PRC on 19 November 2021, and effective from 1 January 2022, consignees or consignors of imports and exports and customs declaration enterprises applying for filing shall obtain market entity qualification; in the case of consignees or consignors of imports and exports applying for filing, they shall also complete filing formalities for foreign trade operators.

Customs Law of the People's Republic of China (《中華人民共和國海關法》) was promulgated by the Standing Committee of the National People's Congress on 22 January 1987, which became effective on 1 January 2019, latest revised on 29 April 2021 and became effective on 29 April 2021. The Customs of the People's Republic of China is the state's organ responsible for supervision and control over the activities entering and leaving the customs territory. The Customs shall, in accordance with the Customs Law and other relevant laws and administrative regulations, exercise supervision and control over the means of transport, goods, travelers' luggage, postal items and other articles entering or leaving the territory, collect customs duties and other taxes and fees, uncover and suppress smuggling, work out customs statistics and handle other customs operations. According to the Customs Law, all export goods, throughout the period from the time of customs declaration to the time of departure from the territory shall be subject to customs surveillance. Customs formalities for export goods shall be completed by the consignor at the customs office where the goods depart from the territory. The consignor of export goods shall be the obligatory customs duty payer.

Regulations in Relation to Compulsory Product Certification

Administrative Provisions on Compulsory Product Certification (《強制性產品認證管理規定》) was promulgated by the State Administration for Market Regulation on 3 July 2009, latest revised on 29 September 2022 and became effective on 1 November 2022. According to the Administrative Provisions on Compulsory Product Certification, for products that are subject to compulsory product certification, the State shall implement a unified product catalogue (the "**catalogue**"), unified compulsory requirements, standards and compliance assessment procedures in the technical specification, unified certification marks and unified charging standards. The catalogue shall be prepared and adjusted by the State Administration for Market Regulation in conjunction with relevant departments under the State Council, be issued by the State Administration for Market Regulation, and be implemented by the State Administration for Market Regulation in junction with other related authorities. Producers or sellers or importers of products included in the catalogue shall entrust certification authorities designated by the State Administration for Market Regulation to certify their produced, sold or imported products. Producers or sellers of products included in the catalogue shall, upon finding that a potential safety hazard in their produced or sold products may cause damage to human health and life safety, announce the relevant information to the public, proactively adopt remedying measures such as recalling the products, and report the matter to the relevant supervision and administration departments in accordance with relevant provisions.

Regulations in Relation to Overseas Investment

The Administrative Measures for Outbound Investment Management (《境外投資管理辦法》) was promulgated by the MOFCOM on 6 September 2014 and came into effect on 6 October 2014. As defined by the Measures for Overseas Investment Management, overseas investment means that the enterprises legally incorporated in the PRC own the non-financial enterprises or obtain the ownership, control and operation management rights of the existing non-financial enterprises in foreign countries through incorporation, merger and acquisition and other means. If the overseas investments involve sensitive countries and regions or sensitive industries, they shall be subject to the approval of competent authorities. For other overseas investments, they shall be subject to filing administration. Local enterprises shall file with the provincial commercial administration authorities where they are located. The qualified enterprises will be put into record and granted with Overseas Investment Certificate for Enterprise by the relevant provincial commercial administration authorities.

The Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) was promulgated by the NDRC on 26 December 2017 and came into effect on 1 March 2018. As defined therein, overseas investment means any investment activities in which a domestic enterprise of the PRC obtains ownership, control, operation and management rights and other relevant interests directly or through its controlled overseas enterprise by way of contributing asset and/or interest or providing financing and/or guarantee. To conduct overseas investment, certain procedures shall be compiled with, including approval and record-filing of overseas investment project, reporting relevant information and cooperating with the supervision and inspection. The NDRC promulgated the Catalogue of Sensitive Sectors for Outbound Investment (2018 Edition) (《境外投資敏感行業目錄(2018版)》), which was promulgated by the NDRC on 31 January 2018 and came into effect on 1 March 2018, to list the current sensitive industries in detail.

Regulations in Relation to Overseas Securities Offering and Listing by Domestic Companies

According to the Trial Measures, PRC domestic enterprises that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and submit filing reports, legal opinions, and other relevant documents. Subject to specific circumstances, the Trial Measures require that, among other things, (i) initial public offerings or listings on overseas markets shall be filed with the CSRC within three working days after the relevant application is submitted overseas, (ii) subsequent securities offerings of an issuer on the same overseas market where it has previously offered and listed securities shall be filed with the CSRC within three working days after the offering is completed, and (iii) subsequent securities offerings or listings of an issuer on other overseas markets other than where it has offered and listed securities shall be filed with the CSRC within three working days after the relevant application is submitted overseas. If a PRC company fails to complete the filing procedure or the filing documents submitted by a PRC company contain misrepresentation, misleading statement or material omission, such PRC company may be subject to order to rectify, warnings and fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly responsible persons may also be subject to fines.

The Trial Measures also set forth the issuer's reporting obligations in the event of occurrence of material events after the Overseas Offering and Listing. If the overseas offering and listing has been deemed as indirect Overseas Offering and Listing by PRC domestic enterprises, the issuer shall make a detailed report to the CSRC within 3 working days after the occurrence and public announcement of the relevant event: (i) change in controlling rights; (ii) being subject to investigation, punishment or other measures by overseas securities regulatory authorities or the relevant authorities; (iii) changing listing status or changing the listing board; or (iv) voluntary or compulsory termination of listing. Besides, if any material change in the principal business and operation of the issuer after its Overseas Offering and Listing makes the issuer no longer within the scope of record-filing, the issuer shall submit a special report and a legal opinion issued by a PRC domestic law firm to the CSRC within 3 working days after the occurrence of the relevant change to provide an explanation of the relevant situation. According to the Trial Measures, the PRC domestic enterprises engaging in Overseas Offering and Listing activities shall strictly comply with the PRC laws, administrative regulations, and relevant provisions on foreign investment, state-owned assets, industry regulation, overseas investment, etc., shall not disrupt domestic market order, and shall not harm national interests, public interests and the legitimate rights and interests of domestic investors. The PRC domestic enterprise that conducts Overseas Offering and Listing shall (i) formulate its articles of association, improve its internal control system and standardise its corporate governance, financial affairs and accounting activities in accordance with the PRC Company Law, the PRC Accounting Law and other PRC laws, administrative regulations and applicable provisions; (ii) abide by the legal system of the PRC on confidentiality and take necessary measures to implement the confidentiality responsibility, shall not divulge any state secret or the work secrets of state authorities, and shall also comply with laws, administrative regulations and the relevant provisions of the PRC where involved in the overseas provisions of personal information and important data.

According to the Trial Measures, the PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the filing procedure with the CSRC and report relevant information. The Trial Measures provide that an overseas listing or offering is explicitly prohibited, if any of the following applies: (i) such securities offering or listing is explicitly prohibited by provisions in PRC laws, administrative regulations or relevant state rules; (ii) the proposed securities offering or listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

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

Regulations in Relation to Foreign Exchange

Foreign exchange in the PRC is mainly regulated by the Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and amended on 5 August 2008. 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 the SAFE and/or prior registration with the SAFE is made.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) announced by the SAFE on 26 December 2014, the SAFE and its branch offices and administrative offices shall oversee, regulate and inspect domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas listing. Domestic company shall, within 15 working days upon the end of its public offering overseas, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials.

On 13 February 2015, SAFE promulgated the Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》, the "**SAFE Circular 13**"), which took effect on 1 June 2015 and was amended on 30 December 2019. In accordance with the SAFE Circular 13, the banks will review and carry out foreign exchange registration under domestic direct investment as well as foreign exchange registration under overseas direct investment directly, and the SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

On 30 March 2015, SAFE issued the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》, the "**SAFE Circular 19**"), which took effect on 1 June 2015. SAFE further issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》, the "**SAFE Circular 16**") and the Notice on Annulling five Foreign Exchange Management Normative Documents and clauses of seven Foreign Exchange Management Normative Documents (《國家外匯管理局關於廢止和失效5件外匯管理規範性文件及7件外匯管理規範性文件條款的通知》), which, among other things, amend certain provisions of SAFE Circular 19. According to SAFE Circular 19, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope or to provide loans to persons other than affiliates unless otherwise permitted under its business scope. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

According to the Circular on Optimising Administration of Foreign Exchange to Support the Development of Foreign-related Business (《關於優化外匯管理支持涉外業務發展的通知》) issued by the SAFE on 10 April 2020, eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, with no need to provide the evidentiary materials concerning authenticity of such capital for banks in advance, provided that their capital use shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts. The concerned bank shall conduct spot checking in accordance with the relevant requirements.

Regulations in Relation to Environmental Protection

General Provisions

The major environmental laws applicable to our Group include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) promulgated by the SCNPC on 26 December 1989, amended on 24 April 2014 and effective on 1 January 2015, the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》) promulgated by the SCNPC on 5 September 1987 and last amended on 26 October 2018, the Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治

法》) promulgated by the SCNPC on 11 May 1984, last amended on 27 June 2017 and effective on 1 January 2018, the Law of the PRC on Prevention and Control of Noise Pollution (《中華人民共和國噪聲污染防治法》) promulgated by the SCNPC on 24 December 2021 and took effect on 5 June 2022, the Law of the PRC on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》) promulgated by the SCNPC on 30 October 1995, last amended on 29 April 2020 and effective on 1 September 2020. These laws set out various standards and requirements for the prevention and control of air, water, noise and solid waste pollutions in order to protect and improve the environment, safeguard public health and promote economic and social development. Enterprises that fail to comply with these laws may be subject to warnings, fines, suspension of operations and closing-down of business, as determined by the relevant governmental authorities.

Construction Project Environmental Protection

Pursuant to the Administrative Regulations on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on 29 November 1998 and amended on 16 July 2017 with effect from 1 October 2017, the Environment Impact Assessment Law of the PRC (《中華人民共和國環境影響評價法》) promulgated by the SCNPC on 28 October 2002 and last amended on 29 December 2018 with effect from the same day, the Rules on the Examination and Approval of Environmental Impact Assessment Documents for Construction Projects by Authorities at Various Levels (《建設項目環境影響評價文件分級審批規定》) promulgated by the Ministry of Environmental Protection (the "**MEP**", currently known as the MEE) on 16 January 2009 and became effective on 1 March 2009, and the Interim Measures on Environmental Protection Acceptance of Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the MEP on 20 November 2017 and became effective on the same day, the PRC government implements an environmental impact assessment system for construction projects. Based on the extent of effects exerted on the environment by a construction project, the construction entity is required to prepare an environmental impact report, or an environmental impact report form, or an environmental impact registration form regarding the environmental impacts of the construction project. The report and the report form will be approved by the competent environmental protection administrative department prior to the commencement of construction, while the registration form is regulated by way of record-filing. Where a construction project needs supporting environmental protection facilities, these facilities should be designed, constructed and put into use at the same time with the main project. Furthermore, the construction entity should, upon completion of a construction project for which an environmental impact report or an environmental impact report form is formulated, conduct acceptance inspection of the constructed supporting environmental protection facilities pursuant to the standards and procedures prescribed by the environmental protection administrative department of the State Council, and formulate the acceptance inspection report.

Pollutant Discharge Licensing

Pursuant to the Administrative Measures for Pollutant Discharge Licensing (《排污許可管理辦法》) promulgated by the MEE on 1 April 2024 and became effective on 1 July 2024 and Regulations on the Administration of Pollutant Discharge Licensing (《排污許可管理條例》) promulgated by the State Council on 24 January 2021 and became effective on 1 March 2021, the MEE shall formulate and release a category-based administration catalogue of pollutant discharge licensing for stationary pollution sources, specifying the scope subject to the administration of pollutant discharge licensing and the time limit to apply for a pollutant discharge permit. Enterprises, public institutions and other producers and business operators that are included in the category-based administration catalogue are required to apply for and obtain a pollutant discharge permit within the prescribed time limit. According to the Guidelines for Registration of Stationary Pollution Sources (for Trial Implementation) (《固定污染源排污登記工作指南(試行)》) promulgated by the General Office of the MEE and implemented on 6 January 2020, where the amount of pollutants produced, discharged and the impact on the environment is slight, such enterprises do not need to apply for the pollutant discharge permit, but are required to register for the discharge of pollution of stationary sources.

Regulations in Relation to Labour Protection in the PRC

Labour Contract Law

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》, effective on 1 January 2008 and last amended on 28 December 2012 with effect from 1 July 2013) and the Regulations on Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), effective on 18 September 2008 provide for the establishment of labour relationship between employing entities and employees, as well as the concluding, performance, dissolution and revision of the labour contracts. To establish a labour relationship, a written labour contract shall be signed. Employers are also required to pay wages no lower than the local minimum wage standards to their employees.

Social Insurance and Housing Provident Funds

The Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated by the SCNPC on 28 October 2010 and amended on 29 December 2018, governs the PRC social insurance system. It requires employers and/or employees (as the case may be) to register social insurance with competent authorities and contribute required amount of social insurance funds, including funds for pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. Employers who failed to complete social security registration shall be ordered by the social security administrative authorities to make correction within a stipulated period; where correction is not made within the stipulated period, the employer shall be subject to a fine ranging from one to three times the amount of the social security premiums payable, and the person(s)-in-charge who is/are directly accountable and other directly accountable personnel shall be subject to a fin e ranging from RMB500 to RMB3,000. Employers who failed to promptly contribute social security premiums in full amount shall be ordered by the social security premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a late payment fine computed from the due date at the rate of 0.05%per day; where payment is not made within the stipulated period, the relevant administrative authorities shall impose a fine ranging from one to three times the amount of the amount in arrears.

Under the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, I999 and last amended on March 24,2019, an employer shall make contribution registration with the housing provident fund management and complete the formalities of opening housing provident fund accounts for its employees. Where an employer fails to undertake payment and deposit registration of housing provident fund or fails to go through the formalities of opening housing provident fund accounts for its employees, the housing provident fund management centre shall order it to go through the formalities within a prescribed time limit; where failing to do so at the expiration of the time limit, a fine of not less than RMB10,000 nor more than RMB50,000 shall be imposed. Where an employer is overdue in the payment of, or underpays, the housing provident fund, the housing provident fund management centre shall order it to make the payment within a prescribed time limit; where the payment has not been made after the expiration of the time limit, an application may be made to a people's court for compulsory enforcement.

Regulations in Relation to Intellectual Property

Patent

The SCNPC enacted the Patent Law of the PRC (《中華人民共和國專利法》) in 12 March 1984 and last amended on 17 October 2020. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal, plant breeds or nuclear transformation method and substances obtained by means of nuclear transformation and a design which has major marking effect on the patterns or colours of graphic print products or a combination of both patterns and colours. The Patent Office under the State Intellectual Property Office is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a fifteen-year term for a design and a ten-year term for a utility model, starting from the application date. Except under certain specific circumstances provided by law, any third party user must obtain consent or a proper licence from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was enacted on 23 August 1982 and last amended on 23 April 2019, as well as the Implementation Regulation of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002 and amended on 29 April 2014. The Trademark Office handles trademark registrations and grants a term of ten years to registered trademarks and each renewal of registration shall be ten years. Trademark licence agreements must be filed with the Trademark Office for record. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. Where a trademark for which a registration has been made 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 commodities 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.

Copyright and Software Registration

The SCNPC promulgated the Copyright Law of the PRC (《中華人民共和國著作權法》) (the "**Copyright Law**") in 1990 and amended it in 2001, 2010 and 2020, respectively. The Copyright Law of the PRC provides that Chinese citizens, legal persons, or other organisations shall, whether published or not, enjoy copyright in their works, including computer software. The purpose of the Copyright Law is to encourage the creation and dissemination of works which contribute to the construction of socialist spiritual and material civilisation and promote the development and prosperity of socialist cultural and scientific pursuit.

The Regulation on Computers Software Protection (《計算機軟件保護條例》), which was promulgated by the State Council on 4 June 1991 and amended in 2001, 2011 and 2013, respectively, was formulated for the purposes of protecting the rights and interests of copyright owners of computer software, regulating the relationship of interests generated in the development, dissemination and use of computer software, encouraging the development and application of computer software, and promoting the development of software industry and the informatisation of national economy. According to the Regulation on Computer Software Protection, Chinese citizens, legal entities or other organisations are entitled to the copyright in the software which they have developed, whether published or not. A software copyright owner may register with the software registration institution recognised by the copyright administration department of the State Council. A registration certificate issued by the software registration institution is a preliminary proof of the registered items. The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on 20 February 2002 and took effect on the same day, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Centre of China (the "**CPCC**") is designated as the software registration authority. The CPCC shall grant registration certificates to the computer software copyright applicants which conforms to the provisions of both the Measures for the Registration of Computer Software Copyright and the Regulation on Computers Software Protection.

Domain Names

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology on 24 August 2017 and became effective on 1 November 2017, domain names are registered on a "first-come, first-served" basis. The domain names registered or used by an organisation or individual shall not contain any contents prohibited by laws and administrative regulations. A domain name registration applicant shall provide the domain name registration service agency with truthful, accurate and complete identity information on the domain name holder.

Laws and Regulations in Relation to Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law of PRC (《中華人民共和國企業所得稅法》), which was promulgated by the NPC on 16 March 2007, implemented on 1 January 2008, and subsequently revised on 24 February 2017 and 29 December 2018 respectively, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) enacted on 6 December 2007 by the State Council and became effective on 1 January 2008, and amended on 23 April 2019, a resident enterprise shall pay EIT on its income originating from both inside and outside PRC at an EIT rate of 25%. Foreign invested enterprises in the PRC falls into the category of resident enterprises, which shall pay EIT for the income originated from domestic and overseas sources at an EIT rate of 25%. High and new technology enterprises which are supported by the State may enjoy a reduced EIT rate of 15%. A non-resident enterprise having no office or establishment inside China, or for a non-resident enterprise whose incomes have no actual connection to its office or establishment inside China must pay enterprise income tax on the incomes derived from China at a rate of 10%.

Value-added Tax

According to the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993, and amended on 10 November 2008, 6 February 2016 and 19 November 2017, and the Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on 25 December 1993 and subsequently amended on 15 December 2008 and 28 October 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of services, intangible assets and real estate, and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 17%, except when specified otherwise.

According to the Circular on Comprehensively Promoting the Pilot Programme of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated on 23 March 2016 and came into effect on 1 May 2016, the pilot program of the collection of value-added tax in lieu of business tax shall be promoted nationwide in a comprehensive manner as of 1 May 2016, and all taxpayer of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot programme with regard to payment of value-added tax instead of business tax.

According to the Circular of the Ministry of Finance and the SAT on Adjusting Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》), which was promulgated on 4 April 2018 and became effective on 1 May 2018, where a taxpayer engages in value-added tax taxable sales activities or import of goods, the previous applicable value-added tax rates of 17% and 11% are adjusted to 16% and 10%, respectively.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated on 20 March 2019 and became effective on 1 April 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applies currently, it shall be adjusted to 13%; the currently applicable VAT rate of 10% shall be adjusted to 9%.

HONG KONG

There is no specific statutory requirement for our Group to obtain any licence to carry out our business in Hong Kong other than the requirement to have a business registration certificate under the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong). Our Group does not import any food, dutiable commodities under the Dutiable Commodities Ordinance (Cap. 109) or any prohibited articles under the Import and Export Ordinance (Cap. 60) in or into Hong Kong. Below is a summary of the laws and regulations in Hong Kong which are material to our Group's business.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong)

The Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) governs the formation, performance and remedies of contract for the sale of goods in Hong Kong and the transfer of title of goods sold. The ordinance also sets out certain implied terms or conditions and warranties generally relating to the safety and suitability of goods supplied under a contract of sale for goods in Hong Kong, including:

(i) where there is a sale of goods by description, the goods shall correspond with the description;

(ii) where the seller sells goods in the course of a business, the goods shall be of a merchantable quality, i.e. (a) as fit for the purpose or purposes for which the goods of that kind are commonly bought; (b) of such standard of appearance and finish; (c) as free from defects (including minor defects); (d) as safe; and (e) as durable, as it is reasonable to expect having regard to any description applied to them, the price (if relevant) and all the other relevant circumstances; and

(iii) where the seller sells goods in the course of a business and the buyer makes known to the seller (whether expressly or by implication) any particular purpose for which the goods are being bought, the goods supplied under the contract shall be reasonably fit for that purpose.

Under section 55 of the Sale of Goods Ordinance, where there is a breach of warranty by the seller, the buyer is not, by reason only of such breach of warranty, entitled to reject the goods, but he may set up against the seller the breach of warranty in diminution or extinction of the price, or maintain an action against the seller for damages for the breach of warranty.

Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong)

The Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) requires every person carrying on any business to make application to the Commissioner of Inland Revenue in the prescribed manner for the registration of that business. The Commissioner of Inland Revenue must register each business for which a business registration application is made and as soon as practicable after the prescribed business registration fee and levy are paid, and issue a business registration certificate or branch registration certificate for the relevant business or the relevant branch as the case may be.

Laws relating to Transfer Pricing

The Inland Revenue Department ("**IRD**") may make transfer pricing adjustments by disallowing expenses incurred by Hong Kong residents under sections 16(1), 17(1)(b) and 17(1)(c) of the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) ("**IRO**") and challenging the entire arrangement under general anti-avoidance provisions such as sections 61 and 61A of the IRO if the IRD considers that the related party transactions are not conducted on an arm's length basis. In December 2009, the IRD released Departmental Interpretation and Practice Notes No. 46 ("**DIPN 46**"). DIPN 46 provides clarifications and guidance on the IRD's views on transfer pricing and how it intends to apply the existing provisions of the IRO to establish whether related parties are transacting at arm's length prices. In general the practices followed by the IRD are based on the transfer pricing methodologies recommended by the OECD Transfer Pricing Guidelines. In April 2009, the IRD released Departmental Interpretation and Practice Notes No. 45 ("**DIPN 45**"). DIPN 45 provides that where double taxation arises as a result of transfer pricing adjustments made by the tax authorities of another country, a Hong Kong taxpayer may potentially claim relief under the treaty between Hong Kong and that country (countries that entered into tax arrangements with Hong Kong includes the PRC). Furthermore, the Hong Kong Government has gazetted the Inland Revenue (Amendment) (No. 6) Ordinance 2018 (the "**Amendment Ordinance**") on 13 July 2018. The main objectives of the Amendment Ordinance are to codify the transfer pricing principles and implement certain measures under the Base Erosion and Profit Shifting ("**BEPS**") package promulgated by the Organisation for Economic Co-operation and Development, such as the transfer pricing documentation requirements. The BEPS package seeks to counter the exploitation of gaps and mismatches in tax rules by multinational enterprises to artificially shift profits to low or no-tax locations where there are little or no economic activity.

Section 50AAF of the IRO now codifies the arm's-length principle and allows for an adjustment of a taxpayer's profits upwards/losses downwards if the taxpayer has entered into transaction(s) with an associated person, and the pricing of such transaction(s) differs from that between independent persons and has created a Hong Kong tax advantage. Section 82A of the IRO stipulates that a person is liable to be assessed for penalties to additional tax of the amount of tax undercharged resulting from transfer pricing adjustments, unless it is proved that reasonable efforts have been made to determine the arm's length price for the transaction(s). Pursuant to section 58C of the IRO, Hong Kong entities engaged in transactions with associated enterprises will be required to prepare master and local files for accounting periods beginning on or after 1 April 2018, except where they meet either one of the following exemptions in respect of business size or relevant transaction volume:

Exemption based on size of business: Taxpayers meeting any two of the following conditions are not required to prepare the master file and local files:

(i) Total revenue for the accounting period not exceeding HK$400 million;

(ii) Total assets at the end of the accounting period not exceeding HK$300 million;

(iii) No more than 100 employees on average.

Exemption based on related party transactions: If the amount of a type of controlled transactions for the relevant accounting period is below the threshold set out below, an enterprise will not be required to prepare a local file for that particular type of transactions:

(i) Transfer of properties (other than financial assets and intangibles): HK$220 million;

(ii) Transaction of financial assets: HK$110 million;

(iii) Transfer of intangibles: HK$110 million;

(iv) Any other transaction (e.g., service income and royalty income): HK$44 million.

If all types of controlled transactions for the relevant accounting period are not required to be covered in local files, neither of the following is required to be prepared or retained by a taxpayer:

(i) Local file for the accounting period;

(ii) Master file for the corresponding accounting period.

Trade Description Ordinance (Chapter 362 of the Laws of Hong Kong)

The Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) aims to prohibit false trade description, false, misleading or incomplete information, false marks and misstatements in respect of goods and services provided in the course of trade. The definition of trade description under section 2 of the ordinance covers a broad range of matters including but not limited to: quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard specified or recognised by any person, price, approval by any person, a person by whom they have been acquired, the goods being of same kind as goods supplied to a person, place or date of manufacture, etc.

Section 2 also provides that a trade description which is false to a material degree or which, though not false, is misleading, that is to say, likely to be taken for a trade description of a kind that would be false to a material degree, would be regarded as a false trade description.

Section 7 provides that it is an offence for any person who, in the course of any trade or business, applies a false trade description to any goods or supplies or offer to supply any goods to which a false description is applied. Section 7A provides that it is an offence for a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied. Section 12 further prohibits any person from importing or exporting any goods to which a false trade description or forged trade mark is applied.

Sections 13E, 13F, 13G, 13H and 13I of the ordinance provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission, or is aggressive, or constitutes bait advertising, or constitutes a bait and switch, or wrongly accepting payment for a product.

Any person who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I shall be liable, on conviction on indictment, to a fine of HK$500,000 and to imprisonment for 5 years, and on summary conviction, to a level 6 fine of HK$100,000 and imprisonment for 2 years.

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong)

The Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) makes provision in respect of the registration of trade marks and provides for connected matters.

The ordinance provides that a person infringes a registered trade mark if he uses in the course of trade or business a sign which is:

(a) identical to the registered trade mark in relation to goods or services which are identical to those for which it is registered;

(b) identical to the registered trade mark in relation to goods or services which are similar to those for which it is registered and such use is likely to cause confusion on the part of the public;

(c) similar to the registered trade mark in relation to goods or services which are identical to or similar to those for which it is registered and such use is likely to cause confusion on the part of the public; or

(d) identical or similar to the registered trade mark in relation to goods or services which are not identical or similar to those for which the trademark is registered, and the trade mark is entitled to protection under the Paris Convention as a well-known trade mark, and such use, being without due cause, takes unfair advantage of or is detrimental to the distinctive character or repute of a trade mark.

The ordinance further provides that the owner of a trade mark may bring infringement proceedings against the infringer for damages, injunction, accounts or any other relief available in law.

OVERVIEW

We are a manufacturer of quality lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis and have built a customer portfolio comprising globally reputable and long standing names, such as Walmart, Telebrands, SEB, Sensio, Hamilton Beach and Philips etc. With our capability to design, develop and manufacture a wide range of small home appliances, we have gained particular success in our small kitchen appliances. We were the "Top 10 Small Kitchen Appliance Export Companies (十大廚房小家電出口企業)" in 2022 and 2023 from China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會). According to the F&S Report, we were one of the top 10 companies in terms of export value in 2023 in the small kitchen appliance industry in the PRC. Our electric kettles had a market share of approximately 21.4% and 32.3% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. and Canada, respectively, in 2023. Our motor-driven products such as mixers had a market share of approximately 6.7% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. in 2023. Please see "Industry Overview" in this document for details.

Our history can be traced back to 2000 when we established our Yinuowei Factory in Jiangyin. In 2012, our Company was founded by Mr. Pan Yun, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping, Ms. Hu Yan and Ms. Yi Hongliang and six other former or current employees as promoters in the PRC. Since the establishment of our Company, Mr. Pan Yun has played a pivotal role as a Director, Controlling Shareholder, chairman of the Board and the general manager of our Company. For biographical details of Mr. Pan Yun, please see "Directors, Supervisors and Senior Management – Directors" in this document.

OUR KEY MILESTONES

The following table sets out the key milestone in our business development:

Year	Milestone
2000	We established our Yinuowei Factory in Jiangyin, following by the establishment of other production facilities in different parts of China
2002	We established our Aisijie Factory
2004	We established our Yuantexin Factory
2012	Mr. Pan Yun, together with other then shareholders established our Company
	We established our Hubei XJ Factory in the same year
2016	We commenced our operation in the US under the brand of Weighmax
2023	We established our first overseas production facility in Indonesia
2024	We established our Thailand subsidiary, X.J. Electrics (Thailand), as our second base in Southeast Asia

CORPORATE DEVELOPMENT

The following sets forth the corporate development and major shareholding changes of our Company and our principal subsidiaries.

Our Company

Our incorporation

Pursuant to the promoters' agreement dated 7 June 2012 entered into by Mr. Pan Yun, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping, Mr. Yi Jie, Mr. Hu Qingfeng, Mr. Ye Huanchun, Ms. Hu Yan, Mr. Zou Chenghou, Mr. Geng Congen, Ms. Yan Li and Ms. Yi Hongliang, our Company was established as a joint stock company with limited liability in the PRC on 23 July 2012, with an initial registered and paid-up capital of RMB30,000,000 divided into 30,000,000 Shares with a nominal value of RMB1 per Share. Upon incorporation, Mr. Pan Yun owned as to 85% of the Shares and the remaining 11 promoters owned as to 15% of the Shares in aggregate. For details of Mr. Pan Yun, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping and Ms. Hu Yan, who are our Directors, please see "Directors, Supervisors and Senior Management – Directors" in this document. For details of Ms. Yi Hongliang, who is our Supervisor, please see "Directors, Supervisors and Senior Management – Supervisors" in this document. As to the remaining promoters, they are either former or current employees of our Group.

The following table sets out the shareholding structure of our Company immediately upon our incorporation:

Shareholders	Number of Shares held	Percentage of shareholding (%)
Mr. Pan Yun	25,500,000	85.00
Ms. Ji Ying	600,000	2.00
Ms. Li Youxiang	600,000	2.00
Mr. Xu Xiping	600,000	2.00
Mr. Yi Jie	600,000	2.00
Mr. Hu Qingfeng	450,000	1.50
Mr. Ye Huanchun	450,000	1.50
Ms. Hu Yan	300,000	1.00
Mr. Zou Chenghou	300,000	1.00
Mr. Geng Congen	300,000	1.00
Ms. Yan Li	150,000	0.50
Ms. Yi Hongliang	150,000	0.50
Total	**30,000,000**	**100**

Our historical changes in registered capital and shareholdings

The first increase of registered capital in 2013

On 12 April 2013, the registered capital of our Company was increased from RMB30,000,000 to RMB50,000,000. The newly increased registered capital was subscribed by the then Shareholders in proportion to their existing capital contribution at the subscription price of RMB1 per Share which was determined based on the nominal value of the Shares. The following table sets out the shareholding structure of our Company immediately upon the completion of the capital increase as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding *(%)*
Mr. Pan Yun	42,500,000	85.00
Ms. Ji Ying	1,000,000	2.00
Ms. Li Youxiang	1,000,000	2.00
Mr. Xu Xiping	1,000,000	2.00
Mr. Yi Jie	1,000,000	2.00
Mr. Hu Qingfeng	750,000	1.50
Mr. Ye Huanchun	750,000	1.50
Ms. Hu Yan	500,000	1.00
Mr. Zou Chenghou	500,000	1.00
Mr. Geng Congen	500,000	1.00
Ms. Yan Li	250,000	0.50
Ms. Yi Hongliang	250,000	0.50
Total	**50,000,000**	**100**

The second increase of registered capital in 2013

On 10 December 2013, the registered capital of our Company was increased from RMB50,000,000 to RMB80,000,000. The newly increased registered capital was subscribed by the then Shareholders in proportion to their existing capital contribution at the subscription price of RMB1 per Share which was determined based on the nominal value of the Shares. The following table sets out the shareholding structure of our Company immediately upon the completion of the capital increase as mentioned above:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
Mr. Pan Yun	68,000,000	85.00
Ms. Ji Ying	1,600,000	2.00
Ms. Li Youxiang	1,600,000	2.00
Mr. Xu Xiping	1,600,000	2.00
Mr. Yi Jie	1,600,000	2.00
Mr. Hu Qingfeng	1,200,000	1.50
Mr. Ye Huanchun	1,200,000	1.50
Ms. Hu Yan	800,000	1.00
Mr. Zou Chenghou	800,000	1.00
Mr. Geng Congen	800,000	1.00
Ms. Yan Li	400,000	0.50
Ms. Yi Hongliang	400,000	0.50
Total	**80,000,000**	**100**

The third increase of registered capital in 2014

On 23 June 2014, the registered capital of our Company was increased from RMB80,000,000 to RMB120,000,000. The newly increased registered capital was subscribed by the then Shareholders in proportion to their existing capital contribution at the subscription price of RMB1 per Share which was determined based on the nominal value of the Shares. The following table sets out the shareholding structure of our Company immediately upon the completion of the capital increase as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding *(%)*
Mr. Pan Yun	102,000,000	85.00
Ms. Ji Ying	2,400,000	2.00
Ms. Li Youxiang	2,400,000	2.00
Mr. Xu Xiping	2,400,000	2.00
Mr. Yi Jie	2,400,000	2.00
Mr. Hu Qingfeng	1,800,000	1.50
Mr. Ye Huanchun	1,800,000	1.50
Ms. Hu Yan	1,200,000	1.00
Mr. Zou Chenghou	1,200,000	1.00
Mr. Geng Congen	1,200,000	1.00
Ms. Yan Li	600,000	0.50
Ms. Yi Hongliang	600,000	0.50
Total	**120,000,000**	**100**

Transfer of shares from 11 promoters to Qichun Hengxing in 2016

Pursuant to 11 equity transfer agreements all dated 21 October 2016, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping, Mr. Yi Jie, Mr. Hu Qingfeng, Mr. Ye Huanchun, Ms. Hu Yan, Mr. Zou Chenghou, Mr. Geng Congen, Ms. Yan Li and Ms. Yi Hongliang transferred an aggregate of 18,000,000 Shares (representing 15% of shareholding in our Company) to Qichun Hengxing at the consideration of RMB1 per Share which was determined based on the nominal value of the Shares. Qichun Hengxing was owned by the 11 promoters and their shareholdings in Qichun Hengxing were proportional to their partnership interests in our Company immediately before the share transfer. The following table sets out the shareholding structure of our Company immediately upon the completion of the share transfer as mentioned above:

Shareholders	**Number of Shares held**	**Percentage of shareholding**
		(%)
Mr. Pan Yun	102,000,000	85.00
Qichun Hengxing	18,000,000	15.00
Total	**120,000,000**	**100**

The fourth increase of registered capital in 2016

Pursuant to the shareholders' resolutions dated 25 November 2016, the registered capital of our Company was increased from RMB120,000,000 to RMB200,000,000 on 5 December 2016. Such additional registered capital was contributed by X.J. Management (Qichun), Qichun Hengxing and Suizhou Yuhui Longfang Enterprise Management Consulting Centre (General Partnership)* (隨州市裕匯隆方企業管理諮詢中心(普通合夥)) ("**Yuhui Longfang**") as to RMB54,000,000, RMB22,000,000 and RMB4,000,000, respectively, at the consideration of RMB1 per Share which was determined based on the nominal value of the Shares. The consideration was fully settled by X.J. Management (Qichun), Qichun Hengxing and Yuhui Longfang on 8 December 2016, 8 December 2016 and 2 December 2016, respectively. At the material time, X.J. Management (Qichun) was owned by Mr. Pan Yun and Mr. Guangshe Pan as to 70.37% and 29.63%, respectively; Qichun Hengxing was owned by Mr. Pan Yun as to 25%, Ms. Ji Ying as to 10%, Ms. Li Youxiang as to 10%, Mr. Xu Xiping as to 5%, Ms. Hu Yan as to 5%, Mr. Shi Chuanlai as to 4%, Ms. Yi Hongliang as to 2.5% and Ms. Yan Li as to 1.5%, and the remaining 37% partnership interest was collectively owned by 17 partners, all of whom were our employees and Independent Third Parties; and Yuhui Longfang was ultimately beneficially owned by three individuals, all of whom were Independent Third Parties.

The following table sets out the shareholding structure of our Company immediately upon the completion of the capital increase as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding
		(%)
Mr. Pan Yun	102,000,000	51.00
X.J. Management (Qichun)	54,000,000	27.00
Qichun Hengxing	40,000,000	20.00
Yuhui Longfang	4,000,000	2.00
Total	**200,000,000**	**100**

Transfer of shares from Yuhui Longfang to Mr. Pan Yun in 2017

On 5 December 2017, Yuhui Longfang and our Company mutually agreed to terminate our shareholding relationship and entered into an equity transfer agreement on even date, pursuant to which Yuhui Longfang transferred 4,000,000 Shares (representing 2% of shareholding in our Company) to Mr. Pan Yun at the consideration of RMB1 per Share which was determined having considered the consideration paid by Yuhui Longfang for acquiring such Shares, being the nominal value of the Shares. The consideration was fully settled by Mr. Pan Yun on 20 December 2017. The following table sets out the shareholding structure of our Company immediately upon the completion of the share transfer as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding
		(%)
Mr. Pan Yun	106,000,000	53.00
X.J. Management (Qichun)	54,000,000	27.00
Qichun Hengxing	40,000,000	20.00
Total	**200,000,000**	**100**

The fifth increase of registered capital in 2017

Pursuant to a capital increase agreement dated 27 December 2017 entered into among our Company, Mr. Pan Yun, Shenzhen Huiyin Hefu No. 10 Investment Partnership (Limited Partnership)* (深圳市匯銀合富十號投資合夥企業(有限合夥)) ("**Huiyin Hefu**") and Shenzhen Huiyin Ruihe No. 6 Investment Partnership (Limited Partnership)* (深圳市匯銀瑞和六號投資合夥企業(有限合夥)) ("**Huiyin Ruihe**"), Huiyin Hefu and Huiyin Ruihe agreed to invest RMB30.0 million and RMB9.0 million, respectively, in our Company. Upon the completion of the said capital increase on 28 December 2017, the registered capital of our Company was increased from RMB200,000,000 to RMB205,567,500. The consideration of RMB7.005 per Share was determined with reference to our Company's performance and the then price-to-earnings (P/E) ratio of the industry and was fully settled by Huiyin Hefu and Huiyin Ruihe on 28 December 2017. At the material time, Shenzhen Zhongtong Huiyin Asset Management Co., Ltd.* (深圳市中通匯銀資產管理有限公司) was the general partner of both Huiyin Hefu and Huiyin Ruihe. The ultimate beneficial owners of Huiyin Hefu and Huiyin Ruihe were Independent Third Parties.

The following table sets out the shareholding structure of our Company immediately upon the completion of the capital increase as mentioned above:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
Mr. Pan Yun	106,000,000	51.56
X.J. Management (Qichun)	54,000,000	26.27
Qichun Hengxing	40,000,000	19.46
Huiyin Hefu	4,282,700	2.08
Huiyin Ruihe	1,284,800	0.63
Total	**205,567,500**	**100**

Pursuant to a supplemental capital increase agreement dated 28 December 2017 entered into among our Company, Mr. Pan Yun, Huiyin Hefu and Huiyin Ruihe, the parties agreed that in the event the A share listing attempt of our Company being not completed by 31 December 2020, our Company shall return the respective investment amount to Huiyin Hefu and Huiyin Ruihe through reduction of registered capital, with a pre-tax annual rate of return of 6% simple interest, net of any cash dividend returns received by Huiyin Hefu and Huiyin Ruihe from our Company (the "**Supplemental Agreement with Huiyin Hefu and Huiyin Ruihe**"). For further details of our A share listing attempt, please see "Previous A Share Listing Attempt" in this section below.

The sixth increase of registered capital and subscription of registered capital by Huiyin Jiafu in 2018

Pursuant to a capital increase agreement dated 8 August 2018 entered into among our Company, Mr. Pan Yun and Shenzhen Huiyin Jiafu Preferred Phase I Venture Capital Partnership (Limited Partnership)* (深圳市匯銀加富優選一期創業投資合夥企業(有限合夥)) ("**Huiyin Jiafu**"), Huiyin Jiafu agreed to invest RMB29.7 million in our Company. Upon the completion of the said capital increase on 21 September 2018, the registered capital of our Company was increased from RMB205,567,500 to RMB210,227,009. The consideration of RMB6.3741 per Share was determined with reference to our Company's then performance and the then price-to-earnings (P/E) ratio of the industry and was fully settled on 9 August 2018. At the material time, Shenzhen Zhongtong Huiyin Equity Investment Fund Management Co., Ltd.* (深圳市中通匯銀股權投資基金管理有限公司) was the general partner of Huiyin Jiafu. The ultimate beneficial owners of Huiyin Jiafu were Independent Third Parties to our Group.

The following table sets out the shareholding structure of our Company immediately upon the completion of the capital increase as mentioned above:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
Mr. Pan Yun	106,000,000	50.42
X.J. Management (Qichun)	54,000,000	25.69
Qichun Hengxing	40,000,000	19.03
Huiyin Jiafu	4,659,509	2.22
Huiyin Hefu	4,282,700	2.04
Huiyin Ruihe	1,284,800	0.61
Total	**210,227,009**	**100**

Pursuant to a supplemental capital increase agreement dated 8 August 2018 entered into between Mr. Pan Yun and Huiyin Jiafu, the parties agreed that in the event the A share purchase attempt of our Company being not completed by 31 December 2020, Mr. Pan Yun shall purchase the Shares held by Huiyin Jiafu, with a pre-tax annual rate of return of 6% simple interest, net of any cash dividend returns received by Huiyin Jiafu from our Company (the "**Supplemental Agreement with Huiyin Jiafu**"). For further details of our A share listing attempt, please see "Previous A Share Listing Attempt" in this section below.

Transfer of shares from Huiyin Jiafu to Mr. Pan Yun in 2019

In view of the anticipated delay in our A share listing attempt, on 6 March 2019, pursuant the equity transfer agreement entered into between Mr. Pan Yun and Huiyin Jiafu, Huiyin Jiafu transferred 4,659,509 Shares (representing approximately 2.22% of shareholding in our Company) to Mr. Pan Yun. The total consideration of the said equity transfer amounted to RMB30,827,000, representing the original investment cost of Huiyin Jiafu of RMB29,700,000 and the investment return of RMB1,127,000 pursuant to the Supplemental Agreement with Huiyin Jiafu, was fully settled on 10 May 2019. The following table sets out the shareholding structure of our Company upon the completion of the said equity transfer:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
Mr. Pan Yun	110,659,509	52.64
X.J. Management (Qichun)	54,000,000	25.69
Qichun Hengxing	40,000,000	19.03
Huiyin Hefu	4,282,700	2.04
Huiyin Ruihe	1,284,800	0.61
Total	**210,227,009**	**100**

Repurchase and cancellation of registered capital in 2019

In or around December 2019, in view of the anticipated delay in our A share listing attempt, our Company agreed with Huiyin Hefu and Huiyin Ruihe to their early withdrawal from our Company. Pursuant to a shareholders' resolution on 12 December 2019, a total of 5,567,500 Shares held by Huiyin Hefu and Huiyin Ruihe were repurchased and cancelled by our Company. As at 2 April 2020, our Company fully settled the payments of RMB33,964,166.66 and RMB10,101,000 to Huiyin Hefu and Huiyin Ruihe, respectively, representing their respective original investment cost of RMB30,000,000 and RMB9,000,000 and their respective investment return of RMB3,964,166.66 and RMB1,101,000 pursuant to the Supplemental Agreement with Huiyin Hefu and Huiyin Ruihe. As a result, the registered capital of our Company was reduced from RMB210,227,009 to RMB204,659,509. The following table sets out the shareholding structure of our Company immediately upon the completion of the repurchase and cancellation of the registered capital as mentioned above:

Shareholders	**Number of Shares held**	**Percentage of shareholding** *(%)*
Mr. Pan Yun	110,659,509	54.07
X.J. Management (Qichun)	54,000,000	26.39
Qichun Hengxing	40,000,000	19.54
Total	**204,659,509**	**100**

As advised by our PRC Legal Advisers, all the above transfers and changes in registered capital have been properly and legally completed and settled, all necessary approvals from competent authorities have been obtained and all necessary registration or filings with the relevant local branches of the State Administration for Market Regulation of the PRC have been made.

Our principal subsidiaries

As at the Latest Practicable Date, we had nine subsidiaries in the PRC, two subsidiaries in Hong Kong, two subsidiaries in the U.S., one subsidiary in Indonesia and one subsidiary in Thailand. The following table sets out our principal subsidiaries which made a material contribution to our performance during the Track Record Period:

Name	Date and place of incorporation	Registered share capital	Principal business activities	Equity interest held by our Group as at the Latest Practicable Date	Major shareholding changes during the Track Record Period
Innovative (Jiangyin)	5 September 2000, the PRC	RMB36,432,000	Manufacturing, processing and sales of electronic devices	100%	None
X.J. Electrics (Shenzhen)	12 August 2002, the PRC	RMB6,366,600	Research, design, production and sales of electro-thermic appliances and motor-driven appliances	100%	None
X.J. Electronics (Shenzhen)	7 June 2004, the PRC	RMB6,250,000	Research, design, production and sales of electro-thermic appliances and motor-driven appliances	100%	None
MeiNuoWei Electrics	9 March 2017, the PRC	RMB20,000,000	Research, design, production and sales of electro-thermic appliances and motor-driven appliances	100%	None

Name	Date and place of incorporation	Registered share capital	Principal business activities	Equity interest held by our Group as at the Latest Practicable Date	Major shareholding changes during the Track Record Period
X.J. Electrical Appliances	23 October 2020, the PRC	RMB200,000,000	Production and sales of electro-thermic appliances and motor-driven appliances	100%	On 21 May 2024, the registered capital of X.J. Electrical Appliances was increased from RMB50,000,000 to RMB200,000,000. As advised by our PRC Legal Advisers, the change in the registered capital of X.J. Electrical Appliances has been duly completed and is legally valid pursuant to the applicable PRC laws, regulations and rules.
X.J. Group (HK)	30 June 2014, Hong Kong	USD1,290,000	Sales of our products to international customers	100%	None
THS Industrial	26 June 2017, Hong Kong	HKD10,000	Sales of our products to international customers	100%	None

EMPLOYEE SHAREHOLDING PLATFORM

Qichun Hengxing was established in the PRC as an employee shareholding platform of our Company, in order to align the interests of our Company and our employees. Mr. Pan Yun is the sole general partner of Qichun Hengxing and is responsible for its management. As at the Latest Practicable Date, Qichun Hengxing held approximately 19.54% shareholding in our Company.

As at the Latest Practicable Date, the partnership structure of Qichun Hengxing was as follows:

Name of partner	**Position(s) in our Group**	**Capital subscription amount** *(RMB)*	**Partnership interest** *(%)*
Mr. Pan Yun	• Executive Director, chairman of our Board and general manager of our Company; • Director and chairman of the board of X.J. Electrics (Shenzhen); • Director and chairman of the board of X.J. Electronics (Shenzhen); • Director and chairman of the board of Innovative (Jiangyin); • Director and chairman of the board of MeiNuoWei Electrics; • Director of X.J. Group (HK); • Director, the chairman of the board and the general manager of X.J. Electrical Appliances; • Executive director and the general manager of Aigrentrading; and • Director and the chief executive officer of PT Dingsheng	19,000,000	47.50

Name of partner	Position(s) in our Group	Capital subscription amount *(RMB)*	Partnership interest *(%)*
Ms. Ji Ying	• Executive Director and vice general manager of our Company; • Director of X.J. Electrics (Shenzhen); • Director of X.J. Electronics (Shenzhen); • Director of Innovative (Jiangyin); • Director of X.J. Group (HK); • Director of MeiNuoWei Electrics; • Director of X.J. Electrical Appliances; • Director of PT Dingsheng; • Director and general manager of HNW Electronics; and • Director of X.J. Electrics (Thailand)	4,000,000	10.00
Ms. Li Youxiang	• Executive Director and vice general manager of our Company; • Director of X.J. Group (HK); • Director of Innovative (Jiangyin); • Director of MeiNuoWei Electrics; • Director of X.J. Electrical Appliances; and • Executive director and general manager of Nuocheng Electronic Commerce	4,000,000	10.00
Mr. Xu Xiping	• Executive Director of our Company; • Director of X.J. Electrical Appliances; and • Technical consultant of the outsourcing centre of Shenzhen Branch	2,000,000	5.00
Ms. Hu Yan	• Executive Director, secretary to our Board, chief financial officer and one of the joint company secretaries of our Company; • Director of X.J. Electronics (Shenzhen); • Director of THS Industrial; • Director of X.J. Electrical Appliances; and • Director of X.J. Electrics (Thailand)	2,000,000	5.00
Mr. Shi Chuanlai	• Supervisor of our Company; and • Director and general manager of X.J. Electrics (Shenzhen)	1,600,000	4.00

Name of partner	Position(s) in our Group	Capital subscription amount *(RMB)*	Partnership interest *(%)*
Mr. Wang Chengang	• General manager of Innovative (Jiangyin)	1,400,000	3.50
Ms. Yi Hongliang	• Supervisor of our Company; • Supervisor of MeiNuoWei Electrics; • Supervisor of X.J. Electrical Appliances; and • President of the outsourcing centre of Shenzhen Branch	1,000,000	2.50
Mr. Liang Changhong	• Vice president of R&D centre of our Company	1,000,000	2.50
Ms. Su Jingjing	• Sales manager of our Company	800,000	2.00
Mr. Huang Haitao	• Executive director and general manager of Nawu Technology; and • Sales manager of our Company	800,000	2.00
Ms. Yan Li	• Director of THS Industrial; and • Audit manager of our Company	600,000	1.50
Mr. Hu Qingfeng	• Staff of administrative department of Shenzhen Branch	400,000	1.00
Mr. Ye Huanchun	• Vice general manager of HNW Electronics	400,000	1.00
Mr. Zhong Dingan	• Supervisor of Nuocheng Electronic Commerce; and • Sales manager of our Company	400,000	1.00
Mr. Hu Jianfeng	• Vice general manager of the general manager office of our Company	400,000	1.00
Mr. Geng Congen	• Vice president of the general manager office of our Company	200,000	0.50
Total		**40,000,000**	**100**

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and up to the Latest Practicable Date, we did not conduct any major acquisitions, disposals or mergers.

PREVIOUS A SHARE LISTING ATTEMPT

Our Company previously considered the possibility of seeking an initial public offering in the PRC ("**A Share Listing Attempt**"). On 3 May 2017, our Company engaged a tutoring agency ("**Tutoring Agency A**") to provide tutoring and preliminary compliance advice in relation to the requirements of the CSRC. Due to high turnover of personnel of Tutoring Agency A and upon mutual agreement, our Company terminated the engagement with Tutoring Agency A on 30 October 2020 and the termination was reported to Hubei Commissioner Office of the CSRC ("**Hubei CSRC**") on 2 November 2020.

On 18 November 2020, we engaged a financial adviser to provide financial advice to us, and engaged it as our tutoring agency ("**Tutoring Agency B**") to provide tutoring in relation to our A Share Listing Attempt on 25 January 2021. In view of Tutoring Agency B's failure to adhere to the agreed listing timetable and upon mutual agreement, our Company terminated the engagement with Tutoring Agency B on 29 March 2021 and the termination was reported to Hubei CSRC on the same date.

On 30 August 2021, our Company engaged Sinolink Securities Co., Ltd. as the tutoring agency and filed the pre-listing tutoring with Hubei CSRC on 1 September 2021. On 21 June 2022, our Company filed an application for A share listing with the CSRC. We received one round of comments from the CSRC in September 2022 and submitted our response in December 2022. In March 2023, our application was transferred to the Shenzhen Stock Exchange (the "**SZSE**") (the "**A Share Listing Application**"). We received two rounds of comments from the SZSE in March and September 2023.

On 29 April 2024, to further enhance our international presence, our Directors considered that **[REDACTED]** of our H Shares on the Stock Exchange would be suitable and aligned with our business development which focuses on the overseas market. Therefore, our Company voluntarily withdrew our A share listing application.

To the best of our Directors' knowledge, our Directors are not aware of (i) any other matters in relation to the A Share Listing Application which are relevant to the **[REDACTED]** and should be reasonably highlighted in this document for prospective **[REDACTED]** to form an informed assessment of our Company or to be brought to the attention of the Stock Exchange; (ii) any enquiries from the CSRC or the SZSE in relation to the A Share Listing Application that would affect our Company's suitability for **[REDACTED]** on the Stock Exchange; and (iii) any other matters relating to the A Share Listing Application that may have implications on our Company's suitability for **[REDACTED]** on the Stock Exchange or on the truthfulness, accuracy and completeness of information disclosed in this document.

Save as disclosed above, the Sole Sponsor is not aware of any material matters relating to the A share Listing Application which need to be brought to the attention of the **[REDACTED]** and the Stock Exchange based on the independent due diligence work performed by the Sole Sponsor.

REASONS FOR THE [REDACTED]

Our Directors believe that the **[REDACTED]** of our H Shares on the Stock Exchange benefits our Group and our Shareholders considering that the Stock Exchange offers an international platform for accessing foreign capital and promoting our Group to global **[REDACTED]**, which in turn provides further capital to bolster our business development and expansion efforts, and to strengthen our Group's working capital. For details of our application of **[REDACTED]** from the **[REDACTED]**, please see "Future Plans and **[REDACTED]**" in this document.

PUBLIC FLOAT

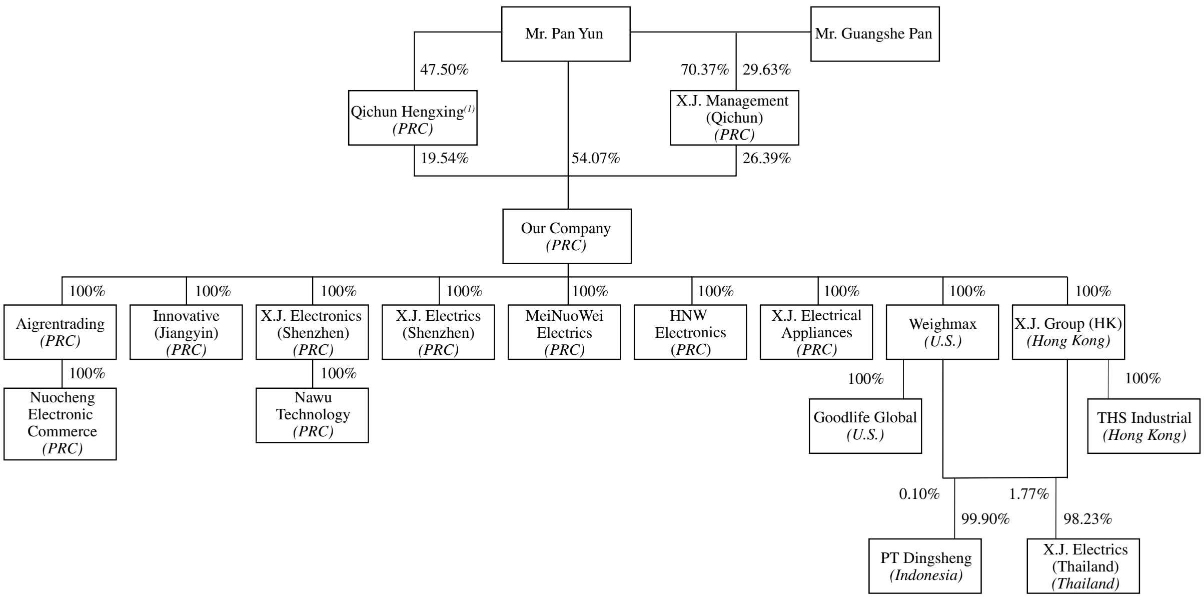
The 204,659,509 Domestic Unlisted Shares held by Mr. Pan Yun, Qichun Hengxing and X.J. Management (Qichun), our Controlling Shareholders, representing approximately **[REDACTED]**% of our total issued Shares immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), will not be counted towards the public float as (i) these Shareholders will constitute core connected persons of our Company; and (ii) these shares are unlisted which would not be converted to H Shares and listed following the completion of the **[REDACTED]**.

To the best knowledge of our Directors, save as disclosed above, upon the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), **[REDACTED]** H Shares held or controlled by our Shareholders who are not our core connected persons, representing approximately **[REDACTED]**% of our total issued Shares, will be counted towards the public float, which is in compliance with the requirement under Rule 8.08 of the Listing Rules.

Taking into account the Shares to be issued to other Shareholders pursuant to the **[REDACTED]**, our Directors are of the view that our Company will be able to satisfy the public float requirement under Rule 8.08 of the Listing Rules.

SHAREHOLDING STRUCTURE OF OUR COMPANY

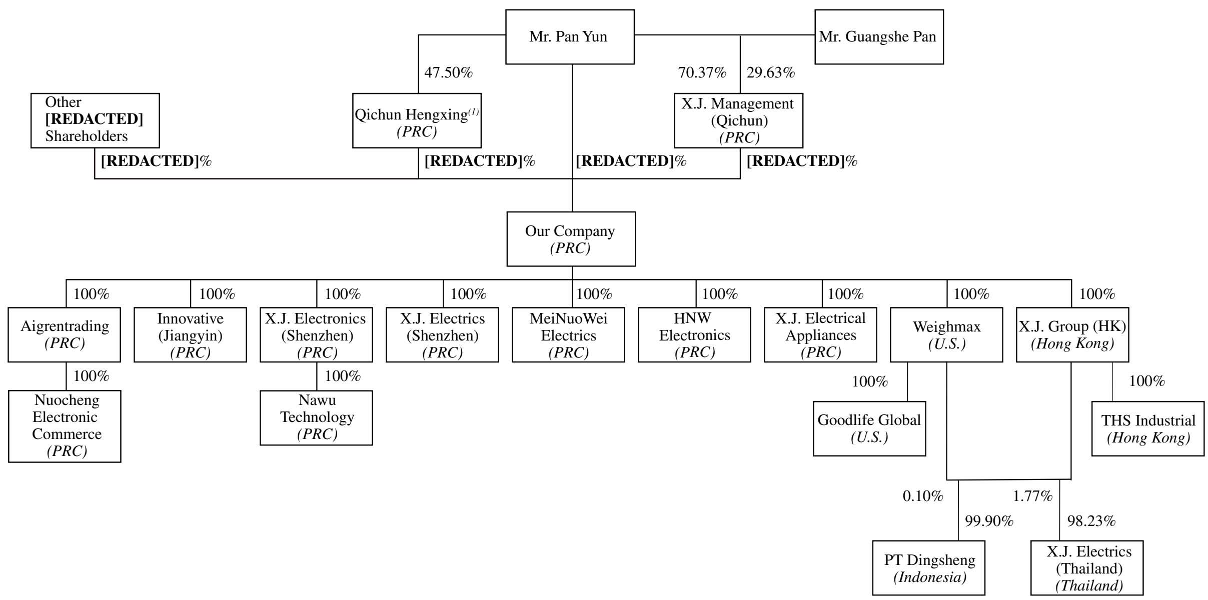
The following chart sets forth our corporate structure as at the Latest Practicable Date and immediately before completion of the **[REDACTED]**:



Note:

1. Mr. Pan Yun is the sole general partner of Qichun Hengxing, the employee shareholding platform of our Company. Mr. Pan Yun is interested in 47.5% partnership interest in Qichun Hengxing. The remaining 52.5% partnership interest is held by 16 limited partners, including our Directors, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping and Ms. Hu Yan as to 10%, 10%, 5% and 5%, respectively, our Supervisors, Mr. Shi Chuanlai and Ms. Yi Hongliang as to 4% and 2.5%, respectively, director of THS Industrial, Ms. Yan Li as to 1.5% and other nine current employees of our Group who were Independent Third Parties. The range of partnership interest held by these nine employees ranged from 0.5% to 3.5%. For further details, please see "Employee Shareholding Platform" in this section above.

The following chart sets forth our corporate structure immediately after the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised):



Note:

1. Mr. Pan Yun is the sole general partner of Qichun Hengxing, the employee shareholding platform of our Company. Mr. Pan Yun is interested in 47.5% partnership interest in Qichun Hengxing. The remaining 52.5% partnership interest is held by 16 limited partners, including our Directors, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping and Ms. Hu Yan as to 10%, 10%, 5% and 5%, respectively, our Supervisors, Mr. Shi Chuanlai and Ms. Yi Hongliang as to 4% and 2.5%, respectively, director of THS Industrial, Ms. Yan Li as to 1.5% and other nine current employees of our Group who were Independent Third Parties. The range of partnership interest held by these nine employees ranged from 0.5% to 3.5%. For further details, please see "Employee Shareholding Platform" in this section above.

OVERVIEW

We are a manufacturer of quality lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis and have built a customer portfolio comprising globally reputable and long standing names, such as Walmart, Telebrands, SEB, Sensio, Hamilton Beach and Philips etc. With our capability to design, develop and manufacture a wide range of small home appliances, we have gained particular success in our small kitchen appliances. We were the "Top 10 Small Kitchen Appliance Export Companies (十大廚房小家電出口企業)" in 2022 and 2023 from China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會). According to the F&S Report, we were one of the top 10 companies in terms of export value in 2023 in the small kitchen appliance industry in the PRC.[(1)] Our electric kettles had a market share of approximately 21.4% and 32.3% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. and Canada, respectively, in 2023. Our motor-driven products such as mixers had a market share of approximately 6.7% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. in 2023. Please see "Industry Overview" in this document for details.

We focus on research and development, design, manufacturing and sales of electric home appliances and non-electric household goods. Our electric home appliances consist of three categories, namely (i) electro-thermic appliances, such as electric griddle, air fryer and kettle; (ii) motor-driven appliances, such as blender, mixer and electric can opener; and (iii) electronic appliances such as digital scale, humidifier and laser projector light. We also offer non-electric household goods such as garden hose and cookware. As at 30 August 2024, we had over 10 ODM/OEM products that made Amazon's "best-sellers" list of respective categories, among which our steamer, rice cooker, electric griddle and electric skillet were in the top 10 of the Amazon's "best-sellers" list of respective categories.

(1) According to Frost & Sullivan, small kitchen appliance accounted for the largest share of the global small home appliance industry.

The table below sets out a breakdown of our total revenue by product type during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Electric home appliances								
– Electro-thermic appliances	572,916	38.7	459,013	41.8	499,099	42.0	296,238	48.2
– Motor-driven appliances	365,729	24.7	317,623	29.0	321,937	27.1	127,415	20.7
– Electronic appliances	188,518	12.7	122,997	11.2	111,570	9.4	43,885	7.2
Subtotal	1,127,163	76.1	899,633	82.0	932,606	78.5	467,538	76.1
Non-electric household goods								
– Garden hose	326,168	22.0	181,460	16.5	221,788	18.7	135,033	22.0
– Others *(Note)*	27,027	1.9	15,872	1.5	33,927	2.8	11,852	1.9
Subtotal	353,195	23.9	197,332	18.0	255,715	21.5	146,885	23.9
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**614,423**	**100.0**

Note: Others include cookware, cleaning tools and other household goods etc.

During the Track Record Period, we primarily manufactured and sold our products to our ODM/OEM customers under their respective brands. Leveraging our experience and knowledge in the industry and capabilities we have developed throughout the last two decades, as a strategic approach, in 2016, we started our OBM business to design, develop, manufacture and sell home appliances under our own brands (“**Weighmax**”), (“**Accuteck**”) and (“**Aigoli**”). We sell our OBM products mainly on e-commerce market place including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多).

The following table sets out a breakdown of our total revenue by business model during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
ODM/OEM	1,386,409	93.7	1,035,592	94.4	1,138,615	95.8	591,463	96.3
OBM	93,949	6.3	61,373	5.6	49,706	4.2	22,960	3.7
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**614,423**	**100.0**

Note: Revenue from our OBM business represents revenue of Aigrentrading, Nawu Technology, Nuocheng E-Commerce and Weighmax. Revenue from our ODM/OEM business represents revenue of other subsidiaries of our Group.

Since 2000, we have established different production facilities in different parts of China. Currently, we have established seven manufacturing bases in the PRC with a total construction area of approximately 367,000 sq.m. To establish our global presence, we have established a production base in Indonesia which is expected to commence production in the first quarter of 2025 and we plan to establish another production base with a site area of 43,436.8 sq.m. in Thailand, which is expected to commence production by the end of 2025. For details of our production facilities, please see "– Our Production Facilities" in this section.

A majority of our products are exported to overseas customers. During the Track Record Period, our products were shipped to over 70 countries and regions covering six continents. For details of our relationship with our overseas customers, please see "– Our Customers" in this section. The table below sets out a breakdown of our total revenue by geographical locations during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
North America	1,077,993	72.8	781,129	71.2	993,949	83.6	505,598	82.3
Europe	282,625	19.1	227,672	20.8	111,730	9.4	62,042	10.1
Oceania	46,849	3.2	44,073	4.0	28,834	2.4	23,214	3.8
Asia (excluding mainland China)	41,646	2.8	26,331	2.4	35,833	3.0	16,381	2.7
South America	14,650	0.9	8,527	0.8	12,228	1.0	4,228	0.7
Africa	2,512	0.2	552	0.1	759	0.1	135	0.0
Mainland China	14,083	1.0	8,681	0.7	4,988	0.5	2,825	0.4
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**614,423**	**100.0**

We consider our R&D capabilities as one of our core competitive advantages. As at the Latest Practicable Date, we had obtained over 460 registered patents worldwide, including 18 invention patents. We have been awarded "High and New Technology Enterprise" (高新技術企業) since 2016. For details, please see "– Research and Development" in this section.

For FY2021, FY2022, FY2023 and 1HFY2024, our revenue was RMB1,480.4 million, RMB1,097.0 million, RMB1,188.3 million, and RMB614.4 million respectively, and our net profit was RMB71.8 million, RMB80.3 million, RMB121.5 million and RMB60.5 million, respectively. For details, please see "Financial Information – Results of Operations" in this document.

OUR COMPETITIVE STRENGTHS

We believe that the following strengths position us well to capitalise on future opportunities and deliver continued growth.

Established relationships with internationally reputable customers, including some of the world's famous brand names

As a trusted OEM/ODM service provider, we have maintained long-term business relationships with various large-scale customers for over nine years and our products are shipped to more than 70 countries and regions worldwide. Harnessing our all-rounded ability to design, develop, manufacture and sell, we have established long-term business relationship with global brand names, including (i) Walmart, one of the world's largest retail companies; (ii) Philips, one of the long standing consumer electronics companies in the world; (iii) SEB, a member of the world's leading small home appliances manufacturing consortium; (iv) Telebrands, a long standing U.S. company; (v) Sensio, a leading kitchen appliances brand owner and (vi) Hamilton Beach, a leading designer, marketer and distributor of branded small electric household and specialty house wares appliances. To become a qualified supplier of these well-known brands, we are required to undergo in-depth inspection of our production capacity, quality management, factory safety and other aspects. We believe that our long-term relationships testified our capabilities and quality.

Moreover, we maintain close interactions with our customers. Through constant communication with our customers, we collect valuable feedback and statistics of our products, for improvement of our existing products and development of new products to address our customers and consumers' unmet needs. We assign a dedicated account manager to each key customer and our sales team conduct regular meeting with our customer to thoroughly understand its needs in order to explore new product innovation opportunities and timely address customer's feedback. As we continuously serve our internationally reputable customers, we are able to obtain first-hand industry information and the global market trend which provides pivotal direction for our product and process innovation. Our customer interactions drive product upgrades and innovation, therefore enhancing our customers loyalty, achieving a virtuous cycle and propelling our business growth. For details, please see "– Our Business Model" in this section. We believe that such long-term relationships with our customers, including internationally reputable customers, accentuates our business sustainability and capabilities which distinguish us from our competitors.

Reputation as a supplier of quality lifestyle household goods with decades of track record

We established our Yinuowei Factory in Jiangyin in 2000. Throughout the years, we have grown into a notable manufacturer of quality lifestyle household goods in the PRC. In FY2023, our revenue reached RMB1,188.3 million, representing a growth of 8.3% from FY2022. We are a member of the China Household Electrical Appliances Association (中國家用電器協會), the China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會), and the vice-president unit of the Shenzhen Chamber of Commerce for Import and Export (深圳市進出口商會). Our reputation has been attested by the various awards and certificates including, "Top 10 Small Kitchen Appliance Export Companies (十大廚房小家電出口企業)" in 2022 and 2023, "Class I Enterprise Certificate for Exporting Industrial Products (出口工業產品一類企業證書)", "Top 10 Green Innovative Enterprise in 2018 (2018年度綠色創新企業Top 10)" from China Council for International Investment Promotion (中國國際投資促進會) and "Leading Enterprise in High-quality Foreign Trade Development (外貿高品質發展領軍企業)". For details, please see "– Awards and Recognitions" in this section.

We offer a wide array of quality lifestyle household goods. According to the F&S Report, we were one of the top 10 companies in terms of export value in 2023 in the small kitchen appliance industry in the PRC. Our electric kettles had a market share of approximately 21.4% and 32.3% in the respective category classified by the General Administration of Customs of the PRC in terms of the export volume from the PRC to the U.S. and Canada, respectively, in 2023. Our motor-driven appliances such as mixers had a market share of approximately 6.7% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume exported from the PRC to the U.S. in 2023. We had over 10 ODM/OEM products that made Amazon's "best-sellers" list of respective categories on 30 August 2024, among which our steamer, rice cooker, electric griddle and electric skillet were in the top 10 of the Amazon's "best-sellers" list of respective categories.

Global presence with our strategically positioned overseas manufacturing bases and versatile production operation

As part of our overall business strategy to diversify our manufacturing beyond the PRC, we also establish our manufacturing facility in Indonesia which is expected to commence production in the first quarter of 2025. We will allocate our purchase orders between the PRC production facilities and Indonesian production facility to mitigate potential geopolitical risks. We also plan to establish a production facility in Thailand which is targeted to commence production by the end of 2025. Together with our seven manufacturing bases in the PRC with a total construction area of approximately 367,000 sq.m., we are well-positioned to capture the growing opportunities in lifestyle household goods in a global context.

Our production lines are flexible and versatile that they are capable of manufacturing different products with different specifications by adjusting configurations of our machines and equipment. Our manufacturing capability does not only allow us to respond promptly to sudden upsurge in demand and purchase orders by our customers, but they are also capable of switching into production of different products. During the Track Record Period, we produced over 2,400 models of products in different categories. We believe that our flexible production facilities will continue to drive our growth and success.

We also adopt modular manufacturing in our production processes. We subdivide our manufacturing into smaller modules which are individual, standardised and interchangeable components that can be later assembled into a complete product. Modular manufacturing allows us to manufacture simultaneously, instead of creating a product in a sequential manner. We are able to streamline the production process by breaking down a product into its basic parts and components, thus reducing lead times and enhancing productivity and flexibility.

In Meinuowei Factory, we have established automated production systems which automate critical production stages with precision. We integrate machines for production and systems for inspection and quality control to realise the integration of automated production and testing. Such automation will reduce manual participation and enhance product performance.

By leveraging on our worldwide presence and production capability to provide regional support to our customers, we are well-positioned to seize new opportunities in the ever-changing market and excelling in this competitive industry.

R&D capabilities enabling continual product innovation

We have a professional and experienced R&D team. For FY2021, FY2022, FY2023 and 1HFY2024, we incurred R&D expenses of RMB36.1 million, RMB32.0 million, RMB34.4 million and RMB16.5 million, respectively. As at 30 June 2024, we had a R&D team of more than 170 members. As at the Latest Practicable Date, we had over 460 registered patents, including 18 invention patents. As our success is centred around our understanding of customer needs, we insist on serving customers with technological innovation and determine the direction of product development based on customer demand. In addition to production process innovation mentioned in the last paragraph, our R&D efforts have resulted in technological breakthroughs and innovations in products.

We have strong capability to develop moulds, which are the important tools to transform our R&D achievements into products. In order to effectively control the development progress and quality of moulds, we have established a dedicated mould department in our Yuantexin Factory. As at 30 June 2024, we have mastered a series of mould development technologies and developed over 13,000 moulds. Efficient mould development ensures our rapid response to customers' requirements.

We also conduct customised R&D on the core components of our products. For example, we have mastered several technologies to improve the performance of motors, the critical components of our motor-driven products. By conducting electromagnetic simulation and analysis, we effectively modify our motors to reduce heat generation while improving their efficiency and product lifetime. We also adopt special internal structure to improve heat dissipation performance and reduce wind resistance. For example, the electromagnetic induction technology in automatic adjustment of motor speed developed by us have been applied across the different models of blender to improve grinding efficiency and effectively prevent damage of motor. As at the Latest Practicable Date, we have obtained 52 registered patents in relation to motors. We insist on product development and attach importance to fundamental R&D activities.

Our garden hoses feature automatic extension with ultra-high temperature, burst and pressure tolerance that function under extreme temperature from -40°C to 60°C. Our R&D effort is widely recognised and converted into commercial success in Europe and North America. Since 2023, our garden hoses have been the top 50 best sellers on Amazon, the largest e-commerce marketplace in the United States.

Highly experienced and stable management team and a functional organisational structure with effective internal control system

Our senior management team has extensive experience in the production and supply of lifestyle household goods. Our business has experienced an impressive growth under the leadership of our senior management team. Mr. Pan Yun (潘允), an executive Director and general manager of our Company has over 34 years of experience in business management and over 23 years of experience in the electrical home appliances manufacturing industry. He is primarily responsible for overall strategic planning, business direction and management of our Group. Mr. Guangshe Pan, an executive Director, has over eight years of experience in business management and in the electrical home appliances manufacturing industry, in particular in overseas market. He is mainly responsible for the management and operation of our U.S. sales and has participated in the overall strategic planning, business direction and management of our Group. The keen industry insight and rich management experience of Mr. Pan Yun and Mr. Guangshe Pan have proven to be valuable to us, allowing us to precisely capture market dynamics and optimise strategic planning.

In addition to Mr. Pan Yun and Mr. Guangshe Pan, we have a stable and experienced management team who has been with us for over 12 years and has more than 19 years of experience in our industry. Our management team has accumulated in-depth knowledge of the lifestyle household goods industry and played an important role in maintaining a strong relationship with key market participants. We believe that we will continue to be well-positioned to excel in the competition within our industry. For details of the background of our senior management, please see "Directors, Supervisors and Senior management" in this document.

We have a functional organisational structure designed to support our strategic development. Each of our departments deeply understands the dynamics of the relevant function it operates and nimbly responds to achieve rapid growth. Our management have maintained a comprehensive and stringent internal control system to regulate our operational activities and implemented various policies such as production management policy, procurement management policy and after-sales and complaint management policy. Ensuring competence at the level of each department and the synergistic operations across different business units through the leadership of our experienced management team and the effective internal control system, we are able to pursue our business vision.

OUR STRATEGIES

The four pillars of our management policy are "customer oriented, quality first, be practically innovative and be unique" (客戶至上、品質第一、創新求實、獨樹一幟). We are abide by this motto and committed to becoming a leading manufacturer of quality lifestyle household goods and offer our customers with quality, innovative and unique lifestyle household goods. In our pursuit, we plan to implement the following strategies to foster the development of our Group.

Set up our Thailand Factory to enhance our global presence

In light of the increasing demand of lifestyle household goods and to enhance our global presence, we intend to set up a production site in Rayong Province, Thailand ("**Thailand Factory**").

Reasons for setting up the Thailand Factory

1. Enhancing our global presence

According to Frost & Sullivan, Chinese small kitchen appliance manufacturing companies are establishing overseas production facilities and as at the Latest Practicable Date, five (excluding us) out of the top ten companies in China's small kitchen appliance industry in terms of export value in 2023 have established or have plans to establish their overseas production facilities in Southeast Asia to diversify their supply chain in this mature manufacturing hub. In light of the inevitable trend of the establishment of overseas production bases and the expected growth in the small home appliances market, we believe that having production facilities and capacity overseas is crucial to the long-term sustainable growth of our business and to maintain our market competitiveness in a global context.

2. Minimising geopolitical risk

During the Track Record Period, a significant portion of our revenue was derived from the sale of our products to the United States as shipment destination, while all of our products are manufactured in the PRC. While we, being the exporter, were not directly affected by tariff during the Track Record Period, it is uncertain that whether any further trade restrictions as a result of the Sino-U.S. trade tension will adversely and materially affect us in the future. For details of the impact of the Sino-U.S. trade tension, please see "Risk Factor – Trade tension between the United States and the PRC may adversely affect our business, financial conditions and results of operation" in this document. Establishing an overseas production base will enable us to cope with potential geopolitical changes and impacts. Even if such risk does not materialise, we believe that the establishment of the Thailand Factory will bring us other intangible benefits as mentioned in this section which are crucial for our long term growth.

3. Demonstrating the stability and reliability in the production and delivery of products

According to Frost & Sullivan, the global small home appliance industry is expected to continue its accelerated growth from USD184.0 billion in 2024 to USD220.3 billion in 2028, representing a CAGR of 4.6%. In particular, the retail value in small home appliance industry in the US is expected to grow from USD48.7 billion in 2024 to USD61.4 billion in 2028, representing a CAGR of 6.0%. In light of the current utilisation rate of our production facilities, we intend to expand our production capacity to capture opportunities arisen from such favourable landscape. Our Directors consider that it would not be optimal for our production facilities to achieve full utilisation rate with no spare production capacity for taking up urgent and/or bulk orders received from time to time and cater for potential market growth.

In addition, suppliers' stability and reliability in the production and delivery of products are important for our international ODM/OEM customers. Any delays in the delivery of products or if the products delivered are not of an acceptable quality will cause material detrimental and negative impact on the reputation and publicity of the ODM/OEM customers. As such, the global brands take into account various factors in selecting and approving their suppliers including the supplier's stability and reliability. The manufacturer's dedication and financial commitment to its business and financial strength are attributes of a business' stability and reliability, which can be evidenced by establishing a new overseas manufacturing basis.

Production Plan

We plan to construct the new production facilities in Thailand with an aggregate construction area of approximately 25,000 sq.m in which we will build ten new automated assembly lines for the manufacturing of lifestyle household goods. The estimated annual production capacity of Thailand Factory is 7.0 million units. In order to maintain the utilisation of our production facilities at an optimal level, we will monitor the utilisation across different factories continuously. When we consider our production facilities being under-utilised, we will integrate and reorganise our production facilities and dispose obsolete assembly lines or reduce our operation scale in the factories we leased from third-parties.

Timetable

As at the Latest Practicable Date, we had entered into a sale and purchase agreement with an Independent Third Party to acquire a parcel of land in Thailand with a site area of 43,436.8 sq.m. for a consideration of THB149,314,000 (equivalent to approximately RMB31.4 million) for the establishment of our Thailand Factory. As at the Latest Practicable Date, we had paid the first instalment of the land price of RMB6.3 million.

Below are the key stages and expected timing for establishment of our Thailand Factory upon **[REDACTED]**:

Key stages	Expected timeline
Continue the construction and renovation of production space	January 2025
Acquire and install machines and equipment	October 2025
Commence production	by the end of 2025
Conduct acceptance testing	September 2026

Estimated capital expenditure for setting up our Thailand Factory

We plan to utilise an aggregate of approximately RMB139.2 million for establishing the Thailand Factory, of which RMB**[REDACTED]** million will be paid by the **[REDACTED]** from the **[REDACTED]**, representing **[REDACTED]**% of such **[REDACTED]**, and the remaining sum of RMB**[REDACTED]** million will be financed by our internal resources and/or bank loans.

Below is our planned allocation of capital expenditure of RMB139.2 million for establishing our Thailand Factory:

Use	**Estimated capital expenditure** *(RMB million)*	**%**
Land acquisition cost	31.4	22.5
Construction and renovation of production space	66.3	47.7
Acquisition and installation of machines and equipment	41.5	29.8
Total	139.2	100.0

Breakeven and payback period

Breakeven is considered to have been achieved once the revenue generated by our Thailand Factory covers its operating costs and expenses (excluding depreciation charge and after tax) incurred in the same year on an accounting basis. Time required for achieving breakeven depends on various factors, such as general economic and market conditions, market demand, utilisation rate of our production lines, market competition and costs of production. Investment payback is considered to be achieved once the total future net cash flow generated from operating activities of our Thailand Factory covers its total investment amount including land acquisition cost, construction cost and machinery and equipment acquisition cost. The time required to achieve investment payback also depends on various factors, including those mentioned above and the actual capital expenditure such as costs of machinery and equipment. Based on our knowledge and experience, we estimate that the payback period for our Thailand Factory will be approximately 60 months and that breakeven could be achieved within approximately 23 months.

Increase the level of automation and digitalisation

In recent years, the PRC government has shown strong support and placed emphasis on revving up and transforming the manufacturing sector in China which was once characterised by bustling assembly lines and labour intensiveness. Series of smart manufacturing pilot initiatives had been launched by the PRC government including the artificial intelligence plus initiative. To stay at the forefront of the competition and to embrace the digital trend, we launched our smart manufacturing initiative and established our XJ Intelligence Factory in Huizhou, Guangdong Province, the PRC. As at the Latest Practicable Date, we had completed the construction of our XJ Intelligence Factory with a construction area of approximately 147,069 sq.m. and completed the first-phase setting up of it. Our next step is to continue the setting up of our XJ Intelligence Factory and purchase equipment and machines for our smart manufacturing lines. We will equip our XJ Intelligence Factory with computerised manufacturing execution system, supported by comprehensive IT infrastructure, which works as real time monitoring system to control the overall operation of the production of XJ Intelligence Factory. Coupled with the automated production line and equipment, we believe that the modernised and digitalised production in XJ Intelligence Factory will facilitate our sustainable growth.

We plan to spend an aggregate of RMB**[REDACTED]** million on acquiring and installing new machinery and equipment for our XJ Intelligence Factory which will be paid by the **[REDACTED]** from the **[REDACTED]**, representing **[REDACTED]**% of such **[REDACTED]**. The table below sets out details of the machineries and equipment we plan to purchase for our XJ Intelligence Factory:

Machinery and equipment to be acquired	**Functions and use**	**Estimated cost** *(RMB million)*
Manufacturing line		
– Motorised curve roller conveyors	Automated and continuous transporting of products	**[REDACTED]**
– Automated production line of motor stator	Automated manufacturing of stator, major components of motor	**[REDACTED]**
– Other machines and equipment and installation		**[REDACTED]**
Machines		
– Six-axis robots	Automated welding, handling and removing materials and painting	**[REDACTED]**
– Numerically-controlled hydraulic press	Moulding, punching and clinching	**[REDACTED]**
– Other machines and equipment and installation		**[REDACTED]**

Machinery and equipment to be acquired	Functions and use	Estimated cost *(RMB million)*
Assembly line		
– Multi-functional automated production line	Automated manufacturing, electrical testing and quality control	**[REDACTED]**
System		
– Manufacturing execution system	Monitoring, tracing and documenting the manufacturing process	**[REDACTED]**
– IT infrastructure	Optimising the operation and manufacturing process through the network of computers, software and storage devices	**[REDACTED]**
Automated pallet shuttle	Automated loading and unloading pallets from racking	**[REDACTED]**
Total		**[REDACTED]**

Set up a new R&D Centre

To facilitate the innovation of home appliances and as part of our plan to expand our product offerings, we intend to build a R&D centre in Qichun County, Hubei Province (the "**New R&D Centre**") which occupies an aggregate construction area of approximately 6,000 sq.m for R&D of new products, and testing laboratory. The New R&D Centre will be located in the same site as the Hubei XJ Factory.

Reasons for setting up the New R&D Centre

In recent years, the PRC government has shown strong support and placed emphasis on the development of energy-conserving, environmentally-friendly and smart home appliances. In June 2019, the National Development and Reform Commission, the Ministry of Ecology and Environment, and the Ministry of Commerce jointly released "Implementation Plan for Promoting the Updating, Upgrading and Facilitating Resource Recycling of Key Consumer Products (2019–2020)*《推動重點消費品更新升級暢通資源循環利用實施方案(2019–2020年)》". The plan aimed to promote and support the research, development and industrialisation of eco-friendly and smart home appliances. It also encouraged the innovation of home appliances based on the use of IT and AI to manufacture integrated products. In 2021, the China Household Electrical Appliances Association subsequently released "The Guiding Opinions for the 14th Five-Year Plan by the China Household Electrical Appliances Association*《中國家電工業「十四五」發展指導意見》", proposing China to become a pioneer in technological innovation of global home appliances. In response to favourable government policies, we are dedicated to devote more resources on R&D.

We will purchase a series of advanced R&D testing software and hardware equipment such as spectrum analyser and 3D printers and hire the relevant experienced talents specialising in the research and development of small home appliances. In order to develop new products, for both our existing customers and under our own brands, we believe that investing in a more advanced R&D centre, which will be equipped with software and hardware for computerising conceptual designs of new products and a testing laboratory for testing life functionality of the prototypes, we will be able to modify existing products and develop new products and product technologies. We intend to carry out 15 R&D projects in the New R&D Centre, including the development of new products such as high-power mixer, intelligent electric dumpling pan frying machine and intelligent multi-layer oven and the upgrading of our existing motor-driven products and electro-thermic products. In addition to hardware, for our R&D activities, we will need to recruit high calibre with knowledge and expertise in empirical and holistic sciences with wide industrial applications.

Timetable

Below are the key stages and expected timing for the establishment of the New R&D Centre upon **[REDACTED]**:

Key stages	**Expected timeline**
Commence tendering process for renovation and equipment	August 2025
Commence construction of the New R&D Centre	
(i) Construct and renovate laboratories	October 2025
(ii) Acquire and install facilities and equipment	April 2026
Recruit R&D personnel	June 2026
Commence operation	June 2026

Estimated capital expenditure expenses for setting up the New R&D Centre

We plan to utilise an aggregate of RMB**[REDACTED]** million for establishing the New R&D Centre, which will be paid by the **[REDACTED]** from the **[REDACTED]**, representing **[REDACTED]**% of such **[REDACTED]**.

Below is our planned allocation of capital expenditure of RMB**[REDACTED]** million for establishing our New R&D Centre:

Use	**Estimated capital expenditure** *(RMB' million)*	**Approximate % of [REDACTED] used for establishing the new R&D Centre**
Construction and renovation of laboratories	**[REDACTED]**	**[REDACTED]**
Acquisition and installation of facilities and equipment	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**

Below is our planned allocation of other expenses of RMB**[REDACTED]** million for establishing our New R&D Centre:

Use	**Estimated expenses** *(RMB' million)*	**Approximate % of [REDACTED] used for establishing the new R&D Centre**
Procurement of materials and consumables of R&D	**[REDACTED]**	**[REDACTED]**
Recruitment of staff	**[REDACTED]**	**[REDACTED]**
Total	**[REDACTED]**	**[REDACTED]**

Enlist new brands to enhance our OBM business

According to Frost & Sullivan, the global small home appliance industry is undergoing a significant shift in business models, transitioning from traditional OEM approaches to more integrated ODM + OBM models. A mix of the business models allow these manufacturers to diversify their source of revenue and attain market recognition, expanding market position in the industry. Leveraging our strong R&D capabilities and our experience in ODM model to keep up with industry development, we intend to enhance our OBM business.

In general, on OBM model, we may have control over product design, quality, and branding, as well as its marketing and sales; and therefore, we were able to generate higher profit margins than running ODM/OEM model. Accordingly, for a sustainable growth and diversification of our business, we consider that it is necessary to maintain and enhance our OBM business. However, OBM incurs marketing cost in brand building and it takes time for new brands to gain market reception and sales volume. As a strategic approach to have our own brand and to manage potential risks and costs associated with building a new brand at the same time, we plan to explore and pursue investment and acquisition opportunities in existing brand(s) on the market with potential for growth and offer synergies that complement our existing brand portfolio to save our initial cost and mitigate our risks in brand building. As advised by Frost & Sullivan, it is estimated that there are over 100 brand owners of small home appliances in the U.S..

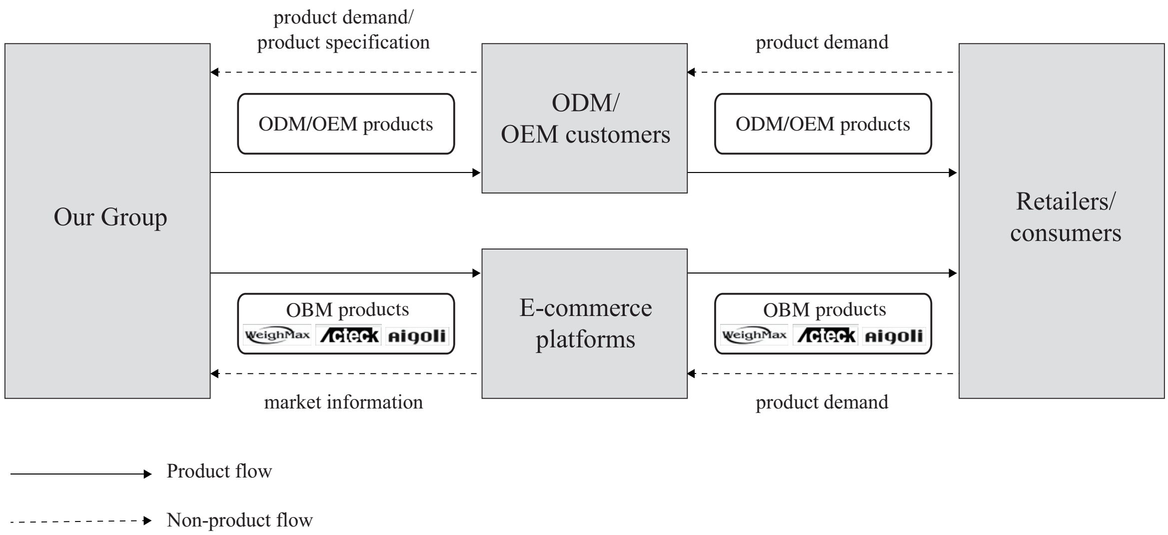
We will mainly look for brand owner(s) selling lifestyle household goods, including electro-thermic appliances and motor-driven appliances, such as kettles, air fryers, slow cookers and mixers. We will target companies or businesses with established market position as evidenced by the business relationship with customers and sales volume. We intend to look for brand owners which offer popular products and/or have a great variety of product types in their offerings. We believe that companies which fulfil this criterion will be able to continue its business operation shortly upon our acquisition so that we may save our time and cost.

As to geographical and sales channel coverage, we plan to explore targets which are U.S. brands that distribute products through both online and offline channels with a focus on the latter. We target to acquire brand owner(s) which offers lifestyle household goods focusing in the U.S. and European market.

We intend to utilise RMB**[REDACTED]** million, which will be paid by the **[REDACTED]** from the **[REDACTED]**, representing **[REDACTED]**% of such **[REDACTED]**, for enlisting new brands to our brand portfolio to enhance our OBM business. As at the Latest Practicable Date, we had not identified any potential investment or acquisition targets or entered into any agreements in this regard.

OUR BUSINESS MODEL

The following diagramme sets out our main business model:



We are a manufacturer of quality lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis with a customer portfolio comprising globally reputable and long standing names. Under ODM model, we collaborate with our customers to develop designs of products and then we manufacture; whereas under OEM model, our customers provide us their designs and we are only responsible for manufacturing. We procure raw materials for production and finished products are affixed with our customers’ brand labels and shipped to ports designated by customers. During the Track Record Period, our products are delivered to more than 70 countries and regions covering six continents while a majority of our sales came from North America during the Track Record Period.

In addition to our ODM/OEM operations, since 2016, we have started our OBM operation that we design, develop, manufacture and sell our products under three self-owned brands, namely, brands (“**Weighmax**”), (“**Accuteck**”) and (“**Aigoli**”). Our OBM products are mainly sold on major e-commerce market places including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多)。

The following table sets out a breakdown of our total revenue by business model during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ODM/OEM	1,386,409	93.7	1,035,592	94.4	1,138,615	95.8	591,463	96.3
OBM	93,949	6.3	61,373	5.6	49,706	4.8	22,960	3.7
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**614,423**	**100.0**

Note: Revenue from our OBM business represents revenue of Aigrentrading, Nawu Technology, Nuocheng E-Commerce and Weighmax. Revenue from our ODM/OEM business represents revenue of other subsidiaries of our Group.

OUR PRODUCTS

We offer a wide range of electric and non-electric household goods. Our electric home appliances comprise three major categories, namely, (i) electro-thermic appliances, such as electric griddle, air fryer and kettle; (ii) motor-driven appliances, such as blender, mixer and electric can opener; and (iii) electronic appliances such as digital scale, humidifier and laser projector light. We also offer non-electric household goods such as garden hose and cookware.

The table below sets forth the breakdown of our total revenue by product category during the Track Record Period:

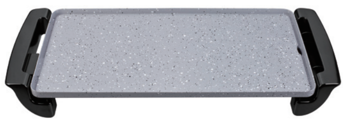
	FY2021		FY2022		FY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Electric home appliances								
– Electro-thermic appliances	572,916	38.7	459,013	41.8	499,099	42.0	296,238	48.2
– Motor-driven appliances	365,729	24.7	317,623	29.0	321,937	27.1	127,415	20.7
– Electronic appliances	188,518	12.7	122,997	11.2	111,570	9.4	43,885	7.2
Non-electric household goods								
– Garden hose	326,168	22.0	181,460	16.5	221,788	18.7	135,033	22.0
– Others *(Note)*	27,027	1.9	15,872	1.5	33,927	2.8	11,852	1.9
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**614,423**	**100.0**

Note: Others include cookware, cleaning tools and other household goods etc.

The pictures below are some of our major products:

Electro-thermic appliances

Electric griddle



Air fryer

Kettle

Motor-driven appliances

Blender

Mixer

Electric can opener

Electronic appliances

Digital scale

Humidifier

Laser projector light

The pictures below are some of the non-electric household goods manufactured and sold by us:

Garden hose

Others

Cookware

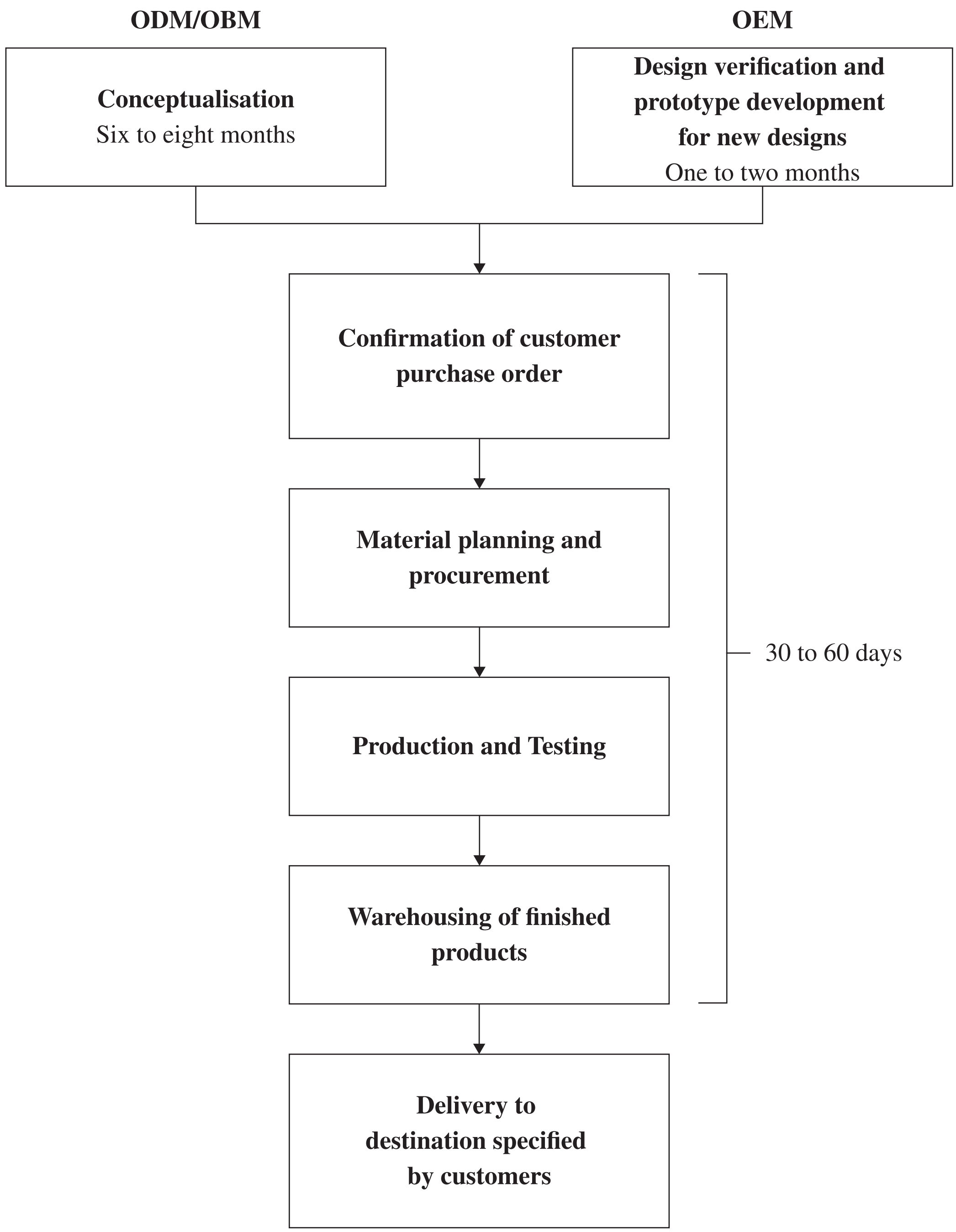
Average selling price and sale volume

The table below sets out the breakdown of average selling price and sales volume by product category for FY2021, FY2022, FY2023, 1HFY2023 and 1HFY2024:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	Average selling price (*per unit*) *RMB*	Volume (*units*) *('000)*	Average selling price (*per unit*) *RMB*	Volume (*units*) *('000)*	Average selling price (*per unit*) *RMB*	Volume (*units*) *('000)*	Average selling price (*per unit*) *RMB*	Volume (*units*) *('000)*	Average selling price (*per unit*) *RMB*	Volume (*units*) *('000)*
Electric home appliances										
– Electro-thermic appliances	83.3	6,881	91.6	5,012	80.3	6,215	83.5	2,288	78.0	3,797
– Motor-driven appliances	59.9	6,110	60.6	5,241	55.5	5,802	56.7	2,170	54.7	2,331
– Electronic appliances	45.5	4,141	49.5	2,484	55.0	2,028	57.2	1,060	56.7	774
Non-electric household goods										
– Garden hose	53.2	6,131	58.9	3,082	59.7	3,713	62.9	2,615	55.0	2,453
– Others	10.3	2,616	4.5	3,497	8.9	3,818	8.9	1,970	9.3	1,280

OUR OPERATION FLOW

Our business operations involves several key stages. The flowchart below illustrates our general business operations and time generally needed for each stage:



We mainly serve our customers on an ODM or OEM basis. On an OEM basis, we manufacture according to designs developed by our customers; whereas we collaborate with our customers to develop designs according to their requirements when we are serving our customers on ODM basis. Similar to our ODM model, we develop our own design on OBM basis. For OBM, since we are in control of the launch of new products, the conceptualisation stage may take longer.

It usually takes 30 to 60 days from receiving the purchase orders to delivering the finished products to our customers, depending on the complexity of product designs and specifications, volume of the purchase order and the lead time in our supply chain.

Conceptualisation and Design Verification

A project is usually initiated by a customer enquiry. For ODM orders, our business development team personnel communicates with our customers to understand their needs. We will then make proposal with price estimate according to our customers' specifications. We work closely with our customers to modify and finalise our designs and if our customers agrees with our proposal, our customers will place an order with us. For OEM orders, designs and technical drawings are provided by customers and we will verify and review to ensure that all specifications and requirements of customers can be met, upon satisfaction of which we will accept the purchase order.

Confirmation of Customer Purchase Order

For OEM orders, our customers will provide us with a purchase order and delivery requirements, together with information package generally comprising bill of materials (which is a schedule of components and parts required), technical drawings for the mechanical parts and components. A project team, comprising engineers and members from the quality assurance team production and materials team, will be formed to be responsible for each order. For ODM orders, during this stage, our engineering team will provide our bills of materials and drawings for our customers' approval. Where necessary, we will produce prototype for customer's approval.

Material Planning and Procurement

With the use of the ERP system, our procurement department works with our suppliers closely to ensure that there are sufficient production materials to meet our customers' purchase orders within the requisite timeframe. Upon arrival of production materials, we will conduct quality inspection of the materials.

Production and Testing

We adopt flexible manufacturing systems comprising machines and computerised systems which can be configured to manufacture a wide range of parts and components. For details of key stages of our manufacturing process, please see "– Our Manufacturing Process" in this section. Where necessary, we outsource certain non-core processes to our subcontractors. For details of our outsourcing to subcontractors, please see "– Outsourcing" in this section. To maintain our quality standard, we conduct in-line quality inspection with the aid of our quality control technologies. Fully assembled products will undergo a series of tests and inspections to ensure that our customers' specifications are met.

Warehousing and delivery

Upon passing our quality control, products will be packed and stored in our warehouse pending delivery by third-party logistics companies.

OUR CUSTOMERS

During the Track Record Period, we generated our revenue mostly from ODM/OEM customers which represent 93.7%, 94.4%, 95.8% and 96.3% of our total revenue. Our ODM/OEM customers mainly comprise international brand owners and their procurement service providers. The remaining portion of our revenue came from our OBM business including direct sales of our self-branded products (i.e. products under ("**Weighmax**"), ("**Accuteck**") and ("**Aigoli**")) to end consumers through ecommerce marketplaces, including Amazon, JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多), and sales to distributors, the latter of which represented less than 0.1% for each year during the Track Record Period.

The following table sets out a breakdown of our total revenue by business model during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ODM/OEM	1,386,409	93.7	1,035,592	94.4	1,138,615	95.8	591,463	96.3
OBM	93,949	6.3	61,373	5.6	49,706	4.2	22,960	3.7
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**614,423**	**100.0**

Note: Revenue from our OBM business represents revenue of Aigrentrading, Nawu Technology, Nuocheng E-Commerce and Weighmax. Revenue from our ODM/OEM business represents revenue of other subsidiaries of our Group.

Our sales regions

Based on the delivery destinations of our products requested by our customers, our products were exported to more than 70 countries and regions worldwide during the Track Record Period. The table below sets out the breakdown of our total revenue by geographical regions during the Track Record Period, based on the delivery destinations as requested by our customers:

	FY2021		FY2022		FY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
North America	1,077,993	72.8	781,129	71.2	993,949	83.6	505,598	82.3
Europe	282,625	19.1	227,672	20.8	111,730	9.4	62,042	10.1
Oceania	46,849	3.2	44,073	4.0	28,834	2.4	23,214	3.8
Asia (excluding Mainland China)	41,646	2.8	26,331	2.4	35,833	3.0	16,381	2.7
South America	14,650	0.9	8,527	0.8	12,228	1.0	4,228	0.7
Africa	2,512	0.2	552	0.1	759	0.1	135	0.0
Mainland China	14,083	1.0	8,681	0.7	4,988	0.5	2,825	0.4
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**614,423**	**100.0**

Top five customers

Our five largest customers accounted for 62.4%, 62.4%, 72.4% and 74.9% of our total revenue for FY2021, FY2022, FY2023 and 1HFY2024, respectively; and our largest customer accounted for 27.1%, 21.3%, 28.5% and 25.0% of our total revenue for FY2021, FY2022, FY2023 and 1HFY2024, respectively.

FY2021

Customer	Background	Products purchased from us	Years of relationship with us (approximate)	Credit terms	Payment method	Revenue contribution *(RMB'000)*	% of our total revenue
Telebrands Corp. ("**Telebrands**")	Founded in 1983, Telebrands is a long standing American company, which is engaged in, among others, designing and selling consumer products with international locations in 70 countries worldwide.	Garden hose, electronic appliances and other non-electric household goods	11	30% deposit advance payment, 90–120 days for the balance	Telegraphic transfer	401,840.5	27.1

Customer	Background	Products purchased from us	Years of relationship with us (approximate)	Credit terms	Payment method	Revenue contribution *(RMB'000)*	% of our total revenue
Walmart Stores, Inc. ("**Walmart**")	Walmart is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores and grocery stores in the United States. Walmart is one of the largest corporations in the global retail industry. As of 31 July 2024, Walmart has over 10,000 stores in the United States and other countries.	Electro-thermic appliances, motor-driven appliances	13	60–90 days	Telegraphic transfer	250,634.6	16.9
Sensio Inc. ("**Sensio**")	Sensio is an American brand owner with a history of 17 years focused on the kitchen appliances sector which owns brands including Bella and Crux.	Electro-thermic appliances, motor-driven appliances	10	45–90 days	Telegraphic transfer	131,301.5	8.9
Hamilton Beach Brands, Inc. ("**Hamilton Beach**")	Hamilton Beach is a leading American brand owner of home appliances and commercial restaurant equipment marketed primarily in the United States, Canada and Mexico. Its holding company is listed on the New York Stock Exchange with a market capitalisation of over US$400 million.	Electro-thermic appliances, motor-driven appliances	10	60–90 days	Telegraphic transfer	82,254.7	5.6
SEB Asia Ltd ("**SEB**")	SEB is a member of a large French consortium established in 1975 that produces small home appliances. Its holding company is listed on Euronext Paris with a market capitalisation of over €5 billion.	Electro-thermic appliances, motor-driven appliances	17	120 days	Bank transfer	58,194.8	3.9
Total						**924,226.1**	**62.4**

FY2022

Customer	Background	Products purchased from us	Years of relationship with us (approximate)	Credit terms	Payment method	Revenue contribution *(RMB'000)*	% of our total revenue
Walmart	Walmart is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores and grocery stores in the United States. Walmart is one of the largest corporations in the global retail industry. As of 31 July 2024, Walmart has over 10,000 stores in the United States and other countries.	Electro-thermic appliances, motor-driven appliances	13	60 days	Telegraphic transfer	233,389.5	21.3
Telebrands	Founded in 1983, Telebrands is a long standing American company, which is engaged in, among others, designing and selling consumer products with international locations in 70 countries worldwide.	Garden hose, electronic appliances and other non-electric household goods	11	30% deposit advance payment, 90–120 days for the balance	Telegraphic transfer	223,746.4	20.4
Sensio	Sensio is an American brand owner with a history of 17 years focused on the kitchen appliances sector which owns brands including Bella and Crux.	Electro-thermic appliances, motor-driven appliances	10	45–90 days	Telegraphic transfer	92,272.1	8.4
Hamilton Beach	Hamilton Beach is an American brand owner of home appliances and commercial restaurant equipment marketed primarily in the United States, Canada and Mexico. Its holding company is listed on the New York Stock Exchange with a market capitalisation of over US$400 million.	Electro-thermic appliances, motor-driven appliances	10	60–90 days	Telegraphic transfer	79,032.8	7.2
TGI (FAR EAST) Limited ("**TGI**")	TGI primarily engages in the import and export of small home appliances, with its business footprint primarily in Europe. It is the procurement service provider for an European international discount retailer chain that operates over 10,000 stores worldwide.	Electro-thermic appliances, motor-driven appliances	9	10% deposit advance payment, balance against bill of lading	Telegraphic transfer	56,182.1	5.1
Total						**684,622.9**	**62.4**

FY2023

Customer	Background	Products purchased from us	Years of relationship with us (approximate)	Credit terms	Payment method	Revenue contribution *(RMB'000)*	% of our total revenue
Walmart	Walmart is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores and grocery stores in the United States. Walmart is one of the largest corporations in the global retail industry. As of 31 July 2024, Walmart has over 10,000 stores in the United States and other countries.	Electro-thermic appliances, motor-driven appliances	13	60 days	Telegraphic transfer	338,166.5	28.5
Telebrands	Founded in 1983, Telebrands is a American company, which is engaged in, among others, designing and selling consumer products with international locations in 70 countries worldwide.	Garden hose, electronic appliances and other non-electric household goods	11	30% deposit advance payment, 90–120 days for the balance	Telegraphic transfer	282,147.6	23.7
Sensio	Sensio primarily is an American brand owner with a history of 17 years focused on the kitchen appliances sector which owns brands including Bella and Crux.	Electro-thermic appliances, motor-driven appliances	10	45–90 days	Telegraphic transfer	100,927.0	8.5
Hamilton Beach	Hamilton Beach is an American brand owner of home appliances and commercial restaurant equipment marketed primarily in the United States, Canada and Mexico. Its holding company is listed on the New York Stock Exchange with a market capitalisation of over US$400 million.	Electro-thermic appliances, motor-driven appliances	10	60–90 days	Telegraphic transfer	83,055.6	7.0
RJ Brands, LLC ("**RJ**")	RJ is an American kitchen equipment brand owner. RJ owns brands including Chefman with different customers including Tesco, Target and other large retailers.	Electro-thermic appliances, motor-driven appliances	11	60–90 days	Telegraphic transfer	55,454.1	4.7
Total						**859,750.8**	**72.4**

1HFY2024

Customer	Background	Products purchased from us	Years of relationship with us (approximate)	Credit terms	Payment method	Revenue contribution *(RMB'000)*	% of our total revenue
Telebrands	Founded in 1983, Telebrands is a long standing American company, which is engaged in, among others, designing and selling consumer products with international locations in 70 countries worldwide.	Garden hose, electronic appliances and other non-electric household goods	11	90–120 days	Telegraphic transfer	153,466.4	25.0
Walmart	Walmart is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores, and grocery stores in the United States. Walmart is one of the largest corporations in the global retail industry. As of 31 July 2024, Walmart has over 10,000 stores in the United States and other countries.	Electro-thermic appliances, motor-driven appliances	13	60 days	Telegraphic transfer	148,324.3	24.1
Sensio	Sensio is an American brand owner with a history of 17 years focused on the kitchen appliances sector which owns brands including Bella and Crux.	Electro-thermic appliances, motor-driven appliances	10	45–90 days	Telegraphic transfer	86,249.7	14.0
RJ	RJ is an American kitchen equipment brand owner. RJ owns brands including Chefman with different customers including Tesco, Target and other large retailers.	Electro-thermic appliances, motor-driven appliances	11	60–90 days	Telegraphic transfer	36,905.1	6.0
Hamilton Beach	Hamilton Beach is an American brand owner of home appliances and commercial restaurant equipment marketed primarily in the United States, Canada and Mexico. Its holding company is listed on the New York Stock Exchange with a market capitalisation of over US$400 million.	Electro-thermic appliances, motor-driven appliances	10	60–90 days	Telegraphic transfer	35,762.0	5.8
Total						**460,707.5**	**74.9**

During the Track Record Period, all of our five largest customers were Independent Third Parties. To the best knowledge and belief of our Directors, none of the Directors, their close associates; or any Shareholder (which to the knowledge of the directors owns more than 5% of the number of issued Shares of the issuer) had any interest in the aforementioned top five customers during the Track Record Period.

During the Track Record Period, none of the major customers as aforementioned was also a supplier.

Sales and payment

We have entered into framework agreements with our customers, including most of our top five customers for the sales of our products. Thereafter, sales will be placed through separate purchase orders. For customers who have not enter into framework agreement with us, sales will be placed through purchase orders. Key terms such as the quantity, price, time and destination of delivery, product specifications and payment terms are set out in purchase orders.

Framework agreements

A summary of the key commercial terms of our framework agreements with our major customers is set forth below:

Term	No specific term specified or for a term of one to two years which will be automatically renewed for another term upon expiry unless written notice of termination is served.
Product quality & returns	We are required to deliver products in accordance with customer's specifications and/or production samples. Generally, defective allowance of 2%–5% is provided. If actual return exceeds the defective allowance, we will make corresponding refund.
Minimum purchase commitment	We do not impose minimum purchase amount on our customers.

Prices, payment and credit terms	Prices shall be set out in separate purchase orders which shall be mutually agreed by both parties and we may receive deposits of 30% of order amount. Credit terms of 60 to 120 days after the shipment/receipt of shipping documents and generally payment shall be made by bank or telegraphic transfer.
Confidentiality	We shall keep information, including designs, know-how and manufacturing data of our customers in confidence.
Termination	(i) Either party may terminate framework agreement by giving 30–90 days' notice to the other; or (ii) if we fail to deliver or remedy the default on time, our customer is entitled to terminate the framework agreement.

Pursuant to our framework agreement with Telebrands, one of our major customers, we are not allowed to manufacture or sell garden hoses to other customers. During the Track Record Period, apart from garden hoses, we also sold other non-electric household goods such as mop buckets and seat liners to Telebrands.

Sales to our five largest customers accounted for 62.4%, 62.4%, 72.4% and 74.9% of our total revenue, respectively and sales to our largest customer of the relevant year/period accounted for 27.1%, 21.3%, 28.5% and 25.0% of our total revenue, respectively. Our Directors are of view that our reliance on our customers, in particular, Walmart and Telebrands (being the single largest customer of different year/ period during the Track Record Period), would not have a material adverse impact on our business sustainability, given that (i) we have maintained long-term and stable collaboration relationships with them, (ii) our framework agreements remains effective until either party intends to terminate or is automatically renewed at expiration, (iii) during the Track Record Period and up to the Latest Practicable Date, we did not have any material disputes with them, and (iv) we are considered a valuable business partner and have maintained good business relationships, and currently, there is no indication or sign from them that our existing relationship will materially adversely change in the near future. Please also see "Risk Factors – Risks Relating to our Industry and Business – We rely on a few major customers, which, in aggregate, accounted for more than 60% of our total revenue during the Track Record Period" in this document.

During the Track Record Period and up to the Latest Practicable Date, we did not have any dispute with our major customers or major breach of the framework agreements we entered into with our customers which would have a material impact on our business, financial condition or results of operations.

During the Track Record Period, since most of our sales of products are export sales, such sales were mainly denominated in US$. For domestic sales in the PRC, our sales were denominated in RMB. Accordingly, we are exposed to foreign exchange risks. For details, please see "Risk Factors – Our Group is exposed to currency risk" in this document.

We typically offer credit period 30 to 135 days to our customers. We regularly review the credit standing and payment status of our customers. During the Track Record Period, we did not experience any material delay in settlement by customers that would have a material impact on our business, financial condition or results of operations.

Seasonality

From our experience, we generally record relatively higher revenue in the second half of each year which coincides with festivities in the second half of a year. According to the F&S Report, this seasonality trend is consistent with the industry norm.

OUR SUPPLIERS

Our major suppliers are suppliers of metal and plastic raw materials, components and accessories. Our procurement department is responsible for the procurement of materials and supplies. We centralised our procurement and maintained an approved list of suppliers, a majority of which are located in the PRC. We have formulated internal policies specifying supplier selection criteria and procedures as well as procurement process. We evaluate suppliers taking into consideration factors such as price, quality and production capacity. In our evaluation, we gather suppliers' information including compliance level of environmental protection-related and quality-related certifications and perform site visits of our major suppliers. In order to avoid reliance on our supplier, we generally maintain more than one supplier for our major raw materials. The major materials used by us for the production include metal and plastic raw materials, components and accessories and a majority of our raw materials are sourced domestically from suppliers in the PRC.

Top five suppliers

Our five largest suppliers accounted for 25.5%, 18.2%, 22.4% and 19.4% of our total purchase for FY2021, FY2022, FY2023 and 1HFY2024, respectively; and our largest supplier accounted for 8.9%, 7.2%, 9.4% and 5.8% of our total purchase for FY2021, FY2022, FY2023 and 1HFY2024, respectively.

FY2021

Supplier	Background	Major products/services we purchased	Years of relationship with us (approximate)	Credit terms	Payment method	Purchase amount *(RMB'000)*	% of our total purchase
Shun Liang Fa Industrial (Shenzhen) Co., Ltd.* (順良發工業(深圳)有限公司)	Incorporated in the PRC, it is engaged in, among others, import and export of goods, sales of personal protective equipment and hardware products and manufacturing of fibres.	Fabric hose jacket and assembling service for semi-finished products	8	On delivery	Telegraphic transfer/bank's acceptance bill	93,693.9	8.9
Shenzhen Jiazhi Trading Co., Ltd.* (深圳市嘉志貿易有限公司)	Incorporated in the PRC, it is engaged in, among others, purchase and sale of hardware products, electronic products, plastic products and chemical products.	Plastic raw materials	10	30 days	Telegraphic transfer/bank's acceptance bill	63,154.0	6.0
Shengjialun Rubber & Plastic (Heyuan) Co., Ltd.* (盛嘉倫橡塑(河源)有限公司)	Incorporated in the PRC, it is engaged in, among others, sales of plastic parts and their raw materials.	Thermo polyurethane	11	30 days	Telegraphic transfer/bank's acceptance bill	52,658.6	5.0
Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司)	Incorporated in the PRC, it is engaged in, among others, processing of non-metallic scraps, sales of non-ferrous metal, manufacturing and sales of plastic products.	Metal raw materials	6	On delivery	Bank transfer/telegraphic transfer/bank's acceptance bill	32,324.7 *(Note 1)*	3.1
Shenzhen Jinfengcheng Precision Hardware Co., Ltd.* (深圳市錦鋒誠精密五金有限公司)	Incorporated in the PRC, it is engaged in, among others, sales of small motor accessories, hardware accessories and moulds.	Hardware accessories	9	30–150 days	Telegraphic transfer/bank's acceptance bill	26,774.0 *(Note 2)*	2.5
Total						**268,605.2**	**25.5**

Notes:

1. Aggregating all purchase from two companies, namely Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司) and Hunan Shenke Non-ferrous Metal Co., Ltd.* (湖南森科有色金屬有限公司), the shareholders of which, to the knowledge of our Directors, are relatives.

2. Aggregating all purchase from Shenzhen Jinfengcheng Precision Hardware Co., Ltd.* (深圳市錦鋒誠精密五金有限公司) and its fellow subsidiary.

FY2022

Supplier	Background	Major products/services we purchased	Years of relationship with us (approximate)	Credit terms	Payment method	Purchase amount *(RMB'000)*	% of our total purchase
Shun Liang Fa Industrial (Shenzhen) Co., Ltd.* (順良發工業(深圳)有限公司)	Incorporated in the PRC, it is engaged in, among others, import and export of goods, sales of personal protective equipment and hardware products and manufacturing of fibres.	Fabric hose jacket and assembling service for semi-finished products	8	On delivery	Telegraphic transfer/bank's acceptance bill	47,190.8	7.2
Shenzhen Jiazhi Trading Co., Ltd.* (深圳市嘉志貿易有限公司)	Incorporated in the PRC, it is engaged in, among others, purchase and sale of hardware products, electronic products, plastic products and chemical products.	Plastic raw materials	10	30 days	Telegraphic transfer/bank's acceptance bill	23,094.9	3.5
Shengjialun Rubber & Plastic (Heyuan) Co., Ltd.* (盛嘉倫橡塑(河源)有限公司)	Incorporated in the PRC, it is engaged in, among others, sales of plastic parts and their raw materials.	Thermo polyurethane	11	30 days	Telegraphic transfer/bank's acceptance bill	18,619.8	2.8
Hubei Linglong Aluminum Co., Ltd.* (湖北靈龍鋁業有限公司)	Incorporated in the PRC, it is engaged in, among others, scrap metal recycling, processing and sales.	Hardware accessories	1	Prepayment	Telegraphic transfer/bank's acceptance bill	16,330.1	2.5
Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司)	Incorporated in the PRC, it is engaged in, among others, processing of non-metallic scraps, sales of non-ferrous metal, manufacturing and sales of plastic products.	Metal raw materials	6	On delivery	Bank transfer/telegraphic transfer/bank's acceptance bill	14,473.8 *(Note 1)*	2.2
Total						**119,709.4**	**18.2**

Note:

1. Aggregating all purchase from two PRC companies, namely Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司) and Hunan Shenke Non-ferrous Metal Co., Ltd.* (湖南森科有色金屬有限公司), the shareholders of which, to the knowledge of our Directors, are relatives.

FY2023

Supplier	Background	Major Products/services we purchased	Years of Relationship (approximate)	Credit terms	Payment method	Purchase amount *(RMB'000)*	% of our total purchase
Hubei Yixiong Industrial Technology Co., Ltd.* (湖北益雄工業科技有限公司)	Incorporated in the PRC, it is engaged in, among others, import and export of goods, sales and manufacturing of plastic products, hardware products and knitwear products.	Fabric hose jacket	8 *(Note 1)*	On delivery	Telegraphic transfer/bank's acceptance bill	72,367.6 *(Note 1)*	9.4
Danyang Anke Fitness Equipment Co., Ltd.* (丹陽恩科健身器材有限公司)	Incorporated in the PRC, it is engaged in, among others, the manufacturing of plastic products and mechanic products, the assembly of electronic accessories.	Latex inner tubes	2	30% deposit advance payment, balance on the 15th day of each calendar month	Telegraphic transfer/bank's acceptance bill	33,580.5	4.4
Shenzhen Jiazhi Trading Co., Ltd.* (深圳市嘉志貿易有限公司)	Incorporated in the PRC, it is engaged in, among others, purchase and sale of hardware products, electronic products, plastic products and chemical products.	Plastic raw materials	10	30 days	Telegraphic transfer/bank's acceptance bill	30,226.4	3.9
Shenzhen Jinfengcheng Precision Hardware Co., Ltd.* (深圳市錦鋒誠精密五金有限公司)	Incorporated in the PRC, it is engaged in, among others, sales of small motor accessories, hardware accessories and moulds.	Hardware accessories	9	30–150 days	Telegraphic transfer/bank's acceptance bill	20,242.0 *(Note 2)*	2.6
Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司)	Incorporated in the PRC, it is engaged in, among others, processing of non-metallic scraps, sale of non-ferrous metal, manufacturing and sales of plastic products.	Metal raw materials	6	On delivery	Bank transfer/telegraphic transfer/bank's acceptance bill	15,851.0 *(Note 3)*	2.1
Total						**172,267.5**	**22.4**

Notes:

1. Aggregating all purchase from (i) Shun Liang Fa Industrial (Shenzhen) Co., Ltd.* (順良發工業(深圳)有限公司) and (ii) Hubei Yixiong Industrial Technology Co., Ltd.* (湖北益雄工業科技有限公司). To the knowledge of the Director, the former is owned by a father and son and the latter is wholly-owned by the father.

2. Aggregating all purchase from Shenzhen Jinfengcheng Precision Hardware Co., Ltd.* (深圳市錦鋒誠精密五金有限公司) and its fellow subsidiary.

3. Aggregating all purchase from two PRC companies, namely Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司) and Hunan Shenke Non-ferrous Metal Co., Ltd.* (湖南森科有色金屬有限公司), the shareholders of which, to the knowledge of our Directors, are relatives.

1HFY2024

Supplier	Background	Major Products/services we purchased	Years of Relationship (approximate)	Credit terms	Payment method	Purchase amount *(RMB'000)*	% of our total purchase
Hubei Yixiong Industrial Technology Co., Ltd.* (湖北益雄工業科技有限公司)	Incorporated in the PRC, it is engaged in, among others, import and export of goods, sales and manufacturing of plastic products, hardware products and knitwear products.	Fabric hose jacket	8 *(Note 1)*	On delivery	Telegraphic transfer/bank's acceptance bill	27,149.2 *(Note 1)*	5.8
Shenzhen Jiazhi Trading Co., Ltd.* (深圳市嘉志貿易有限公司)	Incorporated in the PRC, it is engaged in, among others, purchase and sale of hardware products, electronic products, plastic products and chemical products.	Plastic raw materials	10	30 days	Telegraphic transfer/bank's acceptance bill	21,424.0	4.6
Danyang Anke Fitness Equipment Co., Ltd.* (丹陽恩科健身器材有限公司)	Incorporated in the PRC, it is engaged in, among others, the manufacturing of plastic products and mechanic products and the assembly of electronic accessories.	Latex inner tubes	2	30% deposit advance payment, balance on the 15th day of each calendar month	Telegraphic transfer/bank's acceptance bill	16,746.4	3.6
Liling Xiangcheng Ceramics Manufacturing Co., Ltd.* (醴陵市湘成陶瓷製造有限公司)	Incorporated in the PRC, it is engaged in, among others, the manufacturing and sales of pottery products.	Cooker liner	10	60 days	Telegraphic transfer/bank's acceptance bill	15,229	3.3
Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司)	Incorporated in the PRC, it is engaged in, among others, processing of non-metallic scraps, sales of non-ferrous metal, manufacturing and sales of plastic products.	Metal raw materials	6	On delivery	Bank transfer/telegraphic transfer/bank's acceptance bill	10,567.1 *(Note 2)*	2.3
Total						**91,115.7**	**19.4**

Notes:

1. Aggregating all purchase from (i) Shun Liang Fa Industrial (Shenzhen) Co., Ltd.* (順良發工業(深圳)有限公司) and (ii) Hubei Yixiong Industrial Technology Co., Ltd.* (湖北益雄工業科技有限公司). To the knowledge of the Director, the former is owned by a father and son and the latter is wholly-owned by the father.

2. Aggregating all purchase from Hunan Jifu Aluminum Plastic Products Co., Ltd.* (湖南省吉富鋁塑製品有限公司) and Hunan Shenke Non-ferrous Metal Co., Ltd.* (湖南森科有色金屬有限公司), the shareholders of which, to the knowledge of our Directors, are relatives.

During the Track Record Period, all of our five largest suppliers were Independent Third Parties. To the best knowledge and belief of our Directors, none of the Directors; their close associates; or any Shareholder (which to the knowledge of the directors owns more than 5% of the number of issued Shares of the issuer) had any interest in the aforementioned top five suppliers during the Track Record Period.

During the Track Record Period, none of the major suppliers aforementioned was also a customer of our Group.

During the Track Record Period, we did not experience any shortage or delay in the supply of raw materials which would have a material impact on our business, financial condition or results of operations.

During the Track Record Period, we did not experience any delay or shortage of supply, price fluctuation on products sourced or product delivery issues which would have had a material impact on our business, financial condition or results of operations. Our Directors consider that alternative suppliers for our production materials are readily available in the market with comparable quality and prices and we do not foresee significant difficulty to source production material in the foreseeable future.

Please see "Financial Information – Principal Components of Results of Operation – Sensitivity analysis" in this document for further details on the sensitivity analysis in respect of the impact of hypothetical fluctuations in our cost of sales to our profit before income tax.

Framework agreements

We have entered into legally binding framework agreements with our major suppliers. Thereafter, purchase will be placed through separate purchase orders. For suppliers who have not enter into framework agreements with us, purchase will be placed through purchase orders. Key terms such as the quantity, price, time and destination of delivery, product specifications and payment terms are set out in purchase orders.

A summary of the key commercial terms of framework agreements we entered into with our suppliers is set forth below:

Term	No specific term specified
Obligations of suppliers	Suppliers are required to deliver products in accordance with the specifications stipulated in separate purchase orders and the products supplied must conform to the pre-production samples and relevant national and industry standards.

Minimum purchase commitment	No minimum purchase commitment was imposed on our Group.
Prices, payment and credit terms	Prices shall be set out in separate quotations which shall be mutually agreed by both parties. For tailor-made supplies, such as tailor-made metal hardware, we may be required to pay deposits of around 30% of the total contractual amount. Credit terms of 30 to 150 days after issuance of invoice and payment shall generally be made by bank's acceptance bill or telegraphic transfer.
Intellectual property	Suppliers must keep any information, including any data, know-how, in relation to our Group or its business that the supplier may gain access to during the course of business with our Group confidential.
Termination	The agreement may be unilaterally terminated by our Group in the event of material delay in delivery by the suppliers.

Apart from framework agreements as aforementioned, to add an additional layer of intellectual property protection, we also entered into technology confidentiality agreements with certain major suppliers, pursuant to which, among other confidentiality obligations, they are prohibited from developing, manufacturing or selling similar products using our Group's proprietary know-hows including product designs and formula.

During the Track Record Period and up to the Latest Practicable Date, we did not have any dispute with our major suppliers or major breach of the framework agreements we entered into with our suppliers which would have a material impact on our business, financial condition or results of operations.

OUR PRODUCTION FACILITIES

As at the Latest Practicable Date, we have seven production facilities in the PRC which had commenced production:

	Production facility	Location	Year of establishment	Approximate construction area	Major operations during the Track Record Period
1.	Yinuowei Factory	Jiangyin, Jiangsu Province	2000	15,609 sq.m.	Design and manufacture of electronic appliances
2.	Aisijie Factory	Shenzhen, Guangdong Province	2002	32,300 sq.m.	Design and manufacture of our ODM/OEM products including motor-driven appliances and electro-thermic appliances
3.	Yuantexin Factory	Shenzhen, Guangdong Province	2004	52,000 sq.m.	Design and manufacture of our ODM/OEM products including motor-driven appliances and electro-thermic appliances
4.	Hubei XJ Factory	Huanggang, Hubei Province	2012	97,367.9 sq.m.	Design and manufacture of our ODM/OEM products including electro-thermic appliances and garden hose
5.	Meinuowei Factory	Huizhou, Guangdong Province	2017	18,976.9 sq.m.	Design and manufacture of our ODM/OEM products including motor-driven appliances and electro-thermic appliances
6.	Hongnuowei Factory	Shenzhen, Guangdong Province	2020	4,000 sq.m.	Manufacture and processing of PCBA for our internal use
7.	XJ Intelligence Factory	Huizhou, Guangdong Province	2024	147,069.0 sq.m.	N/A *(Note)*

Note: XJ Intelligence Factory only commenced operation in June 2024.

Overseas Production Facilities

As part of our international expansion plan, as at the Latest Practicable Date, we had established one production facility in East Jawa Province, Indonesia, which is expected to commence production in the first quarter of 2025. Our Indonesia Factory is designed mainly for the manufacture of electronic appliances and garden hose with an aggregate construction area of approximately 7,745 sq.m. Furthermore, we also plan to build a new production facility in Rayong, Thailand, which is expected to commence production by the end of 2025. For details of our planned construction of our Thailand Factory as part of our future plans, please see "Business – Our Strategies – Set up our Thailand Factory to enhance our global presence" in this document.

Production capacity and utilisation rate

Throughout the years of our operation, we have made substantial investment in building our flexible manufacturing systems, which is characterised by its ability to adapt to changes in the type and quantity of products being ordered by our customers as our machines and computerised systems can be configured to manufacture a variety of parts and handle changing levels of production. Our Directors consider that the production bottleneck is the assembly process which is the critical production process that determines quality of our finished products and output. The production capacity of our assembly lines is therefore used to calculate our production capacity during the Track Record Period.

The table below sets out our designed capacity, converted actual production volume and utilisation rate during the Track Record Period:

	Designed Capacity *('000 unit)* *(Note 1,2)*	**Converted actual production volume** *('000 unit)* *(Note 3)*	**Utilisation rate** *(%)* *(Note 4)*
FY2021			
Electric home appliances	20,080.0	19,920.4	99.2
Non-electric household goods*(Note 6)*	6,174.0	6,605.8	107.0
FY2022*(Note 5)*			
Electric home appliances	18,895.7	12,714.0	67.3
Non-electric household goods*(Note 6)*	6,907.0	3,767.5	54.6
FY2023			
Electric home appliances	19,288.0	14,913.1	77.3
Non-electric household goods*(Note 6)*	5,760.0	4,917.4	85.4

	Designed Capacity *('000 unit)* *(Note 1,2)*	Converted actual production volume *('000 unit)* *(Note 3)*	Utilisation rate *(%)* *(Note 4)*
1HFY2024			
Electric home appliances	9,490.0	7,756.1	81.7
Non-electric household goods*(Note 6)*	2,880.0	2,145.2	74.5

Notes:

1. Given that (i) we produced more than 2,400 models of products during the Track Record Period and (ii) the production capacity of our assembly lines of different products highly varies (ranging from 20 units per hour to 3,150 units per hour), for illustration purpose, we have selected certain models of electric home appliances and garden hoses taking into account various factors including actual sales volume and re-order frequency as the standardised model in calculating our utilisation rate.

2. Designed capacity refers to the production capacity of the average number of assembly lines (averaged by month) in our production facilities during the relevant year/period, on the assumption that the assembly lines were in operation for eight hours (being the standard working hours per day) a day, and 300 days for FY2021, 267 days for FY2022 (taking into account closure of production bases due to COVID-19), 300 days for FY2023 and 150 days for 1HFY2024.

3. Converted actual production volume refers to the sum of converted actual production volume of our products during the relevant year/period. Converted actual production volume of a product is calculated by multiplying actual production volume (in units) of that product by the ratio of (i) the production capacity (in unit) of the standardised product to (ii) the production capacity (in unit) of that particular product.)

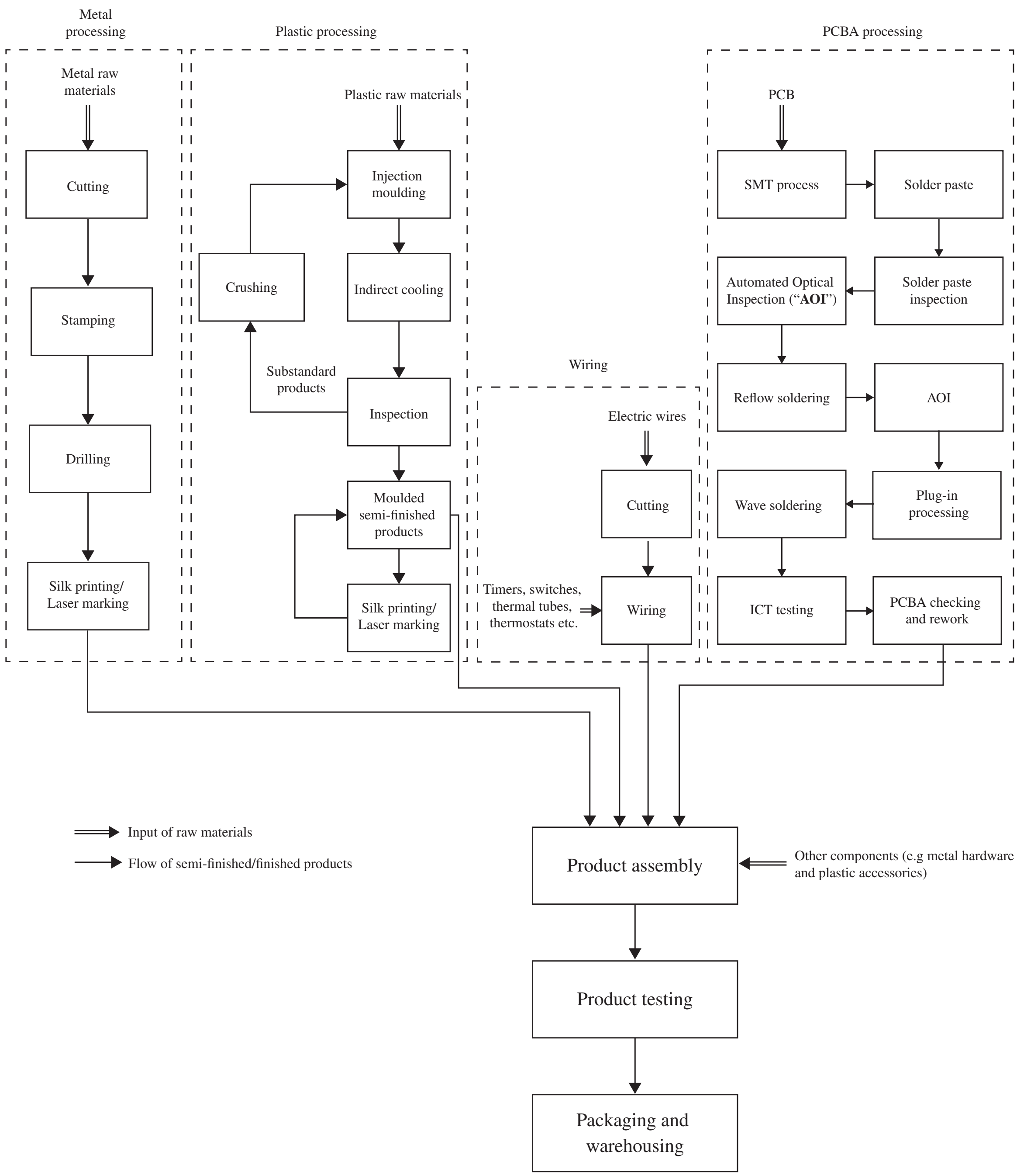
4. Utilisation rate equals to the converted actual production volume divided by the designed capacity during the same year/period.

5. Our designed capacity decreased in FY2022 as compared to that of FY2021 mainly due to the temporary closures of some of our production facilities in the midst of COVID-19 and the disposal of assembly lines in FY2022. The decrease in converted actual production volume of FY2022 was in line with the overall lower demand and sales in the same year and resulted in a decrease in utilisation rate as compared with FY 2021. For the reason of decline in our sales in FY2022, please see "Financial Information" in this document.

6. Given that sales of non-electric household goods mainly comes from sales of garden hoses, for illustration purpose, non-electric household goods refers to garden hose only and other non-electric household goods are excluded.

OUR MANUFACTURING PROCESS

We manufacture and sell different types of products during the Track Record Period. While different products involve different designs, production material, component parts, technical specifications and production process, the flowchart below illustrates the critical process in the production of our products. The critical stages of our manufacturing process are (i) processing of metal/plastic raw materials into metal/plastic components and parts, (ii) processing of PCBA, (iii) wiring of wires and parts, (iv) assembly of components and parts and (v) final product testing. The manufacture of different products involves different combinations of these stages.


Metal processing
Metal raw materials
Cutting
Stamping
Drilling
Silk printing/ Laser marking
Plastic processing
Plastic raw materials
Injection moulding
Indirect cooling
Crushing
Substandard products
Inspection
Moulded semi-finished products
Silk printing/ Laser marking
Wiring
Electric wires
Cutting
Timers, switches, thermal tubes, thermostats etc.
Wiring
PCBA processing
PCB
SMT process
Solder paste
Automated Optical Inspection ("AOI")
Solder paste inspection
Reflow soldering
AOI
Wave soldering
Plug-in processing
ICT testing
PCBA checking and rework
Input of raw materials
Flow of semi-finished/finished products
Product assembly
Other components (e.g metal hardware and plastic accessories)
Product testing
Packaging and warehousing

Metal parts processing

For the manufacture of metal hardware, parts and accessories to be assembled to our products, we procure metal raw materials such as aluminum alloy and go through stages of metalwork processes including stamping in order to form the desired shape, which will be followed by drilling in order to create holes. Where necessary, metal parts will go through laser marking or silk printing to form logos or patterns on the product.

Plastic parts processing

For plastic parts, the major process is injection moulding. Injection moulding is the process of producing plastic parts of different shapes and specifications by injecting molten plastic material into a mould. Afterwards, the molten and moulded plastic will go through cooling in order to return to the solid state to form semi-finished parts for assembly. We conduct in-process inspection and if defective parts are found, such defective parts will be crushed for rework. Where necessary, plastic parts will go through laser marking or silk printing to form logos or patterns on the product.

Wiring

This process includes connecting electrical wires and other components such as switches, timers, thermostats.

PCBA processing

Printed circuit board assembly (PCBA) is essential for electronic appliances. The process turns a printed circuit board (PCB) which is a blank circuit board with no electronic components attached into a completed assembly that contains the components required for the PCB to function as needed for the desired application. PCBA processing includes various steps from printing solder paste on the empty board, attaching electronic components to the PCB by reflow soldering and wave soldering, followed by AOI and ICT testing and packaging upon passing the tests.

Product Assembly

With different parts and components, we assemble them with our assembly lines to form the finished products, which will then go through testing and inspection.

Product testing

Finished products are inspected by our quality control staff. To satisfy national/ regional requirements and requirements of our customers, we will sample our finished products and send them to third-party laboratories for different tests including tests for harmful substances and safety requirements.

Major machinery and equipment

We owned most of our major machineries and equipment which were generally sourced from the PRC. Our major machineries include die casting machines, injection moulding machines, CNC machines and assembly lines. Generally, their useful lives are 10 years and our major machines had on average attained over half of their estimated useful lives according to our depreciation policy. We conduct regular maintenance of our machineries and equipment. For the depreciation method of our machineries and equipment, please see "Appendix I – Accountants' Report – Note 17. Property, Plant and Equipment" in this document. During the Track Record Period, we did not experience any major malfunctioning of these machineries or equipment which would have a material impact on our business, financial condition or results of operations.

OUTSOURCING

During the Track Record Period, we had outsourced certain production processes, such as injection moulding, die-casting, electroplating, spraying and module assembling. We deliver semi-processed products or raw materials to subcontractors' site for their processing. Generally, upon quality inspection by us, semi-finished products will be delivered back to our factories for further processing. For FY2021, FY2022, FY2023 and 1HFY2024, we incurred subcontracting fees in the amount of RMB50.7 million, RMB35.1 million, RMB50.7 million and RMB30.8 million, respectively, representing approximately 4.2%, 4.0%, 5.6% and 6.4%, respectively, of our total cost of sales during the corresponding periods. We consider this allow us to accommodate urgent bulk orders from our customers more efficiently. During the Track Record Period, subcontractors we engaged were Independent Third Parties.

We adopt various evaluation and assessment criteria in selecting our subcontractors, including their experience, reputation, expertise, product quality and quality control, price, financial condition, production capacity and ability to meet our delivery timeline. In addition, all of our subcontractors are subject to annual evaluation, which includes an assessment on their product quality, production costs and product delivery time. We have established stringent quality control measures and standards for our subcontractors. We conduct on-site inspection prior to engagement if necessary. For details of our quality control measures, please see "– Quality Control" below in this section. For any semi-finished products that are defective, the subcontractors are required to further inspect with us within the prescribed timeframe, and we are entitled to return the defective semi-finished products if necessary.

During the Track Record Period, we generally place orders with our subcontractors on a project-by-project basis. We generally entered into a legally binding orders with our subcontractors. Key terms of a typical order with our subcontractors are set out as below:

Scope of works	The detailed scope of each order such as work process to be performed by the subcontractor, quantity, quality and work specifications are set out in each order.
Subcontracting fee	Determined based on the actual quantity of products processed.
Duration	Delivery time shall be specified in each order.
Payment and credit terms	We are generally required to settle the payment monthly or bimonthly.
Responsibilities of subcontractors	Subcontractors are required to deliver semi-processed products in accordance with the specifications stipulated in separate purchase orders.
Quality control	Subcontractors shall comply with our quality control measures and our quality control staff shall attend the production facilities to conduct sample check. Where processed products do no pass our quality test, subcontractors shall make rectifications at their cost.

INVENTORY MANAGEMENT

Each of our production facilities has warehouses for storage of our inventory, which mainly comprise production materials, work-in-progress and finished goods. As at 30 June 2024, our inventory level, including raw materials, work-in-progress, finished goods and goods in transit amounted to RMB221.0 million. Our average inventory turnover day for each of the FY2021, FY2022, FY2021 and 1HFY2024 was 72 days, 87 days, 70 days and 75 days, respectively.

To manage our inventory level effectively and cost efficiently, we generally produce our products on a made-to-order basis so that we generally do not keep large inventory of finished products in anticipation of order. On the other hand, we generally procure raw materials for production based on purchase forecast provided by our customers which specifies their estimated demand for a certain upcoming period or actual orders on a back-to-back basis from customers which allow us to maintain an optimal level of inventory of raw materials. Given that a majority of raw materials for our production, such as metal and plastic raw materials, components and accessories are readily available in the PRC and it is our policy to maintain alternative suppliers for major raw materials, we do not need to maintain high level of inventory for raw materials.

Moreover, we employ ERP software to track inventory levels which enables us to control the movement and storage of inventory in our facilities so that we can make procurement plans based on our business needs and our production planning. We also perform physical stock-take regularly and make provision for obsolete inventory where necessary. For details of our policy on making provision for obsolete inventory, please see "Financial Information – Material Accounting Policies and Critical Accounting Estimates and Judgements – Net realisable value of inventories" in this document.

QUALITY CONTROL

We believe that our well established relationships with customers is the consummation of consistent commitment to quality. In order to achieve consistently high quality control standards, we have a quality control department comprising 94 members in our PRC and overseas production facilities as at 30 June 2024. Our quality assurance approach aims to control variables throughout our production process to ensure our product meets our quality standards at every increment throughout the production, from screening of suppliers, conducting quality checks for incoming raw material, work-in-progress quality inspection in order to identify defects at early stages of production, to quality checks of final products, packaging, inventory and loading of goods.

In particular, since our products are shipped to different parts of the world for consumer use, our quality benchmarks are formulated with reference to our customer standards and specifications and we follow internationally recognised standards such as China Compulsory Certification (CCC), European Union (EU) and U.S. Food and Drug Administration (FDA). In recognition of our efforts on maintaining quality control and management, we have been accredited with ISO9001: 2015 since 2008, and our environmental management system is also ISO-certified with ISO14001: 2015 since 2018.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant quality defects or product claims, refunds or returns from our customers in respect of our products which would have a material impact on our business, financial condition or results of operations.

PRODUCT RETURN AND WARRANTY

We accept product return from our customers for defective products. Under the framework agreements we entered into with our major customers, generally, we are provided with a defective allowance from 2% to 5%; where actual return exceeds such allowance, we shall be liable for returns. In the event of complaint from our ODM/OEM customers, our sales and marketing team will communicate and liaise with our quality control department and initiate investigation. We will then prepare a preliminary investigation report, generally, in approximately two weeks upon receipt of complaints. Based on our findings, we will discuss with our customers to come up with improvement plans in order to avoid recurrence of quality issues.

For our OBM products which are mainly sold directly to consumers on ecommerce marketplaces, our sales and marketing team offers customer support to our online retail customers and handle their complaints and we provide product warranty from seven days to one year, depending on the business practice of different e-commerce marketplaces.

During the Track Record Period, product return represented less than 1.0 % of our total revenue of the corresponding year/period. During the Track Record Period and up to the Latest Practicable Date, there were no product recalls, product returns, product liability claims, or customer complaints that would have a material impact on our business, financial condition or results of operation.

SALES AND MARKETING

Our sales and marketing department is responsible for the sales and marketing of our products and maintaining relationship with our customers. As at 30 June 2024, we had 54 employees in our sales and marketing department.

In order to keep abreast of the latest market trends, as well as to attract potential ODM/OEM customers, our management and sales and marketing team regularly attend domestic and international trade fairs and exhibitions such as China Import and Export Fair, Hong Kong Electronics Fair and Internationale Funkausstellung Berlin (IFA) which is one of the world's largest consumer electronics and home appliances trade show to meet potential overseas customers. We also participate in international product design competitions such as Reddot and MUSE Design Awards to exhibit our work, earn critical feedback on our ideas, and increase our brand awareness.

For our OBM products under our self-owned brands of "Weighmax 威麥絲" and "Accuteck" and "Aigoli 艾格麗", we promote our brands and sell our products mainly through advertising features of the respective online channels where sell our products, namely Amazon for "Weighmax 威麥絲" and "Accuteck", and JD.com (京東), Tmall (天貓) and Pinduoduo (拼多多) for "Aigoli 艾格麗".

In FY2021, FY2022 and FY2023 and 1HFY2024, we incurred RMB15.3 million, RMB10.2 million, RMB9.0 million and RMB4.6 million, respectively, as our marketing and promotion expenses.

PRICING

We determine our products prices taking into account our cost of raw materials, labour cost and other expenses, expected delivery date, complexity of the products, volume of the orders, desired profit margin, our relationship with the customer and prevailing market conditions.

For export sales, prices are generally quoted in US$ on free on board basis, for delivery at the pre-determined ports. To manage erosion of our margins due to fluctuations in raw material prices, we review our cost components regularly and, where necessary, we may initiate discussion on price adjustment with our customers.

RESEARCH AND DEVELOPMENT

We consider our R&D capability is one of our competitive advantages and we strive to augment this competitive advantage continuously. Our R&D team also continuously monitors technological advancement in the industry to keep our knowledge up-to-date and relevant with our customers' preferences. As R&D work invariably requires a broad spectrum of expertise as at 30 June 2024, we have a R&D team of more than 170 members, with an average of six years of work experience with us and a majority of them obtained academic qualification of tertiary level and/or vocational education in different disciplines. We collaborate closely with our customers and participating industry events to identify desired product performance and quality parameters and market needs which are not satisfied and formulate R&D initiatives with our team of experts from different disciplines. We also carry out projects which aim to research and develop new products and technologies and to enhance quality and cost efficiency. We have successfully translated our R&D efforts into our products and technologies.

We have entered into legally-binding confidentiality agreements with our key technological personnel and employees involved in our R&D activities, pursuant to which any intellectual property developed during their employment in the course of performing their duties thereunder belongs to us. As at the Latest Practicable Date, we had 429 registered patents and eight software copyrights in the PRC, two registered patents in Japan, nine registered patents in Europe, 23 registered patents in the United States. For details of our intellectual properties, please see "– Intellectual Properties" in this section.

For FY2021, FY2022, FY2023 and 1HFY2024, we incurred R&D expenses of RMB36.1 million, RMB32.0 million, RMB34.4 million and RMB16.5 million, respectively. Our R&D costs represent amounts incurred for the development of new products and technologies. For details of our research and development expenses, please see "Financial Information – Principal Components of Results of Operations – Research and development expenses" in this document.

We believe that our R&D will continue to drive our growth. As a major footstep of strengthening our R&D capability and part of our future plans, we plan to establish a R&D centre in Qichun County, Hubei Province. For details of our future plans to further expand our R&D efforts, please see "– Our Business Strategies" in this section.

EMPLOYEES

The table below sets out the breakdown of our employees by geographical location as of 30 June 2024:

Location	Number of employees
The PRC	2,827
Indonesia	3
United States	6
Total	**2,836**

The table below sets out the breakdown of our employees by function as of 30 June 2024:

Department	Number of employees
Sales and marketing	54
R&D	171
Finance and audit	44
Administration	149
Quality control	94
Procurement	28
Production	2,296
Total	**2,836**

Labour dispatch

In addition to our employees as mentioned above, during the Track Record Period, we also entered into labour dispatch agreements with independent labour dispatch providers. Fee we incurred for labour dispatch arrangement, represented 3.9% and 0.2% of total cost of sales of the corresponding year. As advised by our PRC Legal Advisers, our labour dispatch arrangement in FY2021 was not in compliance with the applicable PRC laws as the number of dispatched staff exceeded the statutory limit. However, as advised by our PRC Legal Advisers, given that our Group had met the regulatory requirements since June 2022 which means that such historical non-compliance had passed for more than two years, we are not subject to risk of being subject to administrative penalties for the historical non-compliance. Since June 2022 and up to the Latest Practicable Date, we had ceased to engage labour dispatch providers.

Labour subcontracting

During the Track Record Period, we entered into labour subcontracting arrangement (勞務外包協議) with labour subcontractor agencies to meet the need of our business operation. We have entered into labour subcontracting agreements with our labour subcontractor agencies. Pursuant to the agreements, the labour subcontractor agencies is responsible for bearing the relevant costs of social insurance and other statutory employee benefits. In return, we allow subcontracted staff to work on our sites and we pay a lump sum service fee to the labour subcontractor agencies calculated based on the number of units processed by the subcontracted staff. We are responsible to provide training to ensure the occupational health and safety of the independent contractors. As advised by our PRC Legal Advisers, our labour subcontracting arrangement under such agreements as aforementioned is legal.

Training and recruitment

We believe that our ability to recruit and retain experienced and skilled labour is crucial to our growth and development.

We generally recruit our employees by placing advertisements in the open market, or through personal referrals and recruitment agencies. Based on our business needs, we select candidates having regard their credentials, experience, qualifications and expertise. Remuneration packages of our employees generally include basic salaries, bonuses and other employee benefits such as medical insurance. We conduct annual appraisal on employee to review their salary and consider promotion where their performances meet our expectation.

We have adopted a training policy and we provide orientation training and employees handbook to our new employees to familiarise them with our working environment and work culture. We also provide on-the-job training to our employees, to enhance their technical and safety knowledge. Trainings are given by our senior employees or third-party consultants. We also provide fire safety training to our production staff regularly. We believe our human resource management policy can encourage our employees to progress and develop continuously and contribute to our success.

To build and maintain bond with our employees, we have established a labour union in the PRC to represent the interests of our employees and to facilitate effective communication between our employees and our management. The union organises various activities for our employees. We consider that we have maintained a positive relationship with our employees. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any strike, labour dispute or other labour disturbances which would have had a material impact on our business, financial condition or results of operations.

Save as disclosed "Legal Proceedings and Compliance – Non-compliance" in this section, we have complied with the applicable labour laws and regulations in the PRC in all material respects.

INSURANCE

We maintain various insurance policies including property insurance covering risks of physical loss or damage to the inventory of our products and fixed assets, general liability insurance (including product liability), worker compensation insurance, employer liability insurance and transportation and export insurance. We believe that our insurance coverage is export insurance in line with industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not made or been the subject of any material insurance claims.

PROPERTIES

Owned properties

As at the Latest Practicable Date, we had obtained land use certificates for 12 parcels of land with an aggregate site area of approximately 211,380 sq.m. and building ownership certificates of 30 buildings with an aggregate floor area of approximately 116,649.6 sq.m. in the PRC. As of the Latest Practicable Date, we had entered into an agreement to acquire a piece of land with a site area of 43,436.8 sq.m. in Thailand, details of which are set out in "Business – Our Strategies – Set up our Thailand Factory to enhance our global presence".

We use our owned properties in the PRC mainly for production and dormitories. For further details of our production facilities, please see "– Our Production Facilities" in this document. During the Track Record Period, we also leased out some of our properties to Independent Third Parties from which we derived a rental income of RMB0.5 million, RMB0.9 million, RMB0.6 million and RMB0.5 million for FY2021, FY2022, FY2023 and 1HFY2024, respectively.

Except for the property interests described in the property valuation report, our Group has no other owned property interest that forms part of our non-property activities that has a carrying amount of 15% or more of total assets or property activities that requires valuation report pursuant to Rule 5.01B(2)(b) of the Listing Rules.

Owned properties without ownership certificates

Due to administrative oversight and insufficient knowledge of the relevant regulatory requirements of the responsible staff, certain buildings in our Hubei XJ Factory and Yinuowei Factory with an aggregate construction area of 2,595 sq.m. (the "**Defective Properties**") that we use for auxiliary production, canteen and warehouse do not comply with the urban and rural planning requirements; and therefore, we have not obtained building ownership certificates for the Defective Properties. During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the government authorities requiring us to demolish and/or relocate from the Defective Properties. Our PRC Legal Advisers are of the view that the risk of our Group being subject to administrative penalty in relation to the Defective Properties is relatively low. Taking into account the size and use of the Defective Properties, our Directors are of the view that in the event that we were ordered to demolish the Defective Properties, we could be readily relocate to our other properties with minimal costs. Our Directors therefore consider that the title defects of the Defective Properties are not expected to have material adverse impact on our business operations.

As at the Latest Practicable Date, we were in the course of obtaining building ownership certificates for buildings in our XJ Intelligence Factory with an aggregate construction area of approximately 147,069.0 sq.m.. For further details, please see "– Legal Proceedings and Compliance – Non-compliance – Production facilities in XJ Intelligence Factory" in this section.

Leased properties

As at the Latest Practicable Date, we had entered into 21 leases with a total area of approximately 111,290.3 sq.m. in the PRC as our production facilities, warehouses offices and dormitories. We also had one lease in the United States and one lease in Indonesia as our office and production facilities. Except for three leases for our dormitories in the PRC for which the lessor is Mr. Pan Yun, our Controlling Shareholder and executive Director, the lessors of other leased properties are Independent Third Parties.

The following table sets forth a summary of our leased properties for major use as at the Latest Practicable Date:

PRC

	Location	Approximate lease area (sq.m.)	Term of lease	Major use of property
1.	No.1-3, Paibang Shantang Industrial Zone, Siluan Community, Hegang Street, Longgang District, Shenzhen (深圳市龍崗區橫崗街道四聯社區排榜山塘工業區1–3號)	27,700.0	2022.04.01– 2027.03.31	Production
2.	No. 8, Paibang Shantang Industrial Zone, Siluan Community, Hegang Street, Longgang District, Shenzhen (深圳市龍崗區橫崗街道四聯社區排榜山塘工業區8號)	2,300.0	2023.08.31– 2026.08.31	Warehouse
3.	No.16, Paibang Shantang Industrial Zone, Siluan Community, Hegang Street, Longgang District, Shenzhen (深圳市龍崗區橫崗街道四聯社區排榜山塘工業區1–6號)	2,300.0	2022.11.01– 2024.10.30	Warehouse

	Location	Approximate lease area (sq.m.)	Term of lease	Major use of property
4.	8th Floor, Building 7, Factory, Free Trade Zone, No. 2015 Shenyan Road, Yantian District, Shenzhen (深圳市鹽田區深鹽路2015號保稅區廠房7棟第8層)	2,607.9	2024.02.01–2025.01.31	Office
5.	Building 3, No.5, Shijing Industrial Park, Pingshan New District, Shenzhen (深圳坪山新區石井工業園5號3棟)	8,000.0	2020.12.01–2024.11.30	Production
6.	No.3, Shijing Industrial Park, Shijing Street, Pingshan District, Shenzhen (深圳市坪山區石井街道石井工業園3號)	16,877.0	2022.07.03–2025.07.02	Production
7.	No.3, Shijing Industrial Park, Shijing Street, Pingshan District, Shenzhen (深圳市坪山區石井街道石井工業園3號)	12,023.0	2022.07.03–2025.07.02	Production
8.	No.3, Shijing Industrial Park, Shijing Street, Pingshan District, Shenzhen (深圳市坪山區石井街道石井工業園3號)	5,035.0	2022.07.03–2025.07.02	Production
9.	No.3, Shijing Industrial Park, Shijing Street, Pingshan District, Shenzhen (深圳市坪山區石井街道石井工業園3號)	5,035.0	2022.07.03–2025.07.02	Production
10.	No.3, Shijing Industrial Park, Shijing Street, Pingshan District, Shenzhen (深圳市坪山區石井街道石井工業園3號)	5,030.0	2022.07.03–2025.07.02	Production

	Location	Approximate lease area (sq.m.)	Term of lease	Major use of property
11.	Second Factory Building, 4th and 5th Floor of Third Factory Building, 1st Floor of Fourth Factory and Power Distribution Room on 1st Floor of Third Production Building, Kerui High-tech Industrial Park, No. 46, Electronic City Road, Longxi Town, Boluo County, Huizhou City (惠州市博羅縣龍溪鎮電子城路46號科瑞高新產業園2#廠房整棟、3#廠房4樓及5樓、4#廠房 1樓、3#1樓配電房)	18,976.9	2023.04.01–2029.03.31	Production
12.	No. 53, Shakeng Road, Biling Street Office, Pingshan District, Shenzhen (深圳市坪山區碧嶺街道辦沙坑路53號)	4,000.0	2024.01.01–2024.12.31	Production
13.	25A, Haidu Garden, No.2122 Shenyan Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen (深圳市鹽田區海山街道田東社區深鹽路2122號海都花園25A)	107.0	2023.01.20–2026.01.19	Dormitory and office
14.	11A, Haidu Garden, No.2122 Shenyan Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen (深圳市鹽田區海山街道田東社區深鹽路2122號海都花園11A)	107.0	2023.01.20–2026.01.19	Dormitory and office
15.	11C, 11F, 20F, 24A, 24F, 26A, Haidu Garden, No.2122 Shenyan Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen (深圳市鹽田區海山街道田東社區深鹽路2122號海都花園11C、11F、20F、24A、24F、26A)	622.0	2023.12.31–2025.12.30	Dormitory

	Location	Approximate lease area (sq.m.)	Term of lease	Major use of property
16.	Room 1-4C, Building 2, Shanhai Home, Yantian District, Shenzhen (深圳市鹽田區山海家園2棟1-4C房)	106.2	2023.10.01–2025.09.30	Dormitory
17.	Room 710, Unit 5, Building 10, Pengwan Yicun, Shatoujiao, Yantian District, Shenzhen (深圳市鹽田區沙頭角鵬灣一村10棟5單元710房)	81.5	2023.04.27–2025.04.26	Dormitory
18.	D802, Building 14, Pengwan Garden Village 1, Shatoujiao 11th Sub-district, Yantian District, Shenzhen (深圳市鹽田區沙頭角十一小區鵬灣花園一村14棟D802)	84.2	2023.12.13–2024.12.12	Dormitory
19.	Room 705, Unit 2, Building 16, Pengwan Garden Village 1, Yantian District, Shenzhen (深圳市鹽田區鵬灣花園一村16棟2單元705房)	92.8	2024.03.01–2025.02.29	Dormitory
20.	19H Haidu Garden, Shatoujiao, Yantian District, Shenzhen (深圳市鹽田區沙頭角海都花園19H)	107.0	2024.09.01–2025.08.31	Dormitory
21.	Room 804, Unit 2, Building 21, Pengwan Garden Village 1, Yantian District, Shenzhen (深圳市鹽田區鵬灣花園一村21棟2單元804房)	98.0	2024.03.04–2025.03.03	Dormitory

United States

	Location	Approximate area (sq.m.)	Term of lease	Major use of property
1.	Chino, California	975.4	2022.11.01 – 2025.10.31	General office, warehouse and distribution of small consumer products and other legal related uses

Indonesia

	Location	Approximate area (sq.m.)	Term of lease	Major use of property
1.	Sidoarjo Regency, East Java Province	10,000	2023.12.01 – 2033.11.30	Industrial activities

Defects in our leased properties

As of the Latest Practicable Date, eight of our leased properties in the PRC which formed part of our Aisijie Factory, Yuantexin Factory and Hongnuowei Factory, respectively, with an aggregate lease area of approximately 63,423 sq. m. were subject to title defects (the "**Defective Leased Properties**"). The lessors of such leased properties had not obtained the relevant title ownership certificates for the Defective Leased Properties. During the Track Record Period and up to the Latest Practicable Date, we had not encountered any safety issues or disputes with respect to the Defective Leased Properties.

As advised by our PRC Legal Advisers, without ownership, the validity of leases of the Defective Leased Properties may by challenged by the lessor. In addition, if the lessors do not have the ownership certificates of these defective leased properties, these Defective Leased Properties may be subject to order of demolition and relocation. Based on the advice of our PRC Legal Advisers, we consider that, taking into account the long term relationship with the lessors as confirmed by the lessors, the risk of the leases of the Defective Leased Properties being challenged by the lessors and thereby affecting our use is relatively low. Our PRC Legal Advisers further advised that taking into account, among others, the confirmations from the relevant competent authorities, the risk of us being subject to relocation order is relatively low. See also "Risk Factors – Risks Relating to Our Business and Industry – The rights to use certain leased properties could be challenged by third parties or relevant authorities, and we may be forced to relocate due to title defects of such leased properties." If we were ordered to relocated from these defective leased properties in such unlikely circumstance, taking into account our existing and future production capacity, we estimate the relocation, if necessary, would not incur material loss and time as we may reallocate orders to other production facilities. Having considered the foregoing, our Directors believe that these title defects in relation to the Defective Leased Properties will not, individually or in the aggregate, materially affect our business and results of operation.

Lease Registration

As at the Latest Practicable Date, 11 out of our 21 leased properties are required by the applicable PRC laws and regulations to be registered and filed with the relevant land and real estate administration bureaus in the PRC, among which nine had not been so registered or filed. We are in the process of preparing the registration and filing of certain leases which necessary documents have been provided. These properties have an aggregate area of approximately 1,405.6 sq.m., accounting for 1.3% of the total lease area of our leased properties in the PRC.

As advised by our PRC Legal Advisers, failure to complete the registration and filing of lease agreements will not affect the validity of the lease agreements or result in us being required to vacate the leased properties. However, the relevant PRC authorities may impose a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease, which will not have any material advise impact on our business operations. Please see "Risk Factors – Risks Relating to our Industry and Business – The lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines." in this document.

Having considered the foregoing, our Directors believe that the non-registrations of leases described above will not, individually or in the aggregate, materially affect our business and results of operation, on the grounds that: (i) no penalty had been imposed on us for our failure to register and file the relevant lease agreements during the Track Record Period and up to the Latest Practicable Date; (ii) we were advised by our PRC Legal Advisers that, the risk of governmental authorities imposing an administrative penalty on us with respect to these leased properties is relatively low; and (iii) we have enhanced our internal control measures and procedures to prevent re-occurrence of such non-compliance incidents.

INTELLECTUAL PROPERTIES

Apart from our ODM/OEM operations, we also manufacture and sell our OBM products under our self-owned brands of "Weighmax 威麥絲" and "Accuteck" and "Aigoli 艾格麗" for which we have registered trademarks in the PRC or overseas. As of the Latest Practicable Date, we were the registered owner of 41 trademarks and 12 domain names.

As of the Latest Practicable Date, we had 429 registered patents and eight software copyrights in the PRC, two registered patents in Japan, nine registered patents in Europe, 23 registered patents in the United States. We had made application for registration of 37 patents in the PRC, nine patents in the United States, one patent in Europe and one patent in Korea. For details of our intellectual property rights, please see "Appendix VII – Statutory and General Information – B. Further Information about Our Business – 2. Our Material Intellectual Property Rights"

We recognise the importance of protecting and enforcing our ODM/OEM customers intellectual property rights. Our agreements with our customers and our suppliers have stipulated relevant clauses imposing confidentiality obligations so as to protect our customers and our intellectual property rights during the production.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material infringement of our intellectual property rights nor had we been subject to any material intellectual property rights claims by third parties.

LICENCES, PERMITS AND APPROVALS

Save as disclosed in "Business – Legal Proceedings and Compliance", during the Track Record Period and up to the Latest Practicable Date, we have obtained all licences, permits, approvals and certificates that are material for our business operations in the jurisdictions where we operate, and such licences, permits, approvals and certificates are valid and subsisting.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received different recognitions. The table below is summary of awards and recognitions that we consider significant:

Award Year	Award/Recognition	Awarding Institution/Authority
2024	Top 10 Small Kitchen Appliance Export Companies in 2023 (2023年十大廚房小家電出口企業)	China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會)
2023	Top 10 Small Kitchen Appliance Export Companies in 2022 (2022年十大廚房小家電出口企業)	China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會)
2022	Sample Enterprise of China's Foreign Trade Export Pilot Index (中國外貿出口先導指數樣本企業)	General Administration of Customs, P.R. China (中華人民共和國海關總署)
2022	2022 Hubei Province Manufacturing Product Champion Enterprise (2022年湖北省製造業單項冠軍企業(產品))	Hubei Provincial Department of Economy and Information Technology (湖北省經濟和信息化廳)
2018	Top 10 Green Innovative Enterprise in 2018 (2018年度綠色創新企業 Top 10)	China Council for International Investment Promotion (中國國際投資促進會)

LEGAL PROCEEDINGS AND COMPLIANCE

Legal proceedings

We may from time to time be subject to various legal proceedings arising from our course of business. Litigation or any other legal proceeding, regardless of the outcome, may incur substantial cost and divert our resources, including our management's time and attention. See "Risk Factors – Risks Relating to Our Industry and Business – We may be involved in legal or other proceedings arising out of our operations, including product liability claims, from time to time and may face significant liabilities as a result."

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any legal proceedings which would have a material impact on our business, financial condition or results of operations.

Non-compliance

Save as disclosed in "– Properties" in this section and as follows, our Group had not been involved in any non-compliance matters which had or would have a material adverse effect on our results of operations or financial conditions during the Track Record Period and up to the Latest Practicable Date.

Social Insurance and Housing Provident Funds

During the Track Record Period, we did not make sufficient social insurance and housing provident fund contributions for some of our employees, primarily due to the preference of many of our employees not to make full contribution to such funds. Based on the estimation of our Directors, the shortfall of social insurance and housing provident fund contributions amounted to RMB2.3 million, RMB1.7 million, RMB2.2 million and RMB1.3 million for FY2021, FY2022, FY2023 and 1HFY2024, respectively.

Our PRC Legal Advisers advised that, pursuant to relevant PRC laws and regulations, if we fail to pay sufficient amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue fine of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. With respect to housing provident fund, our PRC Legal Advisers advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount as required, the housing provident fund management centre may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

Considering that (i) we have obtained the confirmations issued by the competent authorities that we had not been subject to any administrative penalties in relation to social insurance and housing provident fund; (ii) during the Track Record Period, we had not been imposed any penalties in respect of social insurance and housing provident funds; (iii) pursuant to the relevant laws and regulations, including the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilising the Levy of Social Security Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知), administrative enforcement authorities are prohibited from organising and conducting centralised collection of enterprises' historical social security insurance arrears; (iv) as at the Latest Practicable Date, no laws and regulations in relation to centralised collection of enterprises' historical of social security insurance nor housing provident fund arrears had been promulgated and our Group had not been requested to make payment for the relevant shortfall; (v) our Group has undertaken to make payment for shortfall when so requested by the relevant authorities; and (vi) Mr. Pan Yun and Mr. Guangshe Pan have undertaken to indemnify our Group if the relevant authorities order us to make payment for the relevant shortfall or penalise us for this cause, our PRC Legal Advisers are of the view that the likelihood of us being required to make full payment of the shortfall of social insurance and housing provident fund contribution and the likelihood of us being imposed administrative penalties is remote. Accordingly, no provision was made for the shortfall of social security insurance and housing provident fund contribution in our consolidated financial statements during the Track Record Period.

Considering (i) the opinion of our PRC Legal Advisers as aforementioned and (ii) that as at the Latest Practicable Date, we had not received any administrative penalty, rectification order imposed by competent authorities in PRC, nor any material complaint from our employees concerning their payment of social insurance and housing provident funds, our Directors are of the view that the underpayment of social insurance and housing provident fund during the Track Record Period would not materially and adversely affect our suitability for **[REDACTED]**.

We will take the following internal control rectification measures to prevent future occurrences of such non-compliance:

- enhancing our human resources policies, which explicitly require social insurance and housing provident fund contributions to be made in accordance with applicable local requirements designate our consolidated management department to review and monitor the reporting and contributions of social insurance and housing provident fund on a regular basis in order to ensure that we have made these payments for our employees in compliance with the applicable laws and regulations or in a manner as required by the relevant government authorities;

- we will keep abreast of latest developments in the PRC laws and regulations in relation to social insurance and housing provident funds;

- we will strengthen legal compliance training to our employees to increase their awareness of the relevant PRC laws and regulations and encourage their cooperation in making payments for social insurance and housing provident funds; and

- we will consult our PRC legal advisers on a regular basis for advice on relevant PRC laws and regulations to keep us abreast of relevant regulatory developments.

Production facilities of XJ Intelligence Factory

XJ Intelligence Factory

In 2021, we began the construction of our XJ Intelligence Factory on a parcel of land to which we own land use right in Boluo Industrial Park, Boluo County, Guangdong Province and it commenced operation in June 2024. At the time of commencement of operation in June 2024, we had not obtained (i) the as-built acceptance filings (竣工驗收備案), (ii) fire protection acceptance filings (消防驗收備案), (iii) environmental protection acceptance filings (竣工環境保護驗收備案), and (iv) energy conservation acceptance filing (節能驗收備案) as required by applicable PRC laws and regulations.

In relation to (i) the as-built acceptance filings (竣工驗收備案) and (ii) fire protection acceptance filings (消防驗收備案), as at the Latest Practicable Date, the relevant construction contractor had not provided us the requisite documents for us to complete such filings. In relation to (iii) environmental protection acceptance filings (竣工環境保護驗收備案), and (iv) energy conservation acceptance filing (節能驗收備案), due to the lack of sufficient knowledge of the legal requirements, the relevant employees misunderstood environmental protection acceptance filing and energy saving acceptance filing could only be completed after as-built acceptance filing has been obtained and therefore did not complete such filings in a timely manner.

As advised by our PRC Legal Advisers, in relation to (i) the as-built acceptance filings (竣工驗收備案), pursuant to Regulations on the Administration of Quality of Construction Works, (《建設工程質量管理條例》(2019修訂)), commencement of use or operation without the requisite filing could subject us to a fine of an amount equivalent to 2% to 4% of the construction contract. In relation to (ii) fire protection acceptance filings (消防驗收備案), as advised by our PRC Legal Advisers, pursuant to Fire Protection Law of the PRC (《中華人民共和國消防法(2021修正)》), commencement of use or operation without the requisite filing may subject us to an order of suspension of use and operation and/or a fine ranging from RMB30,000 to RMB300,000. In relation to (iii) environmental protection acceptance filings (竣工環境保護驗收備案), commencement of use or operation without the requisite filing may subject us to an order of suspension of use and operation and/or a fine ranging from RMB200,000 to RMB1,000,000 if rectified within the time limit. In relation to (iv) energy conservation acceptance filing (節能驗收備案), commencement of use or operation without the requisite filing may subject us to an order of rectification and/or a fine ranging from RMB30,000 to RMB50,000.

As advised by the PRC Legal Advisers, we have obtained confirmation (the "**Confirmation**") from the People's Government of Boluo County (博羅縣人民政府), confirming that, among others, our construction in Boluo Industrial Park had satisfied the basic conditions for commencement of operation and they acknowledged and agreed us to commence operation in June 2024. It is also confirmed the People's Government of Boluo County was not aware of any non-compliance in relation to the construction, fire protection, environmental protection, production safety and energy conservation which may lead to penalties by the People's Government of Boluo County nor by its subordinate body, and it agreed us to maintain the current status of operation. As confirmed by our PRC Legal Advisers, the People's Government of Boluo County is the competent authority to govern its subordinate body, namely, the Housing and Urban Rural Development Authority of Boluo County (博羅縣住房和城鄉建設局) which has the power of punishment for the abovementioned non-compliance.

As of the Latest Practicable Date, in relation to (i) the as-built acceptance filings (竣工驗收備案) and (ii) fire protection acceptance filings (消防驗收備案), we are liaising with the relevant contractor and we will complete such filing as soon as we obtain the necessary documents; and we had obtained (iii) environmental protection acceptance filings (竣工環境保護驗收備案) and (iv) energy saving acceptance filing (節能驗收備案).

Given that (i) we had obtained environmental protection acceptance filings (竣工環境保護驗收備案) and energy saving acceptance filing (節能驗收備案) as at the Latest Practicable Date and we are rectifying the non-compliance in relation to as-built acceptance filings (竣工驗收備案) and fire protection acceptance filings (消防驗收備案) proactively, (ii) we had not been imposed any administrative penalty for such non-compliance during the Track Record Period, (iii) we have obtained the Confirmation from the People's Government of Boluo County (博羅縣人民政府) as aforementioned, and (iv) Mr. Pan Yun and Mr. Guangshe Pan have undertaken to indemnify our Group any loss resulting from penalty or suspension of operation, our PRC Legal Advisers are of the view that the likelihood of us being subject to administrative penalties which may have a material adverse impact on our Group is relatively low. Our PRC Legal Advisers also considered that such non-compliance does not constitute material non-compliance and would not have a material impact on our business.

To prevent future non-compliances with respect to relevant construction laws and regulations, we have implemented and enhanced internal control measures, which include (i) we will obtain the requisite licences and permits (including but not limited to as-built acceptance filings and fire protection acceptance filings) as and when required by the laws and regulations and follow the requisite procedures relating to construction and work completion of buildings; (ii) we will seek our PRC legal advice on the issues relating to the compliance of construction laws and regulations; (iii) we have established a set of policies to obtain permits for acceptance relevant to buildings and land use; and (iv) our designated department will monitor the implementation of the above measures and will check whether there is any non-compliance going forward.

Based on the above, our Directors believe that the internal control measures, when implemented, will effectively ensure a proper internal control system and maintain good corporate governance practices of our Group.

RISK MANAGEMENT AND INTERNAL CONTROL

We are exposed to various risks during our operations. For details of risks, please see "Risk Factors" in this document. With the growth and expansion of our operations, potential risks associated with our business increases. It is the responsibility of our Board to ensure that we maintain sound and effective internal control measures to safeguard Shareholders' investment and the assets of our Group at all times. In order to identify, assess and control the risks that may create impediments to the growth of our business, we have adopted, or expect to adopt before the **[REDACTED]**, a series of internal control policies, and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations and to implement risk management policies to address various potential risks identified in relation to our operations, including operational risks, credit risks, market risks, financial risk and legal risks. In particular, we have taken certain measures and has established various structures and policies as follows to strengthen our internal control and to manage our risks:

- a thorough examination by our Board of any material risks associated with any material business decision before approving such decision;

- our Directors and senior management are required to keep track of day-to-day operations and monitor any associated operational risks of our Group and to formulate policies and resolutions to mitigate or resolve these risks;

- the engagement of an independent internal control consultant to assist our Group in reviewing and to provide recommendations on improving our internal control system. Taking into account the recommendation of such review by the independent internal control consultant, we enhanced our internal control system accordingly;

- the establishment of the Audit Committee which will review our Group's internal control system and procedures for compliance with the requirements prescribed by the applicable laws, rules and regulations;

- the appointment of Sinolink Securities (Hong Kong) Company Limited as our Company's compliance adviser pursuant to Rule 3A.19 of the Listing Rules upon the **[REDACTED]** to advise it on compliance with the Listing Rules;

- the engagement of external legal advisers to advise our Group on compliance with and to provide it with updates on the changes in the Listing Rules and the applicable laws, rule and regulations from time to time and as required; and

- the provision of training to relevant employees in order to enhance their industry knowledge and to encourage an encompassing culture of risk management ensuring that relevant employees are aware of and responsible for risk management.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

The United States and other jurisdictions or organisations, including the EU, the United Nations and Australia, have comprehensive or broad economic sanctions targeting certain countries, or against industry sectors, groups of companies or persons, and/or organisations within such countries. During the Track Record Period, we generated a small amount of our revenue from the sales and/or deliveries of our products to customers located in the Relevant Countries. Our revenue generated from sales and/or deliveries to the Relevant Countries amounted to RMB8.2 million, RMB5.0 million, RMB7.4 million and RMB2.8 million, representing 0.6%, 0.5%, 0.6% and 0.5% of our total revenue for each of FY2021, FY2022, FY2023 and 1HFY2024, respectively. Other than our sales and/or deliveries to the Relevant Countries, we did not sell or deliver our products to any other countries subject to International Sanctions.

As advised by our International Sanctions Legal Advisers, our activities during the Track Record Period did not appear to implicate restrictions under International Sanctions. Further, given the scope of our **[REDACTED]** and the expected **[REDACTED]** as set out in this document, our International Sanctions Legal Advisers are of the view that the involvement by parties in the **[REDACTED]** will not implicate any applicable International Sanctions on such parties, including our Company and its subsidiaries, their respective **[REDACTED]**, shareholders, directors and employees and the Stock Exchange, the **[REDACTED]** and the SFC, or any person involved in the **[REDACTED]** and accordingly, the sanction risk exposure to our Company and its subsidiaries, their respective **[REDACTED]**, shareholders, directors and employees and persons who might, directly or indirectly, be involved in permitting the **[REDACTED]**, trading and clearing of the H Shares (including the Stock Exchange, its listing committee and related group companies, the **[REDACTED]** and the SFC) is very low.

Our Directors confirm that we have not been notified that any International Sanctions would be imposed on us for our sales transactions to customers located in the Relevant Countries during the Track Record Period. None of our customers from those Relevant Countries are specifically identified on the SDN List by OFAC and our business activities do not involve industries or sectors that are currently subject to International Sanctions and therefore are not deemed to be prohibited activities under the relevant International Sanctions. As at the Latest Practicable Date, we have completed the delivery of products to and ceased all our sales transactions with customers located in the Relevant Countries. Our Directors confirm that we do not intend to conduct any further business or sell any of our products to customers located in the Relevant Countries or other countries subject to International Sanctions in the future.

TRANSFER PRICING ARRANGEMENT

The Organisation for Economic Cooperation and Development (the "**OECD**"), an international organisation of international cooperation, promulgated the transfer pricing guidelines for multinational enterprises and tax administrations (the "**OECD Transfer Pricing Guidelines**"). According to the OECD Transfer Pricing Guidelines, our intra-group transactions should be on an arm's-length basis.

We have conducted transfer pricing reviews of our intra-group cross-border transactions in accordance with the OECD Transfer Pricing Guidelines and applicable rules and laws on transfer pricing. The transfer pricing reviews covered our ten subsidiaries within our Group across three jurisdictions, including the PRC, Hong Kong and the U.S. After consulting with the independent transfer pricing consultants and upon reviewing the corresponding reports, we believe our intra-group transactions were executed in accordance with our Group's transfer pricing strategy and methodology to ensure they are at arm's length and in compliance with international and local transfer pricing regulations in all material respects. Therefore, we believe there is no potential material exposure of tax payable.

During the Track Record Period and up to the Latest Practicable Date, we were not aware of any inquiry, audit, investigation or challenge by any relevant tax authorities in the PRC, Hong Kong and the U.S. in relation to our intra-group transactions.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

Governance

We are fully committed to integrating environmental, social and governance ("**ESG**") considerations into our business operations for sustainable growth and better business resilience in response to the transition to a low-carbon economy. We have established a robust ESG governance structure.

Our Board has the overall and collective responsibility for the oversight of ESG issues with an emphasis on the alignment with our Group's future development and positioning.

Delegated by the Board, an ESG working group, consisting of one Executive Director and representatives from different business departments, has been established to assist the Board in driving the planning, coordinating and implementing ESG initiatives and integrating sustainability in our daily operation. The ESG working group members possess expertise and knowledge in the management of ESG matters, such as employment and labour practices, occupational health and safety, product responsibility, supply chain management and business ethics. The ESG working group is responsible for keeping abreast of the latest ESG-related laws and regulations, conducting materiality assessments of ESG-related issues and assessing how we adapt our business in light of climate change, and continuously monitoring the implementation of measures to address our ESG-related responsibilities. The ESG working group will also prepare the ESG report of our Group on an annual basis for the approval of the Board. This will allow our Board to analyse and disclose material ESG matters, risk management, accomplishment and performance of our Group.

Our Group will comply with the ESG reporting requirements upon **[REDACTED]** pursuant to Rule 13.91 of the Listing Rules, and disclose qualitative and quantitative information and data pursuant to Appendix C2 to the Listing Rules in its ESG Reporting Guide.

Identification and Management of ESG-Related Risks and Opportunities

The ESG working group is responsible for identifying, evaluating, prioritising and managing material ESG-related risks and opportunities. Corresponding measures have been formulated and implemented to mitigate material ESG-related risks and capture potential ESG-related opportunities. The ESG working group submits an ESG risk and opportunity assessment report to the Board. The Board regularly reviews the effectiveness of the ESG risk management process and provides guidance when necessary and retains ultimate responsibility for oversight of our Group's risk management activities.

The ESG risk and opportunity assessment identifies material ESG risks and opportunities relevant to our Groups, as either negative or positive, actual or potential, based on our business nature, industry research, as well as with reference to local and international reporting frameworks. The identified material ESG risks are evaluated by their likelihood and significance in terms of business, strategic, and financial impacts, and are given inherent risk rating scores. Residual risk rating scores are then produced by considering how our ESG-related risk control measures may impact the significance and likelihood of the risks. The ESG risks are then ranked and prioritised according to their residual risk rating scores. A similar methodology is devised to evaluate the significance and likelihood of material ESG opportunities.

Set forth below is a summary of identified material ESG-related risks and opportunities.

ESG-related risks	Timeframe	Potential impacts	Our responses
Climate-related physical risks			
Acute Risks Climate change leading to increased severity and frequency of extreme weather events (e.g., typhoons, heavy rains, floods, severe cold, and heatwaves)	Short, medium and long term	• Damage to our Group's properties or facilities, increasing costs for maintenance and preventive measures • Potential threats to employees' safety	• We have established a climate change policy and incorporated climate change into our internal risk management system, including emergency plans and rescue drills in the events of extreme weather events. We have also secured appropriate insurance coverage for our properties or facilities to mitigate the potential financial losses due to damages in extreme weather events. • We closely monitor local weather forecast and remind employees to take preventive measures in the event of adverse weather events to ensure employee safety.

ESG-related risks	Timeframe	Potential impacts	Our responses
Climate-related transition risks			
Policy and legal risks Evolving climate-related laws and regulations in transition to a low-carbon economy, such as the new climate- related disclosure requirements introduced by the Hong Kong Stock Exchange	Medium to long term	• Increased compliance and operating costs	• We have established an internal risk management policy to closely monitor and access the latest development in laws, policies, and regulations, as well as their impact on our Group's operations. We will proactively identity and implement appropriate compliance measures and adapt our business strategies to mitigate the increased compliance and operating costs resulting from regulatory changes. • We promptly communicate policy updates to employees to ensure compliance.
Market and technology risks Changes in consumer preferences towards products with lower environmental footprint due to growing concern over climate change	Medium to long term	• Reduced revenue	• We have established a research and development centre to invest in and promote the development of low-carbon products. • We have developed an environmentally friendly production processes and have obtained ISO50001:2018 Energy Management System Certification, ISO14001:2015 Environmental Management System Certification, and the Hubei Provincial (Provincial Level) Green Factory Certification. • We integrate environmental considerations into the designing and marketing of our small home appliances, emphasising sustainability component in our product offerings.

ESG-related risks	Timeframe	Potential impacts	Our responses
Other ESG-related risks			
Supply chain risks in terms of product quality and supply stability Failure to meet environmental, food- grade, and quality standards in sales regions due to poor supply chain stability or poor suppliers' product and service quality	Short, medium and long term	• Increased reputational risks, which may result in reduced revenue	• We conduct thorough evaluations of potential suppliers to assess their ESG-related performance and perform product quality inspections, ensuring compliance with our requirements in terms of raw material quality and supply chain ESG performance. • We require material suppliers to sign the "Environmental Substance Compliance Commitment" and the "Food-Grade Compliance Declaration" to ensure that all products provided to us, including materials and additives used in manufacturing, fully meet our product quality requirements.
Occupational health and safety risks Failure to meet occupational health and safety standards or requirements	Short, medium and long term	• Increased reputational risks and compliance costs, which may result in reduced revenue	• We have established and communicated our occupational health and safety policies to our employees. These include conducting regular emergency drills and safety inspections at our manufacturing facilities, as well as providing relevant training and health checks. • We conduct regular assessments of our production processes to ensure robust safety measures are in place. Accordingly, we have obtained ISO45001:2018 Occupational Health and Safety Management System Certification in respect of our manufacturing processes.

ESG-related risks	Timeframe	Potential impacts	Our responses
Talent attrition risk Ineffective human resource planning or failure to provide competitive employees benefits, leading to talent attrition	Short, medium and long term	• Increased operational risk in terms of service quality, which may result in reduced revenue	• We have developed an appropriate employee compensation management policy, which ensures the provision of competitive compensation, and staff benefits. • We have established a human resources management policy to ensure that each functional department is adequately staffed to maintain operational efficiency.
Climate-related opportunities			
Products and services Increased market demand for energy-saving small home appliances	Short to medium term	• Increased revenue from sales of energy-saving small home appliances	• We continue to engage in technology and product innovation, as well as implement quality control system, enabling us to provide customers with energy-saving and high- quality small home appliances. • We have established a product quality control system, which is certified with ISO9001:2015 Quality Management System Certification and ISO14001:2015 Environmental Management System Certification.
Energy Source Enhancing financial and ESG performance through energy-efficiency initiatives	Medium to long term	• Reduced energy consumption and costs through engaging renewable energy projects	• Our Group actively responds to and practices the national clean energy policies. We will invest on certain manufacturing properties for distributed photovoltaic power generation energy management facilities, which converts clean, renewable solar energy into electricity, enabling us to improve energy efficiency and reduces carbon footprint.

ESG Policy

We are committed to incorporating ESG factors into our business decision-making process. As such, we have formulated a group-level ESG policy to guide our actions and measures to enhance our sustainability performance.

Environmental Protection

Our environmental policy outlines our green practices and measures (as far as practicable), with a focus on emission reduction, waste reduction, resource conservation, protection of environmental and natural resources, as well as addressing climate change. In addition, we have obtained the ISO14001:2015 Environmental Management System certification and ISO50001:2018 Energy Management System certification in respect of small home appliance manufacturing and management mechanism of our production facility in Hubei to ensure our environmental management practices meet international standards and continuously improve our environmental performance. We strictly adhere to local environmental protection laws and regulations during production, managing wastewater, exhaust gases, and noise properly, and arranging at least two annual monitoring sessions by third-party professional testing agencies to ensure emissions comply with local emission standards.

Air Emissions Management

Our main sources of air emissions come from the production processes and logistics. We have implemented different measures to manage the air emissions, such as using exhaust gas treatment facilities to collect air emissions produced from production processes, and using activated carbon filtration for purification before high-altitude discharge.

We are continuously exploring measures to minimise air emissions from our business operations, including ensuring the proper maintenance of company vehicles and considering the adoption of electric vehicles.

Energy and Greenhouse Gas Emission Management

Our major sources of energy consumption and greenhouse gas (GHG) emissions (Scope 1 and Scope 2) come from fuel consumption (Scope 1 - direct emissions) and purchased electricity (Scope 2 - energy indirect emissions). We actively respond to and strive to align with national clean energy policies by investing in a distributed photovoltaic energy management facility in our properties. The facility, through the distributed photovoltaic systems, converts clean, renewable solar energy into electricity, providing long-term economic benefits for our Group. It effectively reduces our carbon emissions, further expanding the use of green energy and laying a solid foundation for our Group's comprehensive green and low-carbon transformation. Additionally, we have adopted a series of energy-saving measures, including using energy-efficient equipment and LED lighting systems, utilising natural light, requiring employees to turn off lights and electrical equipment before leaving, and considering the possibility of replacing existing vehicles with electric vehicles in the future.

Water Management

The water consumption of our Group mainly comes from the use of municipal water in our operations. To conserve water resources, we have adopted a series of water saving measures, including purifying wastewater through treatment equipment for recycling, timely repairing dripping taps, adopting water equipment that meets water efficiency label requirements, as well as monitoring water consumption. We also remind employees to minimise water usage through internal communication channels.

Waste Management and Resource Utilisation

Our non-hazardous waste primarily includes general industrial solid waste and household waste. General industrial solid waste includes scraps, metal shavings, grinding wheels, and collected dust, which are collected and handled by licensed third-parties for recycling or disposal. Household waste is collected and taken up by local sanitation departments. Hazardous waste includes used rags and gloves, waste paint pipes, used activated carbon, and paint cans. Hazardous waste is temporarily stored in the plant's hazardous waste storage areas before proper handling by qualified third-party. To minimise waste generation and ensure proper waste disposal, we have adopted relevant practices and measures, such as promoting waste recycling through classification, reusing single-sided waste paper as needed, implementing double-sided printing to reduce paper consumption, and reminding employees to minimise waste generation through internal communication channels.

Environmental Metrics and Targets

In 2024, we obtained provincial-level Green Factory certification in recognition of our performance in areas such as manufacturing facilities, management systems, green energy engagement, and environmental impact. To further enhance our ESG performance, we target to reach national-level green factory standards by 2030 and maintaining a 100% compliance rate for wastewater, exhaust gas, and noise emissions.

The table below sets forth our GHG emissions and resource consumption during the Track Record Period.[1]

	FY2021	FY2022	FY2023	1HFY2024
Emissions[2]				
GHG emissions (tonnes CO_2 equivalent)	18,933.2	13,528.6	14,557.6	6,949.1
(i) Direct emissions (Scope 1) (tonnes CO_2 equivalent)	3,542.0	2,458.3	2,254.0	1,130.4
(ii) Indirect emissions (Scope 2) (tonnes CO_2 equivalent)	14,599.1	10,444.3	11,277.1	5,276.9
(iii) Other indirect emissions (Scope 3)[3] (tonnes CO_2 equivalent)	792.1	626.0	1,026.5	541.8
Total (Scopes 1, 2, 3) intensity (tonnes CO_2 equivalent/ revenue in RMB million)	16.7	17.0	18.2	15.7
Use of Resources				
Energy				
Total (MWh)	41,035.0	28,952.2	29,214.4	14,041.4
(i) Purchased electricity (MWh)	23,929.1	17,119.0	18,484.0	8,649.2
(ii) Unleaded petrol (MWh)	731.0	555.4	629.4	309.4
(iii) Diesel (MWh)	802.1	589.8	759.7	346.6
(iv) Natural gas (MWh)	15,572.8	10,688.0	9,341.3	4,736.2
Intensity (MWh/revenue in RMB million)	36.2	36.3	36.5	31.7

Notes:

1. The data covers our Group's core business operations.

2. The calculation of GHG emissions made reference to the GHG Protocol published by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI). Scope 1 (Direct) emissions cover GHG emissions directly produced by business owned or controlled by our Group, Scope 2 (Indirect) emissions cover GHG emissions of indirect energy resulted from purchased electricity consumed by our operations, while Scope 3 (Other Indirect) emissions that occur in our Group's value chain.

3. The Scope 3 emissions include the emissions generated from Category 6: business travel as well as Category 7: employee commuting.

	FY2021	FY2022	FY2023	1HFY2024
Use of Resources				
Water				
Total (m^3)	334,223.8	250,355.5	239,773.1	120,106.2
Intensity (m^3/revenue in RMB million)	294.5	313.9	299.6	271.1

Social

We are committed to fostering a caring workplace culture that upholds diversity, equal opportunities, health and safety and employee well-being.

Additionally, our factories obtained satisfactory result in Factory Capability and Capacity Assessment ("**FCCA**") as requested by our customers. We also appointed a third-party certification agent for Business Social Compliance Initiative ("**BSCI**") certification and recognition in Sedex Members Ethical Trade Audits ("**SMETA**") in responding our customers' demands, in respect of our factory facilities, environmental protection, quality management systems, human resources and training, occupational health and safety, non-discrimination, prohibition of child labour, and business ethics.

Employment and Labour Practices

We aim to build an inclusive and diverse workplace. We uphold principles of equal opportunity, diversity, and inclusiveness in all aspects of employment, including compensation, recruitment, promotion, benefit, and welfare. We respect labour rights, and we strictly prohibit the recruitment and use of child labour.

We actively provide internal and external training to equip our employees with professional knowledge, skills, and competence. In addition, we strive to strengthen employee engagement by regularly arranging leisure activities for our employees and maintaining two-way communication with our employees, to increase their job satisfaction.

Occupational Health and Safety

Maintaining a healthy and safe workplace remains our Group's top priority. As part of our efforts to uphold occupational health and safety standards, we have obtained the ISO45001:2018 Occupational Health and Safety Management System certification and Level 3 Safety Production Standardisation Enterprise certification for our Hubei XJ Factory.

We strive to safeguard employees' health and safety across all levels of business operation by establishing and implementing health and safety policies and measures, including conducting regular hazard inspections, and providing safety training, to ensure employee health and safety at all levels of business operations.

Moreover, we have established safety production management policies that clearly outline procedures for safety inspections, hazard identification and management, accident investigation and handling, etc. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we have not recorded any significant non-compliance or major incidents related to occupational health and safety within our Group.

Supply Chain Management

We have established a supplier management policy, with potential and existing suppliers being evaluated on factors including employment practices, health and safety as well as environmental protection. On-site inspections are conducted when necessary to ensure our sustainability expectations are met.

In addition, we require suppliers to sign a "Commitment to Ethical Business Conduct" to regulate business behaviour, oppose commercial bribery, and maintain fair trade. To promote the provision of more environmentally friendly products and services by suppliers, we require material suppliers to sign an "Environmental Substance Compliance Commitment" and a "Food-Grade Compliance Declaration" to ensure all products and materials provided, as well as additives used in the manufacturing process, fully comply with relevant EU quality regulations, including REACH standards, RoHS Directive, packaging material requirements under Directive 94/62/EC, and food-grade standards. We have also formulated a sustainable procurement policy that requires prioritising the procurement of energy-efficient products, reusable materials, and environmentally friendly or sustainability-promoting suppliers.

Product Responsibility

We are committed to delivering high-quality and safe products and services for our customers. As such, we have obtained the ISO9001:2015 Quality Management Systems certification in our production facility to strengthen our quality management practices. Our products comply with various safety requirements, chemical and food-grade certifications, and standards in different countries and regions. Additionally, we place great importance on product quality testing and have established comprehensive quality control systems to effectively ensure product quality.

To ensure customer satisfaction, we have formulated after-sales and complaint management policies. During the Track Record Period, we have been assessed and obtained the AAA grade After-Sales Service Integrity Certification, issued by a third party evaluation agent pursuant to the national Corporate Credit Evaluation Criteria in China and did not receive any material customer complaints. To protect customer privacy, we have developed a privacy policy covering data and privacy requirements, including restricting user access to customer information. We have developed relevant policies to guide employees to ensure the authenticity and reliability of our promotional materials.

Business Ethics

We uphold the highest standards of business ethics, and strictly prohibit bribery, extortion, fraud, money laundering and any other unethical practices. We have established preventive measures, including anti-corruption policies, as well as implementing whistleblowing channels for employees to report any potential misconduct that violates our ethical standards. The Board is responsible for the oversight of these preventive measures and whistle-blowing procedures, whereas senior management is responsible for implementing and monitoring the effectiveness of these measures and procedures. As of the Latest Practicable Date, we were not aware of any material non-compliance with any law or regulation or legal cases concerning bribery, corruption, extortion, fraud and money laundering.

Contribution to Community

We strive to contribute to the community and shoulder corporate social responsibility. For example, we actively participate in rural revitalisation donations and charity donation activities organised by the Red Cross Society of China. Additionally, in response to natural disasters and other emergencies, we also actively respond to the social emergency (such as flood relief) and emergency supplies donation. We will explore opportunities to establish focus areas for community investment, as well as partnerships with social impact organisations where appropriate.

Employee Information

The table below sets forth employee information:

Number of Employees

	As at 31 December			
	2021	2022	2023	1HFY2024
By gender				
Male	1,296	1,023	1,123	1,242
Female	1,643	1,343	1,501	1,594
By employment type				
Full-time	2,939	2,366	2,624	2,836
Part-time	–	–	–	–
By age group				
At or below 30	613	300	343	520
Between 31–50	2,098	1,718	1,876	1,971
At or above 51	228	348	405	345
By geographic location				
Mainland China	2,933	2,360	2,618	2,827
United States	6	6	6	6
Indonesia	–	–	–	3

Turnover Rate[1]

	2021	2022	2023	1HFY2024
By gender				
Male	55.1%	44.1%	49.6%	26.1%
Female	51.4%	44.6%	45.9%	27.4%
By geographical location				
Mainland China	53.2%	44.5%	47.7%	26.9%
United States of America	–	14.3%	–	–
Indonesia	–	–	–	–

Note:

1. The turnover rate is calculated by dividing the total number of employees in the designated categories who left during each year and/or half year, where applicable, of the Track Record Period (the "**Resigned Employees**") by the total number of the Resigned Employees and existing employees in the designated categories as of 31 December 2021, 2022, and 2023, and for the six months ending 30 June 2024, and then multiplying by 100%.

OUR CONTROLLING SHAREHOLDERS

Immediately prior to the **[REDACTED]**, our Company was held by Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing as to approximately 54.07%, 26.39% and 19.54%, respectively. X.J. Management (Qichun) is owned as to 70.37% by Mr. Pan Yun. Qichun Hengxing is an employee shareholding platform of our Group, which is owned as to 47.5% by Mr. Pan Yun. Mr. Pan Yun is the sole general partner of each of X.J. Management (Qichun) and Qichun Hengxing.

As such, Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing are considered to be a group of Controlling Shareholders, who collectively held 100% of our total issued Shares as at the Latest Practicable Date.

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing will collectively hold approximately **[REDACTED]**% of our total issued Shares. Accordingly, Mr. Pan Yun, X.J. Management (Qichun) and Qichun Hengxing will remain as a group of Controlling Shareholders upon **[REDACTED]**.

Mr. Pan Yun is our executive Director, chairman of our Board and general manager of our Company. For biographical details of Mr. Pan Yun, please see "Directors, Supervisors and Senior Management – Directors" in this document. For details of Qichun Hengxing, please see "History, Development and Corporate Structure – Employee Shareholding Platform" in this document.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates after **[REDACTED]**.

Management independence

Our Board comprises six executive Directors and three independent non-executive Directors. Mr. Pan Yun, being one of our Controlling Shareholders, also serves as our executive Director, the chairman of our Board and the general manager of our Company. Our Directors, collectively with the support of our senior management of our Company, are responsible for the day-to-day management of our business. For details, please see "Directors, Supervisors and Senior Management" in this document.

Our Directors consider that our Board and senior management are able to perform the management role in our Group independent of our Controlling Shareholders for the following reasons:

(a) each Director is aware of his/her fiduciary duties as a Director which require, amongst others, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(b) in the event that any Director or any of his/her close associates has a material interest in any transaction or arrangement or there is an actual or potential conflict of interest arising out of any transaction or arrangement to be entered into between our Group and any of our Directors or their respective associates, such Director(s) shall fully disclose such matters to our Board and abstain from voting at the relevant meeting of our Board in respect of such transactions and shall not be counted in the quorum. Our Group has also adopted certain corporate governance measures for situations involving conflict of interests, details of which are set out in the paragraph headed "Corporate Governance Measures" in this section;

(c) three out of nine Directors are independent non-executive Directors with extensive experience in various professions. They are appointed pursuant to the requirements of the Listing Rules, who will bring independent judgment to the decision-making process of our Board;

(d) connected transactions between our Group and our Controlling Shareholders are subject to the rules and regulations under the Listing Rules including the rules relating to annual reporting, review, announcement, circular and independent shareholders' approval (where applicable); and

(e) our Board's main functions include the approval of our Group's overall business plans and strategies, monitoring the implementation of such business plans, strategies and policies, and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and the applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorised by our Board.

Operational independence

We have established our own organisational structure consisting of individual departments with different functions for sales, R&D, financial management, operations (administration), planning, procurement, quality control, production and audit. Each department is assigned specific areas of responsibility. We have implemented a set of internal control mechanisms to enhance the efficiency of our business operations. In addition to our sufficient assets, capital and employees, we have obtained and possess all relevant licences, permits, approvals and intellectual properties required to conduct our business independently. Furthermore, we have independent access to our suppliers and customers.

During the Track Record Period, our Group leased eight units in Shenzhen from Mr. Pan Yun as dormitories for our employees and we expect to continue with the leasing arrangements after the **[REDACTED]**. For further details, please see "Connection Transactions" in this document.

Given that (i) the Property Leasing Agreements are on normal commercial terms or better after arm's-length negotiations, and (ii) even if Mr. Pan Yun terminates such agreements, the interruption to our operations would be mitigated by our ability to secure alternative leases in the market, our Directors believe that leasing properties from Mr. Pan Yun would not cast doubts on our operational independence.

Based on the above, our Directors are of the view that our Group can operate independently of our Controlling Shareholders and their close associates upon **[REDACTED]**.

Financial independence

Our financial management department is responsible for handling the major finance operations of our Group and is capable of making financial decisions independently according to our own business needs. We manage our bank accounts independently, and do not share any bank accounts with our Controlling Shareholders or their close associates. In addition, we have sufficient capital to operate our business independently and have adequate internal resources to support our daily operations.

During the Track Record Period, we had been capable of obtaining financing from third parties without relying on any security provided by the members of our Controlling Shareholders or their respective associates. Save for the personal guarantee given by our Controlling Shareholders for our bank borrowings, there were no loans, guarantees or other forms of collateral or security obtained from or provided by our Controlling Shareholders as at the Latest Practicable Date. All guarantees provided by our Controlling Shareholders and their respective close associates for our borrowings will be fully released upon **[REDACTED]**.

Based on the above, our Directors consider that our Group is able to operate with financial independence from our Controlling Shareholders and their close associates upon **[REDACTED]**.

RULE 8.10 OF THE LISTING RULES

Our Controlling Shareholders, our Directors and their respective close associates confirm that they do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE MEASURES

Our Company will comply with the provisions of the Corporate Governance Code set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance. We recognise the importance of good corporate governance in the protection of our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his/its associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted towards the quorum in the voting;

(b) our Group has established internal control mechanisms to identify connected transactions. Our Company will comply with the requirements in relation to connected transactions under the Listing Rules upon **[REDACTED]**;

(c) we are committed that our Board should include a balanced composition of executive and independent non-executive Directors. We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business and/or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial and external opinion to protect the interests of our **[REDACTED]** Shareholders. We have also appointed three Supervisors in accordance with the relevant PRC laws and regulations to supervise the performance of the duties by our Board. For details of our independent non-executive Directors and Supervisors, please see "Directors, Supervisors and Senior Management – Directors" and "Directors, Supervisors and Senior Management – Supervisors" in this document;

(d) our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested except as permitted by the Articles;

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

(f) we have appointed Sinolink Securities (Hong Kong) Company Limited as our compliance adviser, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules, including various requirements relating to directors' duties and internal controls.

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

ONE-OFF CONNECTED TRANSACTIONS

Property leasing agreements

During the Track Record Period, our Group entered into three property leasing agreements (the "**Property Leasing Agreements**") with Mr. Pan Yun, our executive Director, chairman of our Board, general manager of our Company and one of our Controlling Shareholders in relation to the leasing of eight units in Shenzhen (the "**Premises**") as dormitories for our employees. Details of the Property Leasing Agreements are set out below:

Date of agreement	Lessor	Lessee	Term of the lease	Location of the Premises	Total gross floor area (sq. m.)	Monthly rent (RMB)
30 January 2023	Mr. Pan Yun	Nawu Technology	20 January 2023 to 19 January 2026	Unit 11A, Haidu Garden, No. 2122 Shenyan Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen City, PRC	107.00	5,000
30 January 2023	Mr. Pan Yun	Nuocheng Electronic Commerce	20 January 2023 to 19 January 2026	Unit 25A, Haidu Garden, No. 2122 Shenyan Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen City, PRC	107.00	5,000
1 January 2024	Mr. Pan Yun	X.J. Electrics (Shenzhen)	31 December 2023 to 30 December 2025	Units 11C/11F/20F/24A/24F/26A, Haidu Garden, No. 2122 Shenyan Road, Tiandong Community, Haishan Road, Yantian District, Shenzhen City, PRC	621.96	33,000

The terms under the Property Leasing Agreements were determined after arm's length between Mr. Pan Yun and Nawu Technology, Nuocheng Electronic Commerce and X.J. Electrics (Shenzhen), respectively, following their arm's length negotiations with reference to market prices of comparable properties of similar conditions in the vicinity. Our Directors are of the view that the Property Leasing Agreements have been entered into on normal commercial terms or better.

Reasons and benefits of the transaction

Historically, our Group leased the Premises from Mr. Pan Yun as dormitories for our employees. To avoid unnecessary costs associated with searching for new premises and engaging in prolonged negotiations with third-party property owners for lease agreements, our Group intends to continue with the leasing arrangements after the **[REDACTED]**.

In light of the foregoing, our Directors are of the view that the leasing arrangements are fair and reasonable and in the interests of our Shareholders as a whole. Notwithstanding the above, the Property Leasing Agreements do not affect our operational independence. For further details, please see "Relationship with Our Controlling Shareholders – Independence from Our Controlling Shareholders – Operational Independence" in this document.

Accounting treatment and the Listing Rules implications

In accordance with IFRS 16 applicable to our Group and pursuant to the guidance issued by the Stock Exchange, when an issuer enters into a lease transaction as a lessee and where the lease is subject to an agreement with fixed terms, it is treated as a one-off transaction (i.e., an acquisition of capital assets). As such, the transactions under the Property Leasing Agreements will be recognised as acquisitions of right-of-use assets and constitute one-off transactions of our Company before the **[REDACTED]** and will not be classified as continuing connected transactions under Chapter 14A of the Listing Rules. Accordingly, the reporting, annual review, announcement, circular and independent shareholders' approval requirements with regard to continuing connected transactions in Chapter 14A of the Listing Rules will not be applicable to the Property Leasing Agreements.

The balance of the lease liabilities in relation to the Premises according to HKFRS 16 as at 30 June 2024 amounted to approximately RMB774,000.

OVERVIEW

Our Board of Directors consists of nine Directors, including six executive Directors and three independent non-executive Directors. Our Board is responsible, and has general authority for, the management and operation of our Group. Our Directors are appointed for a term of three years and shall be subject to re-election upon expiry of their terms of office.

Our supervisory committee consists of three Supervisors. The shareholder Supervisors were elected at the Shareholders' meetings, while the employee Supervisor was elected by our employees. Our Supervisors are appointed for a term of three years and shall be subject to re-election upon expiry of their terms of office.

Our senior management consists of four members who are responsible for the day-to-day management of our Group's business.

The following table sets forth the key information about our Directors, Supervisors and senior management members:

DIRECTORS

Name	Age	Date of joining our Group	Date of Appointment as Director	Position(s)	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Executive Directors						
Mr. Pan Yun (潘允)	66	23 July 2012	23 July 2012	Executive Director, chairman of our Board and general manager	Responsible for the overall strategic planning and supervision, and the day-to-day management and operation of our Group	Father of Mr. Guangshe Pan
Mr. Guangshe Pan	39	22 December 2016	3 May 2017	Executive Director	Responsible for the overall management and operation of Weighmax	Son of Mr. Pan Yun
Ms. Ji Ying (吉穎)	53	23 July 2012	23 July 2012	Executive Director and vice general manager	Responsible for the overall administration, procurement and asset management of our Group	Nil

Name	Age	Date of joining our Group	Date of Appointment as Director	Position(s)	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Ms. Li Youxiang (李友香)	46	23 July 2012	23 July 2012	Executive Director and vice general manager	Responsible for the overall sales management of our Group	Nil
Mr. Xu Xiping (徐細平)	51	23 July 2012	23 July 2012	Executive Director	Responsible for the overall strategic planning and supervision, shareholder interests and compliance of our Group	Nil
Ms. Hu Yan (胡彥)	46	23 July 2012	3 November 2018	Executive Director, secretary to our Board, chief financial officer and one of our joint company secretaries	Responsible for the overall financial management, corporate governance and shareholder relations of our Group and secretarial affairs of our Board	Nil
Independent Non-executive Directors						
Dr. Huang Hanxiong (黃漢雄)	61	3 May 2017	16 November 2020	Independent non-executive Director	Responsible for supervising the management of our Group, providing independent opinion and judgment to our Board	Nil
Dr. Li Jiannan (李健男)	56	16 November 2020	16 November 2020	Independent non-executive Director	Responsible for supervising the management of our Group, providing independent opinion and judgment to our Board	Nil
Dr. Gu Zhaoyang (顧朝陽)	58	5 September 2024	5 September 2024	Independent non-executive Director	Responsible for supervising the management of our Group, providing independent opinion and judgment to our Board	Nil

Executive Directors

Mr. Pan Yun (潘允), aged 66, founded our Company in July 2012 and was since then a Director, the chairman of our Board and our general manager. Mr. Pan was redesignated from a Director to an executive Director on 24 September 2024 and is primarily responsible for the overall strategic planning and supervision, and the day-to-day management and operation of our Group. Mr. Pan is also the chairman of our strategic committee and a member of our nomination committee.

Mr. Pan has been serving in various roles in our subsidiaries, including (i) a director and the chairman of the board of X.J. Electrics (Shenzhen), X.J. Electronics (Shenzhen), Innovative (Jiangyin) and MeiNuoWei Electrics since August 2002, June 2004, December 2004 and February 2017, respectively; (ii) a director of X.J. Group (HK) since June 2014; (iii) a director, the chairman of the board and the general manager of X.J. Electrical Appliances since October 2020; (iv) an executive director and the general manager of Aigrentrading since June 2023; and (v) a director and the chief executive officer of PT Dingsheng since August 2023. From June 2017 to April 2019, Mr. Pan was also a director of THS Industrial and was mainly responsible for the overall management and operation of THS Industrial.

Mr. Pan has over 34 years of experience in business management and over 23 years of experience in the electrical home appliances manufacturing industry. The following table summarises Mr. Pan's professional experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Period of services
Xiangjiang Plastic Products	Production and sales of plastic products (since February 1990) and electrical home appliances (since April 2001)	Director and chairman of the board	Responsible for the overall management and operation	From February 1990 to February 2010
Jikai Plastic Products	Production and sales of plastic products	Director and chairman of the board	Responsible for the overall management and operation	From May 1997 to May 2012
X.J. Group Limited (香江國際集團(香港)有限公司)	Sales of electrical home appliances	Director	Responsible for the overall management and operation	From August 2003 to March 2021

In January 2015, Mr. Pan assumed the role of the honorary president of the Second Council of Qichun Branch of Huanggang Chamber of Commerce* (黃岡商會蘄春分會第二屆理事會). From May 2015 to December 2018 and from January 2023 to December 2026, Mr. Pan served as the vice president of the Fourth and Sixth Council of Shenzhen Chamber of Commerce for Import & Export* (深圳市進出口商會理事會), respectively. Since November 2015, Mr. Pan has been the president of Guangdong Jiangsu Jiangyin Chamber of Commerce* (廣東省江蘇江陰商會理事會). From January 2017 to December 2020, Mr. Pan served as a member of the Tenth Committee of Huanggang City Chinese People's Political Consultative Conference ("**CPPCC**")* (中國人民政治協商會議黃崗市第十屆委員會) and a member of the 15th Committee of Jiangyin City CPPCC* (中國人民政治協商會議江陰市第十五屆委員會). From September 2017 to September 2022, he was a member of Jiangyin Development Advisory Committee* (江陰發展諮詢委員會).

Mr. Pan was an executive committee of the First Executive Committee Council of the Shijing Street Chamber of Commerce in Pingshan District* (坪山區石井街道工商聯商會第一屆執委會理事會) from January 2019 to December 2024. In December 2021, Mr. Pan was the executive vice president of Shenzhen Wuxi Chamber of Commerce* (深圳市無錫商會) and later served as the vice president of Shenzhen Chamber of Commerce for Import & Export* (深圳市進出口商會) from December 2021 to December 2022. In January 2022, Mr. Pan was honoured as the honorary president of the Third Council of Hubei Qichun Chamber of Commerce of Shenzhen City* (深圳市湖北蘄春商會第三屆理事會).

Mr. Pan was awarded the honorary title of "Entrepreneur Actively Supporting the Work of the Communist Party of China ("**CPC**")"* (積極支持黨建工作企業家) by Shenzhen Municipal Private Enterprise Economic Working Committee of the CPC* (中共深圳市民營經濟工作委員會) in June 2008. In December 2015, he received the "Outstanding Entrepreneurs Valued and Supported the Work of the CPC of the City"* (全市重視支持黨建工作優秀企業家) award from the Organisational Department of Huanggang Municipal Committee of the CPC* (中共黃岡市委組織部) and the Non-public Enterprise Working Committee of Huanggang Municipal Committee of the CPC* (中共黃岡市委非公企業工委). In January 2018, Mr. Pan was awarded Hometown Construction Contribution Award* (家鄉建設貢獻獎) by Hubei Qichun Chamber of Commerce of Shenzhen City* (深圳市湖北蘄春商會). In April 2018, Mr. Pan was honoured as the "Labour Model of Huanggang City"* (黃岡市勞動模範) by Huanggang Municipal Committee of the CPC* (中共黃岡市委員會) and the government of Huanggang City. In January 2024, Mr. Pan was awarded the "Award for 2023 Outstanding Contribution"* (商會突出貢獻獎) by Hubei Qichun Chamber of Commerce of Shenzhen City.

Mr. Pan obtained a master's degree in business administration from Sofia University in the U.S. in October 2023 through online courses.

Mr. Guangshe Pan, aged 39, joined our Company as a Director in May 2017 and was redesignated as an executive Director on 24 September 2024. Mr. Pan is mainly responsible for the overall management and operation of Weighmax. Mr. Pan has over 8 years of experience in business management and in the electrical home appliances manufacturing industry. Mr. Pan has been the sole director, chief executive officer, secretary, and chief financial officer of Weighmax since March 2016, and the sole director and chief executive officer of Goodlife Global since November 2021. Since April 2024, Mr. Pan has been a director of X.J. Electrics (Thailand).

Mr. Pan completed a higher education programme in international business at China Youth University of Political Sciences (中國青年政治學院) in July 2006. He obtained a bachelor's degree in business management from Central College in the U.S. in June 2009.

Ms. Ji Ying (吉穎), aged 53, joined our Company as a Director and a vice general manager in July 2012. Ms. Ji was redesignated from a Director to an executive Director on 24 September 2024. Ms. Ji is responsible for the overall administration, procurement and asset management of our Group. Ms. Ji is also a member of our remuneration committee.

Ms. Ji has been serving in various roles in our subsidiaries, including (i) a director of X.J. Electrics (Shenzhen), X.J. Electronics (Shenzhen), Innovative (Jiangyin), X.J. Group (HK), MeiNuoWei Electrics, X.J. Electrical Appliances, PT Dingsheng and X.J. Electrics (Thailand) since August 2002, June 2004, December 2004, June 2014, March 2017, October 2020, August 2023 and April 2024, respectively; and (ii) a director and general manager of HNW Electronics since June 2021. From June 2017 to April 2019, Ms. Ji was a director of THS Industrial and was mainly responsible for the overall management of THS Industrial.

Ms. Ji has over 22 years of experience in business management and over 23 years of experience in the electrical home appliances manufacturing industry. From May 1994 to November 2010, Ms. Ji was an accounting staff of Xiangjiang Plastic Products and was responsible for the financial operations of Xiangjiang Plastic Products. Ms. Ji was also a director of Xiangjiang Plastic Products from April 2002 to November 2010 and was responsible for the administration and human resources of Xiangjiang Plastic Products. From June 1997 to June 2012, Ms. Ji was an accounting staff of Jikai Plastic Products and was mainly responsible for the accounting and finance of Jikai Plastic Products. From August 2003 to March 2021, Ms. Ji was a director of X.J. Group Limited and was responsible for the overall management of X.J. Group Limited.

Ms. Ji completed a higher education programme in finance at Wuhan University (武漢大學) in July 1993 through attending long distance learning courses.

Ms. Li Youxiang (李友香), aged 46, joined our Company as a Director in July 2012 and became our vice general manager in May 2017. Ms. Li was redesignated from a Director to an executive Director on 24 September 2024. Ms. Li is responsible for the overall sales management of our Group. Ms. Li is also a member of our strategic committee.

Ms. Li has been serving in various roles in our subsidiaries, including (i) a director of X.J. Group (HK), Innovative (Jiangyin), MeiNuoWei Electrics and X.J. Electrical Appliances since June 2014, February 2017, March 2017 and October 2020, respectively; and (ii) an executive director and general manager of Nuocheng Electronic Commerce since June 2023. From February 2010 to July 2012, Ms. Li was a business manager of X.J. Electrics (Shenzhen) and was responsible for the sales management of X.J. Electrics (Shenzhen). From June 2017 to April 2019, Ms. Li was a director of THS Industrial and was responsible for the overall management of THS Industrial.

Ms. Li has over 23 years of experience in business management and over 14 years of experience in the electrical home appliances manufacturing industry. Ms. Li was a sales manager of Xiangjiang Plastic Products from October 2000 to November 2010 and was mainly responsible for the overseas sales management of Xiangjiang Plastic Products.

Ms. Li obtained a bachelor's degree in economics from Zhejiang Gongshang University Hangzhou College of Commerce (浙江工商大學杭州商學院) in the PRC in July 2000. She obtained the qualification as an Intermediate Economist (中級經濟師) in economy and finance by Ministry of Human Resources and Social Security of Shenzhen* (深圳市人力資源和社會保障部) in November 2009.

Mr. Xu Xiping (徐細平), aged 51, joined our Company as a Director in July 2012 and was our vice general manager from March 2014 to February 2016. Mr. Xu was redesignated from a Director to an executive Director on 24 September 2024 and is responsible for the overall strategic planning and supervision, shareholder interests and compliance of our Group. Mr. Xu has been a director of X.J. Electrical Appliances since October 2020 and a technical consultant of the outsourcing centre of Shenzhen Branch since June 2021. From October 2004 to June 2007 and from March 2016 to March 2017, Mr. Xu was the vice general manager of X.J. Electronics (Shenzhen) and was primarily responsible for overseeing the production of X.J. Electronics (Shenzhen). From July 2007 to March 2014, Mr. Xu was the general manager of X.J. Electrics (Shenzhen) and was responsible for the overall management of X.J. Electrics (Shenzhen).

Mr. Xu has over 27 years of experience in business management and over 23 years of experience in the electrical home appliances manufacturing industry. Mr. Xu was the manager of the injection moulding department of Xiangjiang Plastic Products from June 1997 to October 2004 and was primarily responsible for the management of the injection moulding department.

Mr. Xu completed his high school studies at Jiangxi Province Zhangshu No. 2 Middle School* (江西省樟樹第二中學) in Jiangxi Province, the PRC, in July 1992.

Ms. Hu Yan (胡彥), aged 46, joined our Company as a Supervisor in July 2012 until May 2017, when she was appointed as a secretary to our Board and the chief financial officer of our Company. Ms. Hu was appointed as a Director in November 2018 and one of our joint company secretaries on 9 September 2024. She was redesignated from a Director to an executive Director on 24 September 2024 and is primarily responsible for the overall financial management, corporate governance and shareholder relations of our Group and secretarial affairs of our Board.

Ms. Hu has over 20 years of experience in accounting and finance and in the electrical home appliances manufacturing industry. From March 2004 to November 2005, Ms. Hu successively worked as the vice financial manager and the financial manager of X.J. Electrics (Shenzhen), and was mainly responsible for supervising and managing the financial operations of X.J. Electrics (Shenzhen). From December 2005 to April 2014, Ms. Hu was the vice general manager of X.J. Electronics (Shenzhen) and was responsible for the financial management of X.J. Electronics (Shenzhen). From July 2012 to May 2017, she was a Supervisor of our Company. Since November 2018, Ms. Hu has been a director of X.J. Electronics (Shenzhen). Ms. Hu has been a director of THS Industrial, X.J. Electrical Appliances and X.J. Electrics (Thailand) since April 2019, October 2020 and April 2023, respectively. From December 2019 to November 2020, Ms. Hu was the general manager of Aigrentrading and was primarily responsible for overseeing the overall operation of Aigrentrading.

Ms. Hu obtained a diploma in accounting at Jiangxi Technical College of Manufacturing (江西製造職業技術學院) (formerly known as Jiangxi Mechanical Engineering University* (江西省機械職工大學)) in July 1999. She obtained the qualification of Junior Accountant from the Ministry of Finance of the PRC (中華人民共和國財政部) in June 2005. Ms. Hu obtained the qualification as the secretary to the board of directors from the Shenzhen Stock Exchange in July 2017. In July 2018, she obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) through attending long distance learning courses.

Independent non-executive Directors

Dr. Huang Hanxiong (黃漢雄), aged 61, was appointed as our independent Director from May 2017 to March 2019 and was reappointed since November 2020. Dr. Huang was redesignated as our independent non-executive Director on 24 September 2024 and is primarily responsible for supervising the management of our Group, providing independent opinion and judgment to our Board. Dr. Huang is also the chairman of our nomination committee, a member of our audit committee and a member of our strategic committee.

Dr. Huang has over 35 years of experience in the plastic machinery industry and education. Since 1989, Dr. Huang successively worked as a lecturer, a vice professor and a professor at South China University of Technology (華南理工大學). From 1998 to 2008, he was the dean of the College of Industrial Equipment and Control Engineering (工業裝備與控制工程學院) and was mainly responsible for the overall administration of the college. Since March 2015, Dr. Huang has been a professor at School of Mechanical & Automotive Engineering (機械與汽車工程學院). From May 2014 to July 2017, Dr. Huang was the independent non-executive director of Yizumi Holdings Co., Ltd. (伊之密股份有限公司) (formerly known as Guangdong Yizumi

Precision Machinery Co., Ltd. (廣東伊之密精密機械股份有限公司)), a company listed on the Shenzhen Stock Exchange (stock code: 300415) and is primarily engaged in design, development, production, sales and services of injection moulding machines, die casting machines, rubber machines and robot automation systems.

Dr. Huang obtained a bachelor's degree in plastic machinery at South China University of Technology (華南理工大學) (formerly known as South China Institute of Technology* (華南工學院)) in July 1984. Dr. Huang obtained a master's degree and a doctoral degree in engineering from South China University of Technology in June 1989 and April 1996, respectively.

Dr. Li Jiannan (李健男), aged 56, was appointed as our independent Director since November 2020 and was redesignated as our independent non-executive Director on 24 September 2024. Dr. Li is primarily responsible for supervising the management of our Group, providing independent opinion and judgment to our Board. Dr. Li is also the chairman of our remuneration committee, a member of our audit committee and a member of our nomination committee.

Dr. Li has over 20 years of experience in the legal and arbitration sectors. Since April 2004, Dr. Li successively worked as a lecturer, a vice professor and a professor at Jinan University Law School (暨南大學法學院). Dr. Li has also been an arbitrator of Guangzhou Arbitration Commission (廣州仲裁委員會) since August 2006 and has been a part-time lawyer at Guang Dong J&J Law Firm (廣東君信經綸君厚律師事務所) since January 2022.

Since September 2022, Dr. Li has been an independent non-executive director of Guangzhou Fanmei Laboratory System Technology Co., Ltd. (廣州泛美實驗室系統科技股份有限公司) and is mainly engaged in the development, design, implementation, operation and maintenance services of laboratory environmental control system and related laboratory equipment sales.

Dr. Li completed a higher education programme in financial accounting at Hunan University of Finance and Economics (湖南財政經濟學院) (formerly known as Hunan College of Finance and Economics* (湖南財經專科學校)) in July 1988. Dr. Li qualified as a lawyer in the PRC in August 1996. In July 1997 and June 2002, he obtained a master's degree and a doctoral degree of law in international law from Wuhan University (武漢大學) respectively.

Dr. Gu Zhaoyang (顧朝陽), aged 58, was appointed as an independent Director on 5 September 2024 and was redesignated as our independent non-executive Director on 24 September 2024. Dr. Gu is primarily responsible for supervising the management of our Group, providing independent opinion and judgment to our Board. Dr. Gu is also the chairman of our audit committee and a member of our remuneration committee.

Dr. Gu has over 25 years of experience in business and accounting related education and is currently a Certified Public Accountant (non-practicing) in the U.S. and a Professor of Accountancy and Director of MBA in Finance (FMBA) Programme at the Business School of the Chinese University of Hong Kong ("**CUHK**"). From August 2013 to July 2020, Dr. Gu was the Director of School of Accountancy of the CUHK. From September 1999 to June 2002, Dr. Gu was an Assistant Professor of Industrial Administration (Accounting) at the Graduate School of Industrial Administration, Carnegie Mellon University.

Dr. Gu graduated from the Department of Foreign Languages of Tsinghua University with a bachelor's degree in English in July 1988. He obtained a master's degree in economics from Tulane University, the USA in August 1993 and obtained a Ph.D. in accounting in August 1999.

Dr. Gu has served as an independent non-executive director of Shanghai Pharmaceuticals Holding Co., Ltd. (stock code: 601607.SH, 2607.HK) since June 2019, an independent non-executive director of Jiangsu Expressway Company Limited (stock code: 600377.SH, 0177.HK) since June 2024 and an independent non-executive director of Bank of Tianjin Co., Ltd. (天津銀行股份有限公司) (stock code: 1578.HK) since September 2024.

SUPERVISORS

Name	Age	Date of joining our Group	Date of Appointment as Supervisor	Position	Roles and responsibilities	Relationship with other Director(s), Supervisor(s) and/or senior management
Mr. Yip Hung Tung (葉紅東)	56	23 July 2012	23 July 2012	Chairman of our supervisory committee	Responsible for supervising the Board and daily operation of our Group	Nil
Mr. Shi Chuanlai (史傳來)	50	13 December 2016	20 March 2018	Supervisor	Responsible for supervising the Board and daily operation of our Group	Nil
Ms. Yi Hongliang (易紅良)	42	23 July 2012	23 July 2012	Supervisor	Responsible for supervising the Board and daily operation of our Group	Nil

Mr. Yip Hung Tung (葉紅東), aged 56, has been our a Supervisor, the chairman of our supervisory committee and the president of the R&D centre of our Company since July 2012. He is mainly responsible for supervising the Board and daily operation of our Group. Mr. Yip has over 21 years of experience in business management. From September 2003 to June 2012, Mr. Yip was the general manager of the R&D centre of X.J. Electrics (Shenzhen) and was primarily responsible for overseeing the R&D team of X.J. Electrics (Shenzhen).

Mr. Shi Chuanlai (史傳來), aged 50, was appointed as a Supervisor in March 2018 and has been re-appointed as a Supervisor in June 2023. He is mainly responsible for supervising the Board and daily operation of our Group. Mr. Shi worked at X.J. Electrics (Shenzhen) as the head of injection moulding from October 2003 to January 2006 and the vice general manager from January 2006 to August 2010. Since December 2014, he has been the general manager and a director of X.J. Electrics (Shenzhen) and is responsible for the overall operation and management of X.J. Electrics (Shenzhen). Mr. Shi was also the vice general manager of X.J. Electronics (Shenzhen) from August 2010 to February 2014 and was primarily responsible for the quality management of X.J. Electronics (Shenzhen).

Mr. Shi has over 26 years of experience in business management. Prior to joining our Group, Mr. Shi was the manager of Xiangjiang Plastic Products from September 1998 to October 2003 and was mainly responsible for the management of injection moulding production.

Ms. Yi Hongliang (易紅良), aged 42, was appointed as a Supervisor in July 2012 and has been re-appointed as a Supervisor in June 2023. She is mainly responsible for supervising the Board and daily operation of our Group. Ms. Yi has also been a supervisor of MeiNuoWei Electrics and X.J. Electrical Appliances since March 2017 and October 2020, respectively. She has been the president of the outsourcing centre of Shenzhen Branch since August 2020 and is responsible for the development and execution of outsourced processing strategies.

Ms. Yi has over 19 years of experience in procurement and business management. From December 2004 to July 2006, Ms. Yi worked as a procurement staff at Fujian Sanfang TV Co., Ltd.* (福建三方電視機有限公司), a company principally engaged in the production and sales of small colour televisions, portable DVD players and LCD televisions and was responsible for the implementation of procurement plans, and selection and management of vendors. From August 2006 to May 2009, Ms. Yi worked as the vice procurement manager at X.J. Group Limited and was mainly responsible for the development and implementation of procurement strategies of X.J. Group Limited. From May 2009 to February 2014, Ms. Yi served as the manager of the general management department of X.J. Group Limited and was responsible for the day-to-day administrative, human resources and legal affairs of X.J. Group Limited. From April 2014 to August 2020, she was the president of the quality control centre of X.J. Group Limited and was primarily responsible for establishing and maintaining the quality management system of X.J. Group Limited.

Ms. Yi obtained a bachelor's degree in accounting from Hunan Agricultural University (湖南農業大學) in the PRC in June 2012.

SENIOR MANAGEMENT

Our senior management consists of Mr. Pan Yun, Ms. Ji Ying, Ms. Li Youxiang and Ms. Hu Yan. For their biographical information, please see "– Directors – Executive Directors" in this section.

DISCLOSURE REQUIRED PURSUANT TO RULE 13.51(2) OF THE LISTING RULES

Mr. Pan Yun was a director and/or general manager and/or partner of the following companies or partnerships before their respective deregistration or termination:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position(s)	Means for dissolution	Reasons of dissolution
MeiNuoWei Electronics (Shenzhen) Co., Ltd.* (美諾威電子(深圳)有限公司)	The PRC	Dormant	10 March 2004	Director and chairman of the board	Deregistered	Dormant
Shenzhen Yinsipai Trading Co., Ltd.* (深圳市茵思派貿易有限公司) ("**Shenzhen Yinsipai**")	The PRC	Dormant	12 June 2010	Director and chairman of the board	Deregistered	Dormant
Xiangjiang Plastic Products	The PRC	Production and sales of plastic products and electrical home appliances	4 November 2010	Director and chairman of the board	Deregistered	Cessation of business
Jikai Plastic Products	The PRC	Production and sales of plastic products	5 June 2012	Director and chairman of the board	Deregistered	Cessation of business
Jiangyin Xiangjie Electronics Co., Ltd.* (江陰市香傑電子有限公司)	The PRC	Dormant	26 June 2015	Executive director	Deregistered	Dormant

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position(s)	Means for dissolution	Reasons of dissolution
Jiangyin Xiangjiang Plastic Products Technology Consulting Co., Ltd.* (江陰市香江塑料製品技術諮詢有限公司) ("**Jiangyin Xiangjiang**")	The PRC	Research on plastic products and provision of consulting services of plastic products and plastic products colour mixing process	13 December 2016	Executive director and general manager	Revoked	Dormant
Fenyi Chuangxing Investment Partnership (Limited Partnership)* (分宜創興投資合夥企業(有限合夥))	The PRC	Investment holding	26 July 2019	General partner	Deregistered	Cessation of business
Xinyu Aigeli Investment Management Co., Ltd.* (新余艾格麗投資管理有限公司) (formerly known as Hubei Aigeli Investment Management Co., Ltd.* (湖北艾格麗投資管理有限公司) ("**Aigeli Investment**")	The PRC	Investment holding	26 July 2019	Director, chairman of the board and general manager	Deregistered	Cessation of business
X.J. Group Limited	Hong Kong	Sales of electrical home appliances	26 March 2021	Director	Deregistered	Cessation of business
Shanghai Yaoming Investment Management Office (General Partnership) (上海耀明投資管理事務所(普通合夥))	The PRC	Dormant	29 June 2021	Partner	Deregistered	Dormant

Mr. Pan confirmed that (i) each of the above companies and partnerships was solvent and inactive, and had no outstanding claims or liabilities at the time of their respective deregistration or revocation; (ii) there was no wrongful act on his part leading to the deregistration of the above companies and revocation of the above partnerships; (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective deregistration of the above companies or revocation of the above partnerships; and (iv) the above companies and partnerships had no material non-compliance prior to their respective deregistration or revocation.

Mr. Guangshe Pan was a director and/or manager of the following companies before their deregistration:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position(s)	Means for dissolution	Reasons of dissolution
X.J. Group (USA)	The U.S.	Sales of electronic scales	21 December 2016	Director, chief executive officer and chief financial officer	Deregistered	Cessation of business
U.S. Pro Appliances, Inc.	The U.S.	Sales of electrical home appliances	28 May 2017	Director, chief executive officer and chief financial officer	Deregistered	Cessation of business
Lucky Capital Holding LLC	The U.S.	Dormant	25 March 2021	Manager	Deregistered	Dormant

Mr. Pan confirmed that (i) the above companies were solvent and inactive, and had no outstanding claims or liabilities at the time of their deregistration; (ii) there was no wrongful act on his part leading to the deregistration of the above companies; (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration of the above companies; and (iv) the above companies had no material non-compliance prior to their deregistration.

Ms. Ji Ying was a director of the following companies before their respective deregistration:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position	Means for dissolution	Reasons of dissolution
Shenzhen Yinsipai	The PRC	Dormant	12 June 2010	Director	Deregistered	Dormant
Xiangjiang Plastic Products	The PRC	Production and sales of plastic products and electrical home appliances	4 November 2010	Director	Deregistered	Cessation of business
Aigeli Investment	The PRC	Investment holding	26 July 2019	Director	Deregistered	Cessation of business
X.J. Group Limited	Hong Kong	Sales of electrical home appliances	26 March 2021	Director	Deregistered	Cessation of business

Ms. Ji confirmed that (i) each of the above companies was solvent and inactive, and had no outstanding claims or liabilities at the time of their respective deregistration; (ii) there was no wrongful act on her part leading to the deregistration of the above companies; (iii) she is not aware of any actual or potential claim which has been or will be made against her as a result of the respective deregistration of the above companies; and (iv) the above companies had no material non-compliance prior to their respective deregistration.

Ms. Li Youxiang was a director of the following company before its deregistration:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position	Means for dissolution	Reasons of dissolution
Aigeli Investment	The PRC	Investment holding	26 July 2019	Director	Deregistered	Cessation of business

Ms. Li confirmed that (i) the above company was solvent and inactive, and had no outstanding claims or liabilities at the time of its deregistration; (ii) there was no wrongful act on her part leading to the deregistration of the above company; (iii) she is not aware of any actual or potential claim which has been or will be made against her as a result of the deregistration of the above company; and (iv) the above company had no material non-compliance prior to its deregistration.

Mr. Xu Xiping was a director of the following company before its respective deregistration:

Name of company	Place of incorporation	Principal business activity prior to cessation of business	Date of dissolution	Position	Means for dissolution	Reasons of dissolution
Aigeli Investment	The PRC	Investment holding	26 July 2019	Director	Deregistered	Cessation of business

Mr. Xu confirmed that (i) the above company was solvent and inactive, and had no outstanding claims or liabilities at the time of its respective deregistration; (ii) there was no wrongful act on his part leading to the deregistration of the above company; (iii) he is not aware of any actual or potential claim which has been or will be made against him as a result of the respective deregistration of the above company; and (iv) the above company had no material non-compliance prior to its respective deregistration.

Ms. Yi Hongliang was a supervisor of the following company before its deregistration:

Name of company	Place of incorporation	Principal business activity prior to dissolution	Date of dissolution	Position	Means for dissolution	Reasons of dissolution
Aigeli Investment	The PRC	Investment holding	26 July 2019	Supervisor	Deregistered	Cessation of business

Ms. Yi confirmed that (i) the above company was solvent and inactive, and had no outstanding claims or liabilities at the time of its deregistration; (ii) there was no wrongful act on her part leading to the deregistration of its company; (iii) she is not aware of any actual or potential claim which has been or will be made against her as a result of the deregistration of the above company; and (iv) the above company had no material non-compliance prior to its deregistration.

GENERAL

Save as disclosed above and in "Substantial Shareholders" and "Statutory and General Information – D. Disclosure of Interests" in Appendix VII to this document, each of our Directors and Supervisors confirms with respect to him/her that:

(i) does not hold other positions in our Company or other members of our Group as at the Latest Practicable Date;

(ii) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date;

(iii) had no other relationship with any Directors, Supervisors, senior management or substantial shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date;

(iv) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas;

(v) does not have any interest in any business which competes or is likely to compete, directly or indirectly, with our Group, which is disclosable under the Listing Rules;

(vi) to the best knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there are no other matters concerning our Director's and Supervisors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date; and

(vii) to the best of the knowledge, information and belief of our Directors and Supervisors, having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of our Shareholders.

Each of our Directors confirmed that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules on 9 September 2024; and (ii) understood his or her obligations as a director of a listed issuer under the Listing Rules.

Each of our independent non-executive Directors confirmed (i) his independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he had no past or present financial or other interest in the business of our Company or our subsidiaries or any connection with any core connected person of our Company under the Listing Rules as at the Latest Practicable Date; and (iii) that there are no other factors that may affect his independence at the time of his appointment.

JOINT COMPANY SECRETARIES

Ms. Hu Yan (胡彥), please see "– Directors – Executive Directors" in this section for details.

Mr. Ng Chun Hoi (吳浚鎧), aged 39, was appointed as one of the joint company secretaries of our Company on 9 September 2024. Mr. Ng is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Institute of Accredited Accounting Technicians.

Mr. Ng has over 14 years of experience in the audit field and currently is a senior accounting manager at a law firm. Mr. Ng was a senior accountant at Venture Smart Services Limited (意博資本金融服務有限公司) and Anue Group (鉅亨有限公司) from June 2019 to August 2023 and from March 2017 to June 2019, respectively. From March 2011 to March 2012 and from April 2012 to May 2016, Mr. Ng was an Audit & Account Junior and an Audit Semi-Senior at Eric C W Ko & Company (高超雲會計師事務所), respectively. From May 2009 to September 2010, Mr. Ng was an assistant accountant at Ronald W.F. Chan & Co. (陳永輝會計師事務所).

Mr. Ng obtained his bachelor's degree in business administration (accounting and finance) from Napier University in the United Kingdom in January 2010.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code, Appendix C1 to the Listing Rules, our Company has established four Board committees, namely the audit committee, the remuneration committee, the nomination committee and the strategic committee.

Audit committee

Our audit committee consists of Dr. Gu Zhaoyang, Dr. Huang Hanxiong and Dr. Li Jiannan. Dr. Gu Zhaoyang is the chairman of the audit committee, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of our audit committee include, but not limited to, the following:

(i) to review the performance of external auditors and making recommendations to our Board on the appointment, reappointment and removal of external auditors;

(ii) to coordinate communication between our Company and external auditors, review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process;

(iii) to develop and implement policy on engaging an external auditor to supply non-audit services;

(iv) to review our Company's accounting policies, financial condition and reporting procedures, review financial statements, annual and half-year reports of our Company and ensure compliance with the relevant accounting standards, laws, and regulations; and

(v) to oversee internal control procedures of our Company.

Remuneration committee

Our remuneration committee consists of Dr. Li Jiannan, Ms. Ji Ying and Dr. Gu Zhaoyang. Dr. Li Jiannan is the chairman of our remuneration committee. The primary duties of our remuneration committee include, but not limited to, the following:

(i) to make recommendations on the remuneration policy for our Directors, Supervisors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) to review and approve the management's remuneration proposals with reference to our Board's corporate goals and objectives;

(iii) to evaluate performance of our Board and senior management and make recommendations as to year-end bonus for our Board's approval;

(iv) to make recommendations to the board on the remuneration packages of individual executive directors and senior management;

(v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in our Group;

(vi) to ensure none of our Directors is involved in deciding his/her own remuneration; and

(vii) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

Nomination committee

Our nomination committee consists of Dr. Huang Hanxiong, Mr. Pan Yun and Dr. Li Jiannan. Dr. Huang Hanxiong is the chairman of our nomination committee. The primary duties of our nomination committee include, but not limited to, the following:

(i) to formulate and review selection criteria and procedures for our Directors and senior management;

(ii) to review the structure, size and composition of our Board on a regular basis;

(iii) to identify individuals suitably qualified to become Board members;

(iv) to assess the independence of our independent non-executive Directors; and

(v) to make recommendations to our Board on relevant matters relating to the appointment or reappointment of our Directors.

Strategic committee

Our strategic committee consists of Mr. Pan Yun, Dr. Huang Hanxiong and Ms. Li Youxiang. Mr. Pan Yun is the chairman of our strategic committee. The primary duties of our strategic committee include, but not limited to, the following:

(i) to research and recommend to our Board long-term development and strategic plans of our Company;

(ii) to research and recommend to our Board significant investment and financing schemes, and major capital operations and asset management projects of our Company which are subject to the approval from our Board according to the Articles of Association;

(iii) to research and recommend to our Board matters that are material to the development of our Company;

(iv) to check the implementation of the aforementioned matters that are approved via Board meetings or Shareholders' meetings; and

(v) to deal with other strategic matters that are authorised by our Board.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract talents and to retain and motivate employees. We have also taken and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels.

Our Directors have a balanced mix of knowledge and skills. They completed studies in various majors including but without limitation to business management, accounting, finance and legal studies. The ages of our Directors range from 39 years old to 66 years old, and we have both male and female representatives on the Board. Our nomination committee will review and assess the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our nomination committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

COMPLIANCE ADVISER

We have appointed Sinolink Securities (Hong Kong) Company Limited as our compliance adviser upon the **[REDACTED]** pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise us when we consult our Compliance Adviser in the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report;

(ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Group, including share issues and share repurchases;

(iii) where our Group proposes to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this document or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this document; and

(iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The terms of appointment of our Compliance Adviser shall commence on the **[REDACTED]** and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]** and such appointment may be subject to extension by mutual agreement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Group considers that appointing Mr. Pan Yun as both the chairman of our Board and the general manager of our Company will provide us with strong and consistent leadership, resulting in more effective planning and management of our Group. Pursuant to code provision C.2.1 of Appendix C1 to the Listing Rules, the roles of chairperson and chief executive should be separate and should not be performed by the same individual. However, in view of Mr. Pan Yun's extensive industry experience, personal profile and critical role in our Group's historical development, we believe that it would be beneficial for our Group's business prospects if Mr. Pan Yun continues to act as both the chairman of our Board and the general manager of our Company upon **[REDACTED]**.

Save as disclosed above, we are in compliance with all applicable code provisions as set out in the Corporate Governance Code as contained in Appendix C1 to the Listing Rules.

REMUNERATION POLICY

The aggregate amounts of remuneration (including fees, salaries, allowances and benefits in kind, discretionary bonus and contributions to defined contribution plans) for our Directors was approximately RMB5.9 million for FY2021, RMB5.2 million for FY2022, RMB5.6 million for FY2023 and RMB[2.6] million for 1HFY2024. None of our Directors waived any remuneration during the aforesaid periods.

For FY2021, FY2022, FY2023 and 1HFY2024, the five highest paid individuals of our Company included five, four, four and four Directors respectively. The aggregate remuneration (including salaries, allowances and benefits in kind and contributions to defined contribution plans) paid to our Group's five highest remuneration individuals were approximately RMB5.5 million, RMB4.9 million, RMB5.3 million and RMB2.5 million, respectively.

Under the arrangements currently in force, we estimate that the aggregate amounts of remuneration, excluding discretionary bonus, of our Directors and Supervisors for the year ending 31 December 2024 to be RMB6.2 million.

During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office. None of our Directors has waived or agreed to waive any emoluments during the Track Record Period.

Save as disclosed above, no other payments of remuneration have been made, or are payable, in respect of the Track Record Period, by our Group to or on behalf of any of our Directors.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** and without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**, the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

			Shares held as at the Latest Practicable Date and immediately prior to the [REDACTED][1]		**Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[1]**	
Name of Shareholder	**Capacity/ Nature of interest**	**Class of Shares**	**Number**	**Approximate percentage in the total share capital of our Company**	**Number**	**Approximate percentage in the total share capital of our Company**
Mr. Pan Yun	Beneficial Interest	Domestic Unlisted Shares	110,659,509 (L)	54.07%	**[REDACTED]**(L)	**[REDACTED]**%
	Interest in controlled corporation[2]	Domestic Unlisted Shares	94,000,000 (L)	45.93%	**[REDACTED]**(L)	**[REDACTED]**%
Ms. Cao Chengling	Interest of spouse[3]	Domestic Unlisted Shares	204,659,509 (L)	100.00%	**[REDACTED]**(L)	**[REDACTED]**%
X.J. Management (Qichun)	Beneficial Interest	Domestic Unlisted Shares	54,000,000 (L)	26.39%	**[REDACTED]**(L)	**[REDACTED]**%
Qichun Hengxing	Beneficial Interest	Domestic Unlisted Shares	40,000,000 (L)	19.54%	**[REDACTED]**(L)	**[REDACTED]**%

Notes:

1. The letter "L" denotes the entity/person's long position (as defined under Part XV of the SFO) in such Shares.

2. As at the Latest Practicable Date, X.J. Management (Qichun) and Qichun Hengxing were owned by Mr. Pan Yun as to 70.37% and 47.50%, respectively. Mr. Pan Yun was the sole general partner of X.J. Management (Qichun) and Qichun Hengxing. X.J. Management (Qichun) and Qichun Hengxing were interested in 54,000,000 Domestic Unlisted Shares and 40,000,000 Domestic Unlisted Shares, respectively. Accordingly, Mr. Pan Yun is deemed to be interested in the Domestic Unlisted Shares held by X.J. Management (Qichun) and Qichun Hengxing under the SFO.

3. Ms. Cao Chengling is the spouse of Mr. Pan Yun and is deemed to be interested in the Shares in which Mr. Pan Yun is interested under the SFO.

Save as disclosed herein, our Directors are not aware of any persons who will, immediately following the completion of the **[REDACTED]** and without taking into account any Shares which may be issued pursuant to the exercise of the **[REDACTED]**, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

As at the Latest Practicable Date, the registered capital of our Company is RMB204,659,509, divided into 204,659,509 Domestic Unlisted Shares with a nominal value of RMB1.00 each.

Assuming that the **[REDACTED]** is not exercised, the share capital of our Company immediately following the completion of the **[REDACTED]** will be increased to RMB**[REDACTED]** and set out as follows:

Number of Shares	Description of Shares	Approximate % of the Enlarged Share Capital after the [REDACTED]
204,659,509	Domestic Unlisted Shares	**[REDACTED]**%
[REDACTED]	H Shares to be issued under the **[REDACTED]**	**[REDACTED]**%
[REDACTED]		100%

Assuming that the **[REDACTED]** Option is exercised in full, the share capital of our Company immediately following the completion of the **[REDACTED]** will be increased to RMB**[REDACTED]** and set out as follows:

Number of Shares	Description of Shares	Approximate % of the Enlarged Share Capital after the [REDACTED]
204,659,509	Domestic Unlisted Shares	**[REDACTED]**%
[REDACTED]	H Shares to be issued under the **[REDACTED]**	**[REDACTED]**%
[REDACTED]	H Shares to be issued upon full exercise of the **[REDACTED]**	**[REDACTED]**%
[REDACTED]		100%

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Listing Rules provides that there must be an open market in the securities for which listing is sought. It normally means that the minimum public float of a listed issuer must at all times be at least **[REDACTED]**% of the issuer's total issued share capital.

Based on the information in the above tables, our Company will meet the public float requirement under the Listing Rules after the completion of the **[REDACTED]** (whether or not the **[REDACTED]** is exercised in full). We will make appropriate disclosure of our public float and confirm the sufficiency of our public float in successive annual reports after the **[REDACTED]**.

OUR SHARES

The H Shares in issue following the completion of the **[REDACTED]** and the Domestic Unlisted Shares are ordinary Shares in the share capital of our Company, and are considered as one class of Shares. However, apart from certain qualified domestic institutional investors in the PRC, qualified PRC investors under the Shanghai-Hong Kong Stock Connect, the Shenzhen-Hong Kong Stock Connect or other persons who are entitled to hold our H Shares pursuant to the relevant PRC laws and regulations or upon approvals of any competent authorities, including our existing Shareholders who may convert their Domestic Unlisted Shares into H Shares upon completion of filing with the CSRC, H Shares generally may not be subscribed for by or traded between legal or natural persons of the PRC.

The Domestic Unlisted Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document.

All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Unlisted Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF OUR DOMESTIC UNLISTED SHARES INTO H SHARES

Our Domestic Unlisted Shares are unlisted Shares which are currently not listed or traded on any stock exchange.

According to stipulations by the State Council securities regulatory authority and the Articles of Association, the Domestic Unlisted Shares may be converted into H Shares. Such converted Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted Shares shall only be effected after all requisite internal approval process have been duly completed and the approval from the relevant PRC regulatory authorities (including the CSRC) and the relevant overseas stock exchange have been obtained.

In addition, such conversion and trading shall in all respects comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Unlisted Shares are to be converted to H Shares and to be traded on the Stock Exchange, such conversion requires the approval of the relevant PRC regulatory authorities, including the CSRC. Approval of the Stock Exchange is required for the **[REDACTED]** of such converted Shares on the Stock Exchange. Subject to fulfilling the procedures below, our Company may apply for the **[REDACTED]** of all or any portion of the Domestic Unlisted Shares on the Stock Exchange as H Shares before any proposed conversion so that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any **[REDACTED]** of additional Shares after our Company's initial **[REDACTED]** on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require prior application for **[REDACTED]** as at the time of our Company's initial **[REDACTED]** in Hong Kong. A vote by our Shareholders in general meeting is not required for the **[REDACTED]** and trading of the converted Shares on an overseas stock exchange. Any **[REDACTED]** of the converted Shares on the Stock Exchange after the initial **[REDACTED]** is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the relevant Domestic Unlisted Shares will be withdrawn from the Domestic Unlisted Share register, and our Company will re-register such Shares on the H Share register maintained in Hong Kong and instruct the **[REDACTED]** to issue H Share certificates. Registration on the H Share register of our Company will be on the conditions that (i) the **[REDACTED]** lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be traded on the Stock Exchange complies with the Listing Rules and the General Rules of **[REDACTED]** and the **[REDACTED]** Operational Procedures in force from time to time. Until the converted Shares are re-registered on the H Share register of our Company, such Shares would not be listed as H Shares.

RESTRICTIONS OF SHARE TRANSFER

In accordance with the PRC Company Law, the shares issued prior to any **[REDACTED]** of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the **[REDACTED]**.

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the shares are listed and traded, nor within half a year after they leave their positions in our Company. The Articles of Association may contain other restrictions on the transfer of the Shares held by our Directors, Supervisors and members of senior management of our Company.

For details of the lock-up undertaking given by our Controlling Shareholders pursuant to Rule 10.07 of the Listing Rules, please see "**[REDACTED]**" in this document.

INCREASE IN SHARE CAPITAL

As advised by our PRC Legal Advisers, pursuant to the Articles of Association and subject to the requirements of the relevant PRC laws and regulations, our Company, upon the **[REDACTED]** of our H Shares, is eligible to enlarge its share capital by issuing either new H Shares or new Domestic Unlisted Shares on condition that such proposed issuance shall be approved by a special resolution of Shareholders in general meeting conducted in accordance with the provisions of the Articles of Association and that such issuance complies with the Listing Rules and other relevant laws and regulations of Hong Kong. To adopt a special resolution of Shareholders in general meeting, more than the two thirds votes represented by the Shareholders (including proxies) present at the general meeting must be exercised in favour of the resolution.

GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SHARES

Subject to the completion of the **[REDACTED]**, pursuant to the Shareholders resolutions of our Company, our Board was granted with (a) a general mandate to allot and issue Shares at any time within a period up to the date of the conclusion of the next annual general meeting of the Shareholders or the date on which the Shareholders pass a special resolution to revoke or change such mandate, whichever is earlier, upon such terms and conditions and for such purposes and to such persons as our Board in their absolute discretion deem fit, and to make necessary amendments to the Articles of Association, provided that, the number of Shares to be issued shall not exceed 20% of the number of the Shares (including any sale or transfer of the treasury Shares out of treasury) in issue as at the date of the resolution granting the general mandate; and (b) a general mandate to repurchase Shares issued on the Stock Exchange with an aggregate number of not exceeding 10% of the number of the total issued Shares (excluding any treasury Shares) as at the date of the resolution granting the general mandate. For more details of this general mandate, please see "Appendix VII – Statutory and General Information – A. Further Information about our Group – 3. Shareholders' Resolutions of our Company" to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

For details of circumstances under which our Shareholders' general meetings are required, please see "Appendix V – Summary of the Articles of Association" in this document.

REGISTRATION OF SHARES NOT LISTED ON THE OVERSEAS STOCK EXCHANGE

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (H股公司境內未上市股份申請"全流通"業務指引) announced by the CSRC, the domestic shareholders of unlisted shares shall handle share transfer registration business in accordance with the relevant business rules of the China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司) (the "**CSDC**"). Further, H-share companies should submit the relevant status reports to the CSRC within 15 days after the transfer registration with the CSDC of the shares involved in the application is completed.

The following discussion and our analysis should be read in conjunction with our consolidated financial statements and the notes thereto included in the Accountants' Report in Appendix I to this document which has been prepared in accordance with IFRS, and the selected historical financial information and operating data included elsewhere in this document.

The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historic trends, current conditions and expect future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For further information, you should see "Risk factors" and "Forward-looking statements" in this document.

OVERVIEW

We are a manufacturer of quality lifestyle household goods in the PRC. We mainly operate on ODM/OEM basis and have built a customer portfolio comprising globally reputable and long standing names, such as Walmart, Telebrands, SEB, Sensio, Hamilton Beach and Philips etc. With our capability to design, develop and manufacture a wide range of small home appliances, we have gained particular success in our small kitchen appliances. We were the "Top 10 Small Kitchen Appliance Export Companies (十大廚房小家電出口企業)" in 2022 and 2023 from China Chamber of Commerce for Import and Export of Machinery and Electronic Products (中國機電產品進出口商會). According to the F&S Report, we were one of the top 10 companies in terms of export value in 2023 in the small kitchen appliance industry in the PRC.(1) Our electric kettles had a market share of approximately 21.4% and 32.3% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. and Canada, respectively, in 2023. Our motor-driven products such as mixers had a market share of approximately 6.7% in the respective category classified by the General Administration of Customs of the PRC in terms of export volume from the PRC to the U.S. in 2023.

We focus on research and development, design, manufacturing and sales of electric home appliances and non-electric household goods. Our electric home appliances consist of three categories, namely (i) electro-thermic appliances, such as electric griddle, air fryer and kettle, (ii) motor-driven appliances, such as blender, mixer and electric can opener and (iii) electronic appliances such as digital scale, humidifier and laser projector light. We also offer non-electric household goods such as garden hose and cookware.

(1) According to Frost & Sullivan, small kitchen appliance accounted for the largest share of the global small home appliance industry.

For further information about our Group's business and operations, please see "Business" in this document.

During the Track Record Period, we sold most of our products in North America and Europe, while a small portion of our products were sold to customers in Oceania, South America, Africa, the PRC and other Asian countries, including Korea, Japan and Saudi Arabia. For FY2021, FY2022, FY2023 and 1HFY2024, the total revenue of our Group amounted to RMB1,480.4 million, RMB1,097.0 million, RMB1,188.3 million and RMB614.4 million, respectively. The net profit of our Group for the same years/periods were RMB71.8 million, RMB80.3 million, RMB121.5 million and RMB60.5 million, respectively.

BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The historical financial information has been prepared based on the accounting policies set out in note 4 of the Accountants' Report in Appendix I to this document, which conform with the IASs and IFRSs issued by the IASB, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the accounting period beginning on 1 January 2024 throughout the Track Record Period.

The historical financial information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each of period of the Track Record Period.

KEY FACTORS AFFECTING OUR GROUP'S RESULTS OF OPERATION AND FINANCIAL CONDITION

The results of operations and financial condition during the Track Record Period have been and will continue to be affected by a number of factors, including those set forth in the section headed "Risk Factors" in this document.

We have set out below the key factors affecting our Group's results of operation and financial condition.

The economy and consumer demand for the products of our Group in overseas markets

Our Group's results of operations have been and will continue to be influenced by consumer demand for various products of our Group, in particular, from the North America and Europe.

During the Track Record Period, we have derived a significant portion of our revenue from sales to North America and Europe, which accounted for 91.9%, 92.0%, 93.0% and 92.4% of our Group's revenue for FY2021, FY2022, FY2023 and 1HFY2024, respectively. Our Group's financial performance mainly relies on general economic conditions in the North America and Europe and their impacts on consumer confidence and spending.

Economic factors in the North America and Europe, such as inflation and unemployment level, interest rates, financial market volatility, recession, and other factors affecting consumer spending behaviour such as acts of terrorism or major epidemics could reduce demand for our Group's products.

Fluctuation in foreign exchange rate

Our consolidated financial results are affected by currency exchange rate fluctuations. During the Track Record Period, our export sales to regions outside of the PRC are usually denominated in USD. On the other hand, our costs, including our transactions with our top five suppliers, are general denominated in RMB. Accordingly, fluctuations in exchange rate of USD and RMB may affect our price competitiveness and harm our business operation and financial performance. For FY2021, we recorded a net foreign exchange loss of RMB6.8 million. For FY2022, FY2023 and 1HFY2024, we recorded a net foreign exchange gain of RMB14.4 million, RMB9.9 million and RMB8.8 million, respectively.

Furthermore, our multi-country operations subject us to foreign exchange fluctuations on translation from functional currencies of our foreign operation to our presentation currency (i.e. RMB). We have subsidiaries in the United States, Indonesia, and Thailand, and most of our foreign operations are denominated in its local currency which is different from our presentation currency. Therefore, we are exposed to foreign currency risks related to exchange differences arising on translation of foreign operations. For FY2022 and FY2023, we recorded positive exchange differences arising on translation of foreign operations of RMB1.5 million and RMB0.3 million, respectively. For FY2021 and 1HFY2024, we recorded negative exchange differences arising on translation of foreign operations of RMB0.3 million and RMB0.2 million, respectively. As a result of foreign currency fluctuations, it could be more difficult to detect underlying trends in our business and results of operations.

During the Track Record Period, we have entered into foreign currency forward contracts with a view to manage risks associated with foreign exchange fluctuations. For FY2021 and FY2022, we incurred loss from disposal of foreign currency forward contracts in the amount of RMB0.2 million and RMB8.0 million, respectively. All of our foreign currency forward transactions have been settled by FY2022. Currently, our Group does not have a foreign exchange hedging policy. However, the management of our Group will monitor foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Reliance on major customers

A majority of our revenue is derived from a limited number of customers. For FY2021, FY2022, FY2023 and 1HFY2024, sales to our five largest customers accounted for 62.4%, 62.4%, 72.4% and 74.9% of our total revenue, respectively and sales to our largest customer of the relevant year/period accounted for 27.1%, 21.3%, 28.5% and 25.0% of our total revenue, respectively. During the Track Record Period, one of our major customers, namely, Telebrands which represented 22.0%, 16.5%, 18.7%, 22.0% of our total revenue, for FY2021, FY2022, FY2023 and 1HFY2024, respectively.

Our current concentration on a few significant customers exposes us to the risks of substantial losses if such major customers stop engaging in businesses with us or significantly reduce orders to us, which may in turn cause material fluctuations or declines in our revenue and have a material and adverse effect on our business, financial condition and results of operations.

Trade tension between the United States and the PRC may adversely affect our business, financial conditions and results of operation

Due to the Sino-U.S. trade tension between the U.S. and the PRC in recent years, trading activities of certain products exported from the PRC to the U.S. were impacted. During the Track Record Period, a significant portion of our revenue was derived from the sale of our products to the U.S. as shipment destination, while all of our products are manufactured in the PRC. During the Track Record Period, sales of our products with the U.S. as the shipment destination accounted for 70.3%, 68.8%, 80.6% and 77.0% of our total revenue, respectively.

Since 2018, the Office of the U.S. Trade Representative has released different lists of Chinese imported goods to be the subject of different level of tariffs. Please see "Appendix IV – Summary of Principal Legal and Regulatory Provisions – The U.S." for details of the relevant U.S. laws and regulations. Although, as advised by our U.S. Legal Advisers, the liability for payment for the U.S. import duties belongs to the importer of the goods (i.e. our customers), our sales to the U.S. in the future may be affected in light of the significant uncertainties to the development of the trade tension. Any trade restrictions imposed by the U.S. on our products may significantly increase our U.S. customers' purchase costs of our products and hence lower our competitiveness.

Any further escalation in these trade tensions could negatively impact our sales into the United States, whether due to tariffs, duties, export controls, restrictions on market access, or other measures. Consequently, our business, results of operations and financial condition may be adversely and materially affected.

For details, please see "Risk Factors – Risks Relating to Our Industry and Business – Trade tension between the United States and the PRC may adversely affect our business, financial conditions and results of operation" in this document.

Price Volatility of raw materials

Our cost of raw materials represented the majority of our cost of sales. For FY2021, FY2022, FY2023 and 1HFY2024, our total cost of raw materials amounted to RMB836.0 million, RMB600.5 million, RMB620.0 million and RMB334.0 million, respectively, representing 68.5%, 68.8%, 68.7% and 70.0% of our total cost of sales in the respective years/periods. Our raw materials for production may be subject to price fluctuations. During the Track Record Period, we closely monitored the prices of our raw materials in order to better manage our production costs. However, to the extent we cannot pass on the price increases in these raw materials to our customers, our business operations and financial performance could be adversely affected.

Please see "Sensitivity analysis" in this section below for a sensitivity analysis, which illustrates the impact of hypothetical fluctuation in material costs on our profit before tax during the Track Record Period.

MATERIAL ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The discussion and analysis of our Group's financial position and results of operations as included in this document are based on the consolidated financial statements prepared using the significant accounting policies set forth in note 4 of the Accountants' Report set out in Appendix I to this document, which conform with IFRS issued by the IASB.

In the application of our Group's accounting policies, the management of our Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Below are accounting policies and estimates that our Directors consider to be the most significant, the details of which are set forth in notes 4 and 5 of the Accountants' Report set out in Appendix I to this document.

Revenue Recognition

All revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time.

Our Group sells electric home appliances and non-electric household goods directly to customers through offline channels and online channels.

Revenue is recognised when control of the goods has been transferred, being when the goods have been shipped to the customers' specific location (delivery for offline channel and at the point the goods are delivered to and accepted by the customers for online channel). Our Group requires an advance payment or grants the customers a credit period from 30 days to 135 days based on the assessed credit worthiness of the customers. A contract liability is recognised for advance payments received for sales in which revenue has yet been recognised.

Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Our Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 "Lease" at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Our Group as a lessee

Our Group applies the short-term lease recognition exemption to leases for staff quarters and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

In respect of right-of-use assets, the cost of right-of-use assets includes the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms. Our Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits paid are accounted under IFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

In respect of lease liabilities, at the commencement date of a lease, our Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, our Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments less any lease incentives receivable. After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

Our Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Our Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Our Group accounts for a lease modification as a separate lease if: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, our Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification. Our Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings, machinery and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with our Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which our Group must incur to make the sale.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Our Group assess the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgement on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of our Group's operations are translated into the presentation currency of our Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserves.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Provision of ECL for trade receivables

Trade receivables of our Group with significant balances and credit-impaired are assessed for ECL individually. In addition, our Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on ageing of debtors as groupings of various debtors taking into consideration our Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and our Group's trade receivables are disclosed in note 36 of the Accountants' Report set out in Appendix I to this document.

RESULTS OF OPERATIONS

Our Group's consolidated statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this document.

	FY2021	FY2022	FY2023	1HFY2023	1HFY2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue	1,480,358	1,096,965	1,188,321	556,901	614,423
Cost of sales	(1,220,843)	(873,095)	(902,300)	(414,656)	(477,013)
Gross profit	259,515	223,870	286,021	142,245	137,410
Other income	17,229	23,215	22,149	11,772	8,762
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	126	(1,610)	(2,494)	(2,336)	773
Other gains and losses	(6,493)	8,602	9,798	8,321	8,523
Selling expenses	(33,339)	(24,188)	(28,274)	(12,440)	(14,900)
Administrative expenses	(101,201)	(87,714)	(90,071)	(41,223)	(45,819)
Research and development expenses	(36,096)	(31,981)	(34,447)	(15,086)	(16,455)
Other expenses	(1,440)	(3,806)	(3,470)	(2,674)	(1,806)
Finance costs	(15,106)	(14,467)	(12,519)	(6,676)	(5,561)
Profit before tax	83,195	91,921	146,693	81,903	70,927
Income tax expense	(11,393)	(11,660)	(25,231)	(12,773)	(10,388)
Profit for the year/period	71,802	80,261	121,462	69,130	60,539
Other comprehensive (expense) income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations	(348)	1,493	306	740	(200)
Total comprehensive income for the year/period	71,454	81,754	121,768	69,870	60,339
Earnings per share					
– Basic *(RMB)*	0.35	0.39	0.59	0.34	0.30

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

We are a manufacturer of quality lifestyle household goods in the PRC. During the Track Record Period, we focus on the manufacture and export sales of lifestyle household goods on ODM or OEM model which contributed more than 90% of our total revenue. In addition to ODM/OEM operation, we also operated OBM business under which we design, manufacture and sell brands under our self-owned brands. The following table sets forth the breakdown of the revenue of our Group by ODM/OEM and OBM basis during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
ODM/OEM	1,386,409	93.7	1,035,592	94.4	1,138,615	95.8	527,213	94.7	591,463	96.3
OBM	93,949	6.3	61,373	5.6	49,706	4.2	29,688	5.3	22,960	3.7
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**556,901**	**100.0**	**614,423**	**100.0**

Note: Revenue from our OBM business represents revenue of Aigrentrading, Nawu Technology, Nuocheng E-Commerce and Weighmax. Revenue from our ODM/OEM business represents revenue of other subsidiaries of our Group.

During the Track Record Period, revenue from our ODM/OEM business accounted for the majority of our revenue. For FY2021, FY2022, FY2023 and 1HFY2024, our ODM/OEM sales amounted to RMB1,386.4 million, RMB1,035.6 million, RMB1,138.6 million and RMB591.5 million, which accounted for 93.7%, 94.4%, 95.8% and 96.3% of our total revenue during the same year/period.

Sales from OBM business, which represents a small proportion of our total revenue, has been declining during the Track Record Period. For FY2021, FY2022, FY2023, 1HFY2023 and 1HFY2024, our OBM sales amounted to RMB93.9 million, RMB61.4 million, RMB49.7 million, RMB29.7 million and RMB23.0 million, which accounted for 6.3%, 5.6%, 4.2%, 5.3% and 3.7% of our total revenue during the same year/period.

During the Track Record Period, our total sales decreased from RMB1,480.4 million for FY2021 to RMB1,097.0 million for FY2022. Such decrease was primarily due to the fact that the pandemic has prompted more people to stay at home and reduce social gathering, which has in turn boosted our sales of electric home appliances and non-electric household goods during FY2020 and FY2021. Subsequently, in FY2022, our sales returned to our pre-pandemic level. In addition, our sales of garden hoses decreased by RMB144.7 million in FY2022, compared with FY2021, as we initiated product upgrade for garden hoses in FY2022 and during the same year, our sales of older version of garden hoses have decreased.

By Product Type

We derived our revenue primarily from the manufacturing and sale of lifestyle household goods categorised into two categories: (i) electric home appliances and (ii) non-electric household goods. Electric home appliances are further categorised into (i) electro-thermic appliances, (ii) motor-driven appliances and (iii) electronic appliances. Non-electric household goods are further categorised into (i) garden hoses and (ii) others. The following table sets forth the breakdown of the revenue of our Group by product type during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Electric home appliances										
– Electro-thermic appliances	572,916	38.7	459,013	41.8	499,099	42.0	191,078	34.3	296,238	48.2
– Motor-driven appliances	365,729	24.7	317,623	29.0	321,937	27.1	123,071	22.1	127,415	20.7
– Electronic appliances	188,518	12.7	122,997	11.2	111,570	9.4	60,670	10.9	43,885	7.2
Subtotal	1,127,163	76.1	899,633	82.0	932,606	78.5	374,819	67.3	467,538	76.1
Non-electric household goods										
– Garden hose	326,168	22.0	181,460	16.5	221,788	18.7	164,461	29.5	135,033	22.0
– Others *(note)*	27,027	1.9	15,872	1.5	33,927	2.8	17,621	3.2	11,852	1.9
Subtotal	353,195	23.9	197,332	18.0	255,715	21.5	182,082	32.7	146,885	23.9
Total	**1,480,358**	**100.0**	**1,096,965**	**100.0**	**1,188,321**	**100.0**	**556,901**	**100**	**614,423**	**100.0**

Note: Others include cookware, cleaning tools and other household goods etc.

Electro-thermic appliances primarily include electric griddle, air fryer and kettle, which represented the largest portion of our revenue during the Track Record Period among different product types, representing 38.7%, 41.8% and 42.0% and 48.2% of our total revenue for FY2021, FY2022, FY2023 and 1HFY2024, respectively.

Motor-driven appliances primarily include blender, mixer and electric can opener. For FY2021, FY2022, FY2023 and 1HFY2024, revenue generated from this product category represented 24.7%, 29.0% and 27.1% and 20.7% of our total revenue, respectively.

Electronic appliances primarily include digital scale, humidifier and laser projector light. For FY2021, FY2022, FY2023 and 1HFY2024, revenue generated from this product category represented 12.7%, 11.2%, 9.4% and 7.2% of our total revenue, respectively.

Most of our revenue under the non-electric household goods came from sales of garden hoses during the Track Record Period. For FY2021, FY2022, FY2023 and 1HFY2024, revenue generated from this product category represented 22.0%, 16.5%, 18.7% and 22.0% of our total revenue, respectively.

By geographical market

The table below sets out the breakdown of our sales of products by geographical markets during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
North America	1,077,993	72.8	781,129	71.2	993,949	83.6	470,440	84.5	505,598	82.3
Europe	282,625	19.1	227,672	20.8	111,730	9.4	46,623	8.4	62,042	10.1
Oceania	46,849	3.2	44,073	4.0	28,834	2.4	12,387	2.2	23,214	3.8
Asia (excluding mainland China)	41,646	2.8	26,331	2.4	35,833	3.1	16,779	3.0	16,381	2.7
South America	14,650	0.9	8,527	0.8	12,228	1.0	7,947	1.4	4,228	0.7
Africa	2,512	0.2	552	0.1	759	0.1	122	0.0	135	0.0
Mainland China	14,083	1.0	8,681	0.7	4,988	0.4	2,603	0.5	2,825	0.4
Total	1,480,358	100.0	1,096,965	100.0	1,188,321	100.0	556,901	100.0	614,423	100.0

Based on the delivery destinations of our products requested by our customers, our products were exported to more than 70 countries and regions worldwide. During the Track Record Period, North America was our largest market, which contributed 72.8%, 71.2%, 83.6% and 82.3% of our total revenue, respectively. Europe was our second largest market during the Track Record Period. The proportion of our revenue derived from Europe remained relatively stable at 19.1% and 20.8% for FY2021 and FY2022, and then decreased to 9.4% and 10.1% for FY2023 and 1HFY2024. Such decrease was mainly attributable to that revenue from two of our customers, which contributed more than 35% of our sales to European market in FY2022, declined significantly in FY2023 and fell to zero in 1HFY2024. We noted a relatively low gross profit margin from the two customers and scaled down our business with them since FY2023. In addition, our sales from European countries were negatively affected by headwind of macro-economic uncertainty and geopolitics pressures.

Cost of sales

The following table sets forth the breakdown of the cost of sales of our Group during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Cost of materials consumed	836,026	68.5	600,522	68.8	619,946	68.7	286,833	69.2	334,001	70.0
Direct labour cost	185,163	15.2	120,837	13.8	114,543	12.7	52,755	12.7	56,879	11.9
Overhead	116,447	9.5	93,121	10.7	93,104	10.3	44,370	10.7	43,557	9.1
Subcontracting fees	50,726	4.2	35,148	4.0	50,742	5.6	20,035	4.8	30,766	6.4
Others	32,481	2.6	23,467	2.7	23,965	2.7	10,663	2.6	11,810	2.6
Total	1,220,843	100.0	873,095	100.0	902,300	100.0	414,656	100.0	477,013	100.0

Cost of materials consumed constitutes the majority of our cost of sales including metal and plastic raw materials, components and accessories. Direct labour cost mainly consists of wages for our production employees. Overhead mainly consists of depreciation cost of our leasehold lands, properties, plants and equipment, indirect labour cost and utilities. Subcontracting fees mainly represented service fees we paid to our subcontractors for certain production processes we outsourced. Others mainly represented transportation cost of our products

For FY2021, FY2022, FY2023 and 1HFY2024, our cost of sales represented 82.5%, 79.6%, 75.9% and 77.6% of our total revenue for the corresponding year/period, respectively.

Cost of materials consumed was the largest component of our cost of sales during the Track Record Period, which accounted for 68.5%, 68.8%, 68.7% and 70.0% of our total cost of sales for the FY2021, FY2022, FY2023 and 1HFY2024, respectively. During the Track Record Period, fluctuations of our cost of materials consumed was generally in line with the trend of sales of our products.

Gross Profit and Gross Profit Margin

The following table sets forth the breakdown of the gross profit and gross profit margin of our Group by product type during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Electric home appliances										
– Electro-thermic appliances	50,952	8.9	63,665	13.9	88,944	17.8	28,551	14.9	51,711	17.5
– Motor-driven appliances	36,707	10.0	50,132	15.8	67,057	20.8	22,477	18.3	20,167	15.8
– Electronic appliances	39,282	20.8	35,201	28.6	38,650	34.6	22,368	36.9	15,711	35.8
Subtotal	126,941	11.3	148,998	16.6	194,651	20.9	73,396	19.6	87,589	18.7
Non-electric household goods										
– Garden hose	128,894	39.5	72,876	40.2	85,082	38.4	65,142	39.6	47,414	35.1
– Others *(Note)*	3,680	13.6	1,996	12.6	6,288	18.5	3,707	21.0	2,407	20.3
Subtotal	132,574	37.5	74,872	37.9	91,370	35.7	68,849	37.8	49,821	33.9
Total/Overall gross profit margin	259,515	17.5	223,870	20.4	286,021	24.1	142,245	25.5	137,410	22.4

Note: Others include cookware, cleaning tools and other household goods etc.

Sensitivity analysis

Our gross profit, gross profit margin and profit before tax are affected by our cost of sales. Our cost of raw materials represented the majority of our cost of sales, which accounted for 68.5%, 68.8%, 68.7% and 70.0% of our total cost of sales in FY2021, FY2022, FY2023 and 1HFY2024, respectively. For illustration purpose, we set out below a sensitivity analysis of the estimated increase/decrease in our profit before tax for the respective year/period with reference to a hypothetical change in our cost of raw materials during the Track Record Period, assuming all other factors remain unchanged:

Hypothetical Fluctuation in our cost of raw materials

	Impact on our profit before tax			
	FY2021	**FY2022**	**FY2023**	**1HFY2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hypothetical increase/ decrease in cost of raw materials:				
5%	(41,801)	(30,026)	(30,997)	(16,700)
10%	(83,603)	(60,052)	(61,995)	(33,400)
15%	(125,404)	(90,078)	(92,992)	(50,100)
–5%	41,801	30,026	30,997	16,700
–10%	83,603	60,052	61,995	33,400
–15%	125,404	90,078	92,992	50,100

Our financial performance has also been impacted by fluctuations in foreign currency exchange rates as most of our sales was export sales denominated in USD while our cost of sales, including our transactions with our top five suppliers, were generally denominated in RMB during the Track Record Period. In the event of fluctuations in the foreign exchange rate of USD and RMB, our results of operations and financial condition may be affected.

Other income

The following table sets forth the breakdown of the other income of our Group during the Track Record Period:

	FY2021	FY2022	FY2023	1HFY2023	1HFY2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Government grants					
– related to expense items	5,867	13,117	7,890	4,883	1,323
– related to assets	163	163	163	81	81
	6,030	13,280	8,053	4,964	1,404
Interest income	6,243	6,081	10,168	5,093	4,942
Compensation income from customers	1,717	344	7	6	103
Sales of materials, mouldings and scraps	2,520	2,342	2,793	1,227	1,636
Rental income	548	924	647	358	464
Others	171	244	481	124	213
	17,229	23,215	22,149	11,772	8,762

Other income principally comprises (i) government grants, which mainly represents various subsidies received from the PRC government authorities, (ii) interest income, (iii) compensation income from customers and (iv) sales of materials, mouldings and scraps.

Impairment losses under expected credit loss ("ECL") model, net of reversal

The following table sets forth the breakdown of impairment losses under ECL model, net of reversal, of our Group during the Track Record Period:

	FY2021	**FY2022**	**FY2023**	**1HFY2023**	**1HFY2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Impairment losses recognised (reversed) on:					
– Trade and bills receivables	19	2,450	2,015	2,413	(627)
– Trade receivables at fair value through other comprehensive income ("**FVTOCI**")	–	127	190	84	(309)
– Other receivables	(145)	(967)	289	(161)	163
	(126)	1,610	2,494	2,336	(773)

We record impairment loss and reversal of impairment loss under ECL model, which represented the impairment losses recognised or reversed on our trade and bills receivables, trade receivables at FVTOCI and other receivables.

Other gains and losses

The following table sets forth the breakdown of other gains or losses of our Group during the Track Record Period.

	FY2021	**FY2022**	**FY2023**	**1HFY2023**	**1HFY2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Gain from wealth management products measured at FVTPL	2,216	2,874	561	467	–
Loss from foreign currency forward contracts	(199)	(8,004)	–	–	–
Net foreign exchange (losses) gains	(6,840)	14,386	9,939	7,949	8,808
Others	(1,670)	(654)	(702)	(95)	(285)
Total	(6,493)	8,602	9,798	8,321	8,523

Other gains or losses of our Group principally comprises (i) gain from wealth management products measured at FVTPL, (ii) loss from foreign currency forward contracts, which we entered into with a view to manage risks associated with foreign exchange fluctuations, (iii) net foreign exchange gain or losses and (iv) others, which include provision for litigations, gain from termination of lease contracts, compensation paid by us and gain or loss on disposal of property, plant and equipment.

Selling expenses

The following table sets forth the breakdown of the selling expenses of our Group during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Staff cost	11,342	34.0	9,733	40.2	10,435	36.9	4,415	35.5	4,963	33.3
Marketing and promotion expenses	15,315	45.9	10,214	42.2	9,037	32.0	5,024	40.4	4,562	30.6
Testing and inspection fees	3,854	11.6	2,777	11.5	3,651	12.9	1,660	13.3	2,561	17.2
Export insurance cost	750	2.2	920	3.8	2,074	7.3	465	3.7	967	6.5
Traveling and entertainment expenses	1,109	3.3	375	1.6	1,554	5.5	471	3.8	1,099	7.4
Others	969	3.0	169	0.7	1,523	5.4	405	3.3	748	5.0
Total	33,339	100.0	24,188	100.0	28,274	100.0	12,440	100.0	14,900	100.0

For FY2021, FY2022, FY2023 and 1HFY2024, our selling expenses represented 2.3%, 2.2%, 2.4% and 2.4% of our total revenue for the corresponding year/period, respectively.

Our selling expenses primarily include (i) staff cost for our sales and marketing staff, (ii) marketing and promotion expense which includes fees paid to ecommerce market place, (iii) fees for product testing and inspection services, (iv) export insurance costs, (v) traveling and entertainment expenses and (vi) others.

Administrative expenses

The following table sets forth the breakdown of the administrative expenses of our Group during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaduited)	%	*RMB'000*	%
Staff cost	55,476	54.8	47,107	53.7	45,282	50.3	20,779	50.4	22,160	48.4
Depreciation and amortisation expenses	14,674	14.5	15,007	17.1	16,160	17.9	7,906	19.2	7,771	17.0
Office expenses	8,977	8.9	7,209	8.2	8,505	9.4	4,288	10.4	5,306	11.6
Travelling and entertainment expenses	2,926	2.9	2,347	2.7	4,096	4.5	2,035	4.9	1,690	3.7
Rental and utilities	4,588	4.5	4,296	4.9	3,108	3.5	1,314	3.2	1,534	3.3
Labour Fees	2,485	2.5	2,500	2.9	2,491	2.8	1,145	2.8	1,340	2.9
Professional fees	3,466	3.4	2,822	3.2	2,878	3.2	1,462	3.5	1,048	2.3
Tax and surplus	2,664	2.6	2,461	2.8	2,581	2.9	850	2.1	1,268	2.8
Bank charges	1,835	1.8	927	1.1	692	0.8	232	0.6	266	0.6
Others	4,110	4.1	3,038	3.5	4,278	4.7	1,212	2.9	3,436	7.4
Total	101,201	100.0	87,714	100.0	90,071	100.0	41,223	100.0	45,819	100.0

For FY2021, FY2022, FY2023 and 1HFY2024, our administrative expenses represented 6.8%, 8.0%, 7.6% and 7.5% of our total revenue for the corresponding year/period, respectively.

Our administrative expenses primarily include (i) staff cost for our managerial and administrative staff, (ii) depreciation and amortisation expenses, (iii) office expenses, which include purchase of office equipments and fees paid for enterprise management software, (iv) travelling and entertainment expense, (v) rental and utilities, (vi) labour fees, (vii) professional fees, include fees paid for legal services, (viii) tax and surplus, (ix) bank charges and (x) others.

Research and Development Expenses

The following table sets forth the breakdown of our Group's research and development expenses during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaduited)	%	*RMB'000*	%
Staff cost	24,520	67.9	20,206	63.2	19,577	56.9	8,705	57.7	9,815	59.6
Direct costs	6,740	18.7	5,591	17.5	6,651	19.3	2,345	15.5	2,594	15.8
Depreciation expenses	3,518	9.7	4,399	13.8	3,549	10.3	1,742	11.5	2,084	12.7
Rental, utilities and property management fee	281	0.8	727	2.3	1,006	2.9	436	2.9	531	3.2
Others	1,037	2.9	1,058	3.2	3,664	10.6	1,858	12.4	1,431	8.7
Total	36,096	100.0	31,981	100.0	34,447	100.0	15,086	100.0	16,455	100.0

For FY2021, FY2022, FY2023 and 1HFY2024, our research and development expenses represented 2.4%, 2.9%, 2.9% and 2.7% of our total revenue for the corresponding year/period, respectively.

Our research and development expenses primarily include (i) staff costs for our R&D staff; (ii) direct costs, which mainly represent expenses for raw materials used in R&D purposes, (iii) depreciation expenses, (iv) rental, utilities and property management fee and (v) others.

Other expenses

The following table sets forth the breakdown of the other expenses of our Group during the Track Record Period:

	FY2021		FY2022		FY2023		1HFY2023		1HFY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Professional Fees	1,415	98.3	3,686	96.8	3,280	94.5	2,654	99.3	1,356	75.1
Donation	25	1.7	120	3.2	190	5.5	20	0.7	450	24.9
Total	1,440	100.0	3,806	100.0	3,470	100.0	2,674	100.0	1,806	100.0

For FY2021, FY2022, FY2023 and 1HFY2024, our other expenses represented 0.1%, 0.3%, 0.3% and 0.3% of our total revenue for the corresponding year/period, respectively.

Our other expenses include (i) professional fees incurred in connection with our previous A share listing attempt, which was terminated in 2024 and (ii) donations.

Finance Costs

The following table sets forth the breakdown of the finance costs of our Group during the Track Record Period:

	FY2021	**FY2022**	**FY2023**	**1HFY2023**	**1HFY2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on borrowings	12,713	13,014	14,689	7,152	6,893
Interest on lease liabilities	2,393	2,361	2,629	1,485	1,206
Total borrowing costs	15,106	15,375	17,318	8,637	8,099
Less: amounts capitalised in the cost of qualifying assets	–	(908)	(4,799)	(1,961)	(2,538)
	15,106	14,467	12,519	6,676	5,561

The finance costs principally comprise of (i) interest on borrowings; (ii) interest on lease liabilities, less the amounts capitalised in the cost of qualifying assets.

Income tax expenses

For FY2021, FY2022, FY2023 and 1HFY2024, our Group recorded income tax expenses of RMB11.4 million, RMB11.7 million, RMB25.2 million and RMB10.4 million, respectively. We are subject to varying tax rates in different jurisdictions. See note 11 to the Accountants' Report set out in Appendix I to this document.

Our Company and most of our subsidiaries are located in the PRC. In PRC, pursuant to the Enterprise Income Tax Law and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of our PRC subsidiaries was 25% during the Track Record Period.

Our Company enjoyed preferential tax treatments, due to preferential tax policies for being approved as High and New Technology Enterprise (高新技術企業). According to the Enterprise Income Tax Law and Implementation Regulation of the Enterprise Income Tax Law, our Company was subject to Enterprise Income Tax rate of 15% during the Track Record Period. We have been awarded "High and New Technology Enterprise" since 2016.

Our Hong Kong subsidiaries domiciled in Hong Kong are subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since 1 April 2018. The first 2 million Hong Kong dollars of profits earned by the qualifying group entity are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%.

Pursuant to the applicable U.S. federal and state income tax laws, our U.S. subsidiaries have provided income taxes on their federal and state taxable income at the 21% U.S. federal statutory corporate income tax rate and states statutory corporate tax rates of up to 8.84% throughout the Track Record Period, respectively.

Our effective income tax rate, which was calculated by dividing our income tax expense of each year/period by our profit before tax of the corresponding year/period, was 13.7%, 12.7%, 17.2% and 14.7% in FY2021, FY2022, FY2023 and 1HFY2024, respectively.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had no material disputes or unresolved tax issues with the relevant tax authorities.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

1HFY2024 compared to 1HFY2023

Revenue

The revenue of our Group increased by RMB57.5 million or 10.3% from RMB556.9 million for 1HFY2023 to RMB614.4 million for 1HFY2024, which was primarily due to the increase in revenue from sales of electric home appliances of RMB92.7 million, which was partially offset by the decrease in revenue from sales of non-electric household goods of RMB35.2 million.

The increase in revenue from sales of electric home appliances was mainly due to the increase in revenue of sales of electro-thermic appliances of RMB105.2 million primarily due to that we launched more electric kettles and slow cooker with different specifications and models as well as a new product, i.e. heating plate, during the 1HFY2024. Such increase was offset by the decrease in sales of electronic appliances of RMB16.8 million during the same period, which was mainly due to the decrease in sales of weighing scales, postal scales, laser light and slide projectors.

For the decrease in revenue from sales of non-electric household goods, it was primarily due to (i) the drop in sales volume of garden hose for 1HFY2024, after the short-term increase in sales volume of garden hose for 1HFY2023, which was attributable to upgrade to the garden hose and (ii) the decrease in average selling price of garden hose.

Cost of sales

The cost of sales of our Group increased by RMB62.3 million or 15.0% from RMB414.7 million for 1HFY2023 to RMB477.0 million for 1HFY2024, which was primarily due to the increases in our total sales and prices of our raw materials. The growth rate of our cost of sales was higher than that in our revenue, mainly because the average selling price of our products decreased followed by negotiations between our customers and us.

Gross profit and Gross Profit Margin

Despite that we recorded an increase of 10.3% in our revenue for 1HFY2024 as compared to 1HFY2023, our gross profit decreased by RMB4.8 million or 3.4% from RMB142.2 million for 1HFY2023 to RMB137.4 million for 1HFY2024, mainly because our gross profit margin decreased from 25.5% to 22.4% during the same period. The decrease in our Group's gross profit margin was primarily due to the decrease in gross profit margin of garden hose and motor-driven appliances. The aggregate sales amount of garden hoses and motor-driven appliances account for 51.6% and 42.7% of our total sales for 1HFY2023 and 1HFY2024, respectively.

The decrease of gross profit margins of garden hose and motor driven appliances were mainly attributable to the decrease of their average selling price for 1HFY2024 as compared with 1HFY2023. Having considered the depreciation of RMB against USD in FY2023, which would positively affect our revenue recognised and our gross profit margin, our major customers negotiated with us to further lower the selling price of our major products.

Although the average selling prices of our electric-thermic appliances decreased for 1HFY2024 compared to 1HFY2023, its gross profit margin increased from 14.9% for 1HFY2023 to 17.5% for 1HFY2024, primarily as a result of (i) the increase in sales of products with lower selling price but higher gross profit margin and (ii) a new product, i.e. heating plate, with higher gross profit margin launched in 1HFY2024.

Other income

The other income of our Group decreased by RMB3.0 million or 25.4% from RMB11.8 million for 1HFY2023 to RMB8.8 million for 1HFY2024. Such decrease was mainly due to the absence of specific special government subsidies, previously available in 1HFY2023 and that only a small portion of export foreign exchange rewards were issued in 1HFY2024 as compared to 1HFY2023.

Impairment losses under expected credit loss model, net of reversal

The impairment losses of our Group decreased and we recorded a reversal of loss of 0.8 million in 1HFY2024 as compared to an impairment loss of RMB2.3 million for 1HFY2023. Such reversal was mainly due to reversal of impairment loss on trade and bills receivables in 1HFY2024.

Other gains and losses

Our other gains and losses remained relatively stable at RMB8.3 million for 1HFY2023 and RMB8.5 million for 1HFY2024.

Selling expenses

The selling expenses of our Group increased by RMB2.5 million or 20.2% from RMB12.4 million for 1HFY2023 to RMB14.9 million for 1HFY2024. Such increase was mainly the result of the increase in (i) testing and inspection fees, (ii) staff cost for our sales and marketing staff, and (iii) travelling and entertainment expenses.

Administrative expenses

The administrative expenses of our Group increased by RMB4.6 million or 11.2% from RMB41.2 million for 1HFY2023 to RMB45.8 million for 1HFY2024. Such increase was mainly due to the increases in (i) managerial and administrative staff costs and (ii) start-up costs for X.J. Electrical Appliances included in other expenses.

Research and development expenses

Our Group's research and development expenses increased by RMB1.4 million or 9.3% from RMB15.1 million for 1HFY2023 to RMB16.5 million for 1HFY2024, primarily due to an increase in staff costs, due to increase in the number of R&D staffs and direct costs.

Other Expenses

Our Group's other expenses decreased by RMB0.9 million or 33.3% from RMB2.7 million for 1HFY2023 to RMB1.8 million for 1HFY2024, mainly attributable to the decrease of professional fees incurred in connection to our previous A share listing attempt. We voluntarily withdrew our A share listing application in the first half of 2024. For details, please see "History, Development and Corporate Structure – Previous A Share Listing Attempt" in this document.

Finance Costs

Our finance costs decreased from RMB6.7 million in 1HFY2023 to RMB5.6 million in 1HFY2024, which was primarily attributable to the increase in the amounts capitalised in the cost of construction in progress primarily arisen from the construction of our XJ Intelligence Factory.

Profit before tax

As a result of the foregoing, our profit before tax decreased from RMB81.9 million in 1HFY2023 to RMB70.9 million in 1HFY2024.

Income tax expenses

The income tax expenses of our Group decreased by RMB2.4 million or 18.8% from RMB12.8 million for 1HFY2023 to RMB10.4 million for 1HFY2024. The decrease in our income tax expenses was principally the result of decrease in our profit for 1HFY2024.

Profit for the period

As a result of the foregoing, the profit for the period decreased by RMB8.6 million or 12.4% from RMB69.1 million in 1HFY2023 to RMB60.5 million in 1HFY2024.

FY2023 compared to FY2022

Revenue

The revenue of our Group increased by RMB91.3 million or 8.3% from RMB1,097.0 million for FY2022 to RMB1,188.3 million for FY2023, which was primarily attributable to an overall higher sales of both electric home appliances and non-electric household goods in FY2023. Such increase was reflected by (i) the increases in our revenue from electro-thermic appliances, motor-driven appliances and non-electric household goods, which benefited from the consumption growth of small home appliance in the United States during FY2023 as compared to FY2022; and (ii) the increase in our revenue from garden hoses, reflecting the success of its upgrade in FY2022. The above increases were partially offset by the decrease in sales from electronic appliances by RMB11.4 million. In particular, there was a decrease in sales of electronic scales, salt grinder and knife sharpener.

Cost of Sales

The cost of sales of our Group increased by RMB29.2 million or 3.3% from RMB873.1 million for FY2022 to RMB902.3 million for FY2023. The growth rate of our cost of sales in FY2023 was lower than that of our revenue during the same year was primarily due to the decrease in the average cost of our major raw materials in FY2023 which outpaced the decrease in the average selling prices of our products. Considering the trend of appreciation of the USD against RMB and the decrease in the cost of our raw materials, our customers negotiated with us to reduce the selling price of our major products.

Gross profit and Gross Profit Margin

The gross profit of our Group increased by RMB62.1 million or 27.7% from RMB223.9 million for FY2022 to RMB286.0 million for FY2023, which was primarily due to revenue growth in most product categories and the improvement of our overall gross profit margin. The increase in our overall gross profit margin for FY2023 was mainly driven by the increase of gross profit margin of electric home appliances, which was mainly due to that the percentage decrease in the average cost of sales of these appliances exceeded the percentage decrease in average selling price of these products. The increase of gross profit margin of electric home appliances was partially offset by the decrease of gross profit margin of garden hose in FY2023, as the increase in average cost of sales outweigh the increase in average selling price of garden hose, following its successful upgrade in FY2022.

Other income

The other income of our Group decreased by RMB1.1 million or 4.7% from RMB23.2 million for FY2022 to RMB22.1 million for FY2023, which was primarily attributable to the absence of government grant in relation to our previous A share listing attempt for FY2023, partially offset by the increase in interest income from bank deposits.

Impairment losses under expected credit loss model, net of reversal

Our impairment losses under expected credit loss model, included an increase from an impairment loss of RMB1.6 million for FY2022 to an impairment loss of RMB2.5 million for FY2023. This increase was primarily due to the turnaround from the impairment losses reversal on other receivables in FY2022 to impairment losses recognised on other receivables in FY2023.

Other gains and losses

Our Group recorded other gains of RMB8.6 million and RMB9.8 million for FY2022 and FY2023, respectively. The increase in other gains was primarily because our Group did not record a loss from foreign currency forward contracts in FY2023, unlike in FY2022, where we recorded a loss of RMB8.0 million from foreign currency forward contracts, which was partially offset by (i) decrease in net gain from wealth management products at FVTPL; and (ii) decrease in net foreign exchange gains.

Selling expenses

The selling expenses of our Group increased by RMB4.1 million or 16.9% from RMB24.2 million for FY2022 to RMB28.3 million for FY2023. Such increase was mainly due to the increase in the sales of our products, reflected by the increases in (i) export insurance costs of RMB1.2 million, (ii) testing and inspection fees of RMB0.9 million and (iii) other expenses of RMB1.4 million. Our export insurance costs increased in FY2023 primarily as a result of the reduction in government subsidies associated with export credit insurance.

Administrative expenses

The administrative expenses of our Group increased by RMB2.4 million or 2.7% from RMB87.7 million for FY2022 to RMB90.1 million for FY2023. Such increase was mainly due to the increase in the sales of our products, reflected by the increases in (i) office expenses and (ii) travelling and entertainment expenses, partially offset by the decrease in staff cost for our administrative staff.

Research and development expenses

Our Group's research and development expenses increased by RMB2.4 million or 7.5% from RMB32.0 million for FY2022 to RMB34.4 million for FY2023, primarily due to increase in other expenses (including designing expenses for various research and development projects).

Other Expenses

Our Group's other expenses decreased by RMB0.3million or 7.9% from RMB3.8million for FY2022 to RMB3.5 million for FY2023, mainly attributable to the decrease of professional fees incurred in connection to our previous A share listing attempt.

Finance Costs

Our Group recorded net finance costs of RMB14.5 million and RMB12.5 million for FY2022 and FY2023, respectively. Such decrease was primarily attributable to the increase of the amounts capitalised in the costs of construction in progress of RMB3.9 million primarily arisen from the construction of our XJ Intelligence Factory.

Profit before tax

As a result of the foregoing, our profit before tax increased from RMB91.9 million in FY2022 to RMB146.7 million in FY2023.

Income tax expenses

The income tax expenses of our Group increased by RMB13.5 million or 115.4% from RMB11.7 million for FY2022 to RMB25.2 million for FY2023, which was due to the increase in profit before tax for FY2023.

Profit for the Year

As a result of the foregoing, profit for the year increased by RMB41.2 million or 51.3% from RMB80.3 million in FY2022 to RMB121.5 million in FY2023.

FY2022 compared to FY2021

Revenue

The revenue of our Group decreased by RMB383.4 million or 25.9% from RMB1,480.4 million for FY2021 to RMB1,097.0 million for FY2022, primarily due to an overall lower sales of both electric home appliances and non-electric household goods in FY2022. The pandemic has prompted more people to stay at home and reduce social gathering, which has in turn boosted our sales of electric home appliances and non-electric household goods during FY2020 and FY2021. Subsequently, in FY2022, our sales has returned to our pre-pandemic level. In addition, there was a decrease in sales of garden hoses by RMB144.7 million, as we initiated product upgrade for garden hoses in FY2022 and during the same year, our sales of older version of garden hoses decreased.

Cost of sales

The cost of sales of our Group decreased by RMB347.7 million or 28.5% from RMB1,220.8 million for FY2021 to RMB873.1 million for FY2022, which was primarily due to the decrease in our total sales. The decline rate of our cost of sales in FY2022 is higher than that of our revenue during the same year, which was primarily due to the higher average selling prices of our products in FY2022 as compared to FY2021 contributed by the fluctuations of exchange rate.

Gross profit and Gross Profit Margin

The gross profit of our Group decreased by RMB35.7 million or 13.8% from RMB259.6 million for FY2021 to RMB223.9 million for FY2022. Such decrease was primarily due to the declined revenue in FY2022, partially offset by the improvement of our overall gross profit margin from 17.5% in FY2022 to 20.4% in FY2023, primarily reflected the increased gross profit margin of our electric home appliances. Gross profit margin of our electric home appliances increased from 11.3% in FY2021 to 16.6% in FY2022 attributable to (i) the depreciation of RMB against US dollars for FY2022, which in turn resulted in a higher average selling prices of our products; (ii) the increase in sales of products with higher gross profit margin, such as mechanical air fryer.

Other income

The other income of our Group increased by RMB6.0 million or 34.9% from RMB17.2 million for FY2021 to RMB23.2 million for FY2022. Such increase was mainly due to the increase in government grant in relation to our previous A-share listing attempt, partially offset by the decrease in compensation income from customers.

Impairment losses under expected credit loss model, net of reversal

Our impairment losses under expected credit loss model, included an impairment loss reversal of RMB0.1 million for FY2021 and an impairment loss of RMB1.6 million for FY2022. The increase in impairment loss recognised is mainly due to the increase in impairment loss recognised on trade and bill receivables during FY2022.

Other gains and losses

Our Group recorded other losses of RMB6.5 million for FY2021 and other gains of RMB8.6 million for FY2022. The increase in other gains was primarily attributable to the increase of gain from wealth management products at FVTPL and the turnaround from net foreign exchange losses to net foreign exchange gains for FY2022, which was partially offset by increase in loss from foreign currency forward contracts as a result of the fluctuation in exchange rate between RMB and USD in FY2022.

Selling expenses

The selling expenses of our Group decreased by RMB9.1 million or 27.3% from RMB33.3 million for FY2021 to RMB24.2 million for FY2022. Such decrease was mainly due to our declined revenue, reflected by (i) a decrease in staff cost for our sales and marketing staff by RMB1.6 million and (ii) a decrease in marketing and promotion expenses by RMB4.5 million.

Administrative expenses

The administrative expenses of our Group decreased by RMB13.5 million or 13.3% from RMB101.2 million for FY2021 to RMB87.7 million for FY2022. Such decrease was mainly due to our declined revenue, reflected by the decrease in (i) our staff costs for our managerial and administrative staff and (ii) office expenses, which was in line with our decrease of sales for FY2022.

Research and Development Expenses

Our Group's research and development expenses decreased by RMB4.1 million or 11.4% from RMB36.1 million for FY2021 to RMB32.0 million for FY2022, primarily due to our declined revenue, reflected by decrease in (i) staff cost for R&D staffs of RMB4.3 million and (ii) decrease in direct costs of RMB1.1 million which was partially offset by the increase in depreciation expenses and rental, utilities and property management fee of RMB1.3 million.

Other Expenses

Our Group's other expenses increased by RMB2.4 million or 171.4% from RMB1.4 million for FY2021 to RMB3.8 million for FY2022, mainly attributable to the increase of professional fees incurred in connection to our previous A share listing attempt.

Finance Costs

Our Group's finance costs remained relatively stable at RMB15.1 million and RMB14.5 million for FY2021 and FY2022, respectively.

Profit before tax

As a result of the foregoing, our profit before tax increased from RMB83.2 million in FY2021 to RMB91.9 million in FY2022.

Income tax expenses

The income tax expenses of our Group increased by RMB0.3 million or 2.6% from RMB11.4 million for FY2021 to RMB11.7 million for FY2022. The increase was mainly attributable to the increase in profit before tax for FY2022.

Profit for the year

As a result of the foregoing, the profit for the year increased by RMB8.5 million or 11.8% from RMB71.8 million in FY2021 to RMB80.3 million in FY2022.

DISCUSSION OF CERTAIN KEY ITEMS OF STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment mainly represent buildings, machinery and equipment, motor vehicles, electronic equipment, leasehold improvement and construction in progress. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the carrying value of our property, plant and equipment amounted to RMB229.8 million, RMB322.7 million, RMB433.7 million and RMB487.4 million, respectively. Such increase throughout the Track Record Period was primarily due to the construction of our XJ Intelligence Factory and purchase of machinery and equipment.

Right-of-use assets

Our right-of-use assets mainly consisted of leasehold lands and leased properties. Leased terms of our leased properties are fixed with various period, from 1 to 10 years. During the Track Record Period, we leased certain properties from Mr. Pan Yun, and for details, please see "Connected Transactions" in this document.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the carrying amounts of our right-of-use assets was RMB72.2 million, RMB111.5 million, RMB119.8 million and RMB108.6 million, respectively.

Our right-of-use assets increased from RMB72.2 million as at 31 December 2021 to RMB111.5 million as at 31 December 2022, mainly due to renewal of lease by X.J. Electronics (Shenzhen). Our right-of-use assets further increased to RMB119.8 million as at 31 December 2023, primarily due to addition of lease in respect of our factory located at Indonesia. Our right-of-use assets decreased from RMB119.8 million as at 31 December 2023 to RMB108.6 million as at 30 June 2024, primarily due to the depreciation charge in respect of our leasehold lands and leased properties.

Inventories

The following table sets forth details of our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	73,509	69,211	62,323	80,951
Work in progress	66,736	67,265	63,978	86,808
Finished goods	88,855	43,209	41,865	62,098
Goods in transit	38,326	21,562	42,382	25,065
	267,426	201,247	210,548	254,922
Less: provision	(22,959)	(27,509)	(36,933)	(33,969)
	244,467	173,738	173,615	220,953

Our inventories (before net of provision) decreased by 24.7% from RMB267.4 million as at 31 December 2021 to RMB201.2 million as at 31 December 2022, and then increased by 4.6% to RMB210.5 million as at 31 December 2023, which were generally in line with the fluctuation in our revenue during the same period. Our inventories (before net of provision) increased significantly to RMB254.9 million as at 30 June 2024, as we actively stocked up on inventories due to more sales orders on hand.

Our Group assesses the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, we recorded inventory provisions in the amount of RMB23.0 million, RMB27.5 million, RMB36.9 million and RMB34.0 million, respectively.

Our inventory provision increased as at 31 December 2022, due to the increase in the amount of our inventories aged over one year. Our inventory provision continued to increase as at 31 December 2023, primarily attributable to: (i) the upgrading of our older garden hoses and (ii) cancellation of order for our kettles and toasters by a customer, leading us to make inventory provisions for the affected products. Subsequently, our inventory provision decreased as at 30 June 2024, following the sale of part of the inventories for which we had made provisions as at 31 December 2023.

The following is an ageing analysis of our Group's inventories:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within and 6 months	200,189	132,541	156,336	197,414
Between 6 months and 1 year	31,280	18,326	9,804	10,890
Between 1 and 2 years	13,352	25,118	13,864	14,402
Between 2 and 3 years	8,356	8,434	14,014	10,121
Over 3 years	14,249	16,828	16,530	22,095
Total	267,426	201,247	210,548	254,922

Inventories are stated at the lower of cost and net realisable value. As at 31 December 2021, 2022, 2023 and 30 June 2024, our inventories aged over one year amounted to RMB36.0 million, RMB50.4 million, RMB44.4 million and RMB46.6 million, representing 13.4%, 25.0%, 21.1% and 18.3% of our inventories during the respective years/period.

The following table sets forth our Group's inventory turnover days for the years indicated:

	FY2021	**FY2022**	**FY2023**	**1HFY2024**
Inventory turnover days*(note)*	72	88	71	76

Note: Inventory turnover days are calculated based on the average of the beginning and ending balance of inventory (net of provision) divided by the cost of sales for the relevant year/period multiplied by number of days in the relevant year/period (i.e. 365 days for FY2021, FY2022 and FY2023 and 182 days for 1HFY2024). Average inventory is calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

For FY2021 and FY2023, our inventories turnover days remained at a similar level, at 72 days and 71 days, respectively. However, we recorded the highest inventories turnover days of 88 days for FY2022 primarily due to a higher average balance of inventories for FY2022. Although our inventory balance as at 31 December 2022 dropped by 24.7% as compared to 31 December 2021, which was generally in line with the decrease in our sales of products during the same year, our average balance of inventories for FY2022 was relatively higher as a result of the high balance of inventories as at 31 December 2021. Our inventory turnover days increased to 76 days for 1HFY2024, primarily resulted from a significant increase in inventory level as at 30 June 2024 due to more sales orders on hand.

As of 31 August 2024, RMB59.3 million, or 23.3%, of our inventories as at 30 June 2024 had been subsequently sold.

Trade and bills receivables

The following table sets forth details of our trade and bills receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	203,494	135,154	150,596	184,808
Bills receivables	331	168	–	–
Less: allowance for ECL	(43)	(2,486)	(4,503)	(3,876)
	203,782	132,836	146,093	180,932
Trade receivables at FVTOCI	25,123	11,479	15,750	14,458
Total	**228,905**	**144,315**	**161,843**	**195,390**

During the Track Record Period, our trade and bill receivables fluctuated generally in line with trends of our revenue. Our trade and bill receivables decreased by RMB84.6 million or 37.0% as at 31 December 2022 as compared to 31 December 2021, and then increased to RMB161.8 million and RMB195.4 million as at 31 December 2023 and 30 June 2024, respectively.

The following table sets out the turnover days of trade and bills receivables for the years/period indicated:

	FY2021	**FY2022**	**FY2023**	**1HFY2024**
Trade and bills receivables turnover days*(note)*	55	63	49	55

Note: Trade and bills receivables turnover days are calculated based on the average of the beginning and ending balance of trade and bills receivables (including trade receivables, bills receivables and trade receivables of FVTOCI) divided by revenue for the relevant year/period multiplied by number of days in the relevant year/period (i.e. 365 days for FY2021, FY2022 and FY2023 and 182 days for 1HFY2024). Average trade and bills receivables are calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

We typically require an advance payment or offer a credit period from 30 days to 135 days to our customers based on their assessed credit worthiness. For FY2021, FY2022, FY2023 and 1HFY2024, our trade receivables turnover days were 55 days, 63 days, 49 days and 55 days, respectively. Although the balance of trade and bill receivables dropped by 34.8% as at 31 December 2022 compared to 2021, which was primarily due to the decrease in our revenue for FY 2022, the high balance of our trade and bill receivables as at 31 December 2021 resulted in a relatively high average balance of trade and bill receivables for FY2022, and therefore our trade receivables turnover days increased from 55 days in FY2021 to 63 days in FY2022. On the other hand, the relatively lower opening balance of our trade and bill receivables in FY2023 resulting in a lower average balance of our trade and bill receivables and a shorter trade receivable turnover days of 49 days in FY2023 compared to that of FY2022. Our trade receivable turnover days then increased to 55 days for 1HFY2024 primarily due to our increase in trade and bill receivables outpaced the increase in our revenue.

As at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, the ageing analysis of the trade receivables presented based on dates of delivery of good, which approximated the respective revenue recognition dates, is as follows:

	As at 31 December			**As at 30 June**
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	228,107	141,733	161,620	195,521
1–2 years	453	4,537	938	123
2–3 years	52	338	3,529	444
Over 3 years	5	25	259	3,178
	228,617	146,633	166,346	199,266

As at the Latest Practicable Date, RMB158.5 million of trade and bills receivables as at 30 June 2024 was settled.

Prepayments and Other Receivables

Our Group's prepayments primarily consist of (i) receivables for payments made on behalf of customers, (ii) other tax recoverable, (iii) prepayments, (iv) receivables from suppliers for litigation settlement, (v) prepaid professional fee, (vi) rental and other deposits (vii) refundable deposits for land and (viii) others.

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other tax recoverable	15,179	17,739	29,080	33,748
Prepayments	7,548	5,806	3,771	7,789
Prepaid professional fee	–	1,218	1,356	–
Receivables for payments made on behalf of customers	21,453	–	–	3,578
Receivables from suppliers for litigation settlement	6,846	6,823	7,274	7,274
Rental and other deposits	3,529	3,916	4,442	4,399
Refundable deposits for land use rights	2,000	2,000	2,000	7,973
Others	1,974	3,629	1,262	2,065
	58,529	41,131	49,185	66,826
Less: Allowance for ECL	(7,993)	(7,026)	(7,315)	(7,478)
	50,536	34,105	41,870	59,348

Our prepayments and other receivables decreased from RMB50.5 million for FY2021 to RMB34.1 million for FY2022, mainly attributable to the absence of receivables for payments made on behalf of customers in the amount of RMB21.5 million in FY2022 as compared with FY2021, which include shipping payments we made on behalf of our customers at their request during the pandemic.

Our prepayments and other receivables increased from RMB34.1 million for FY2022 to RMB41.9 million for FY2023, mainly attributable to the increase of other tax recoverable from RMB17.7 million to RMB29.1 million. Other tax recoverable mainly consist of refundable value added tax paid on export goods and prepaid VAT that has not been deducted. Other tax recoverable increased significantly as at 31 December 2023 as compared to other tax recoverable as at 31 December 2022 primarily due to that (i) there was a time lag for export tax rebate at the end of 2023; and (ii) the construction of our XJ Intelligence Factory increased our input VAT, which has not been deducted at the end of 2023.

Our prepayments and other receivables increased from RMB41.9 million as at 31 December 2023 to RMB59.3 million as at 30 June 2024, mainly attributable to that (i) we paid a deposit of RMB6.0 million for the acquisition of a parcel of land in Thailand for the establishment of our Thailand Factory; and (ii) we actively stocked up on inventories due to more sales orders on hand which increased other tax recoverable and prepayment.

Trade and bills payables

Our trade and bills payables mainly represented the outstanding amounts payable by us to our suppliers of production materials and subcontracting fees. During the Track Record Period, we mainly settled our bills with suppliers through bank transfer and the credit period on purchases of goods and services granted to our Group by our suppliers was within 120 days. We may also settle our purchases for production materials by way of bills.

The table below sets out the breakdowns of our trade and bills payables as at the dates indicated below:

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	261,025	192,270	257,273	283,360
Bills payables	32,650	16,527	17,357	28,992
	293,675	208,797	274,630	312,352

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the ageing analysis of our Group's trade payables based on the date of goods and services received at the end of each year/period is as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	258,984	186,790	254,672	280,034
1–2 years	467	3,572	371	763
2–3 years	282	344	558	569
Over 3 years	1,292	1,564	1,672	1,994
	261,025	192,270	257,273	283,360

The following table sets out the trade and bills payables turnover days for the years/period indicated:

	FY2021	**FY2022**	**FY2023**	**1HFY2024**
Trade and bills payables turnover days*(note)*	102	105	98	112

Note: Trade and bills payables turnover days are calculated based on the average of the beginning and ending balance of trade and bills payables divided by the cost of sales for the relevant year/period multiplied by number of days in the relevant year/period (i.e. 365 days for FY2021, FY2022 and FY2023 and 182 days for 1HFY2024). Average trade and bills payables are calculated as the sum of the beginning balance and ending balance for the relevant year/period, divided by two.

Trade and bills payables turnover days were 102 days, 105 days, 98 days and 112 days for FY2021, FY2022, FY2023 and 1HFY2024, respectively, which fell within the range of credit periods granted by our suppliers. Our trade payables turnover days increased from 98 days for FY2023 to 112 days for 1HFY2024, mainly because we stocked up on inventories in 1HFY2024 as a result of more sales orders on hand.

As at the Latest Practicable Date, RMB210.0 million of our Group's trade and bills payables as at 30 June 2024 has been settled.

Other payables and accruals

The table below sets out the breakdowns of our other payables and accruals as at the dates indicated below:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued employees' benefits	20,651	17,310	21,201	17,017
Payables for acquisition of property, plant and equipment	14,377	31,493	70,270	43,428
Other accrued charges	6,503	4,869	4,813	7,920
Settlement payables to suppliers on behalf of customers	8,204	5,113	2,009	3,414
Other taxes payable	3,694	4,108	3,607	1,953
Deposits received	921	757	929	949
Others	1,077	322	401	380
	55,427	63,972	103,230	75,061

Our Group's other payables and accruals amounted to RMB55.4 million, RMB64.0 million, RMB103.2 million and RMB75.1 million as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. The change in the amount of other payables and accruals as at 31 December 2021, 2022 and 2023 was mainly attributable to the payables for acquisition of property, plant and equipment incurred for the construction of XJ Intelligence Factory that we began in 2020.

Our other payables and accruals decreased as at 30 June 2024, which was mainly due to the fact that we had (i) completed the construction of our XJ Intelligence Factory and (ii) paid out the performance bonus awarded to employees for FY2023.

Contract liabilities

Contract liabilities represented our obligations to provide the contracted products to customers. Our contract liabilities mainly arise from the advance payment made by customers while the underlying products are not yet to be provided. As at 31 December 2021, 2022 and 2023 and 30 June 2024, we recorded contract liabilities of RMB46.5 million, RMB36.3 million, RMB59.3 million and RMB44.9 million, respectively.

As at the Latest Practicable Date, RMB32.7 million, or 72.8%, of the outstanding balance of our contract liabilities as at 30 June 2024 was recognised as revenue.

Net Current Assets

The following table sets forth the details of current assets and current liabilities of our Group as at the respective dates indicated.

	As at 31 December			As at 30 June	As at 31 August
	2021	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current assets					
Inventories	244,467	173,738	173,615	220,953	252,189
Income tax recoverable	2,264	252	3,093	3,666	1,454
Trade and bills receivables	203,782	132,836	146,093	180,932	288,716
Prepayments and other receivables	47,283	30,598	37,837	55,347	48,774
Trade receivables at fair value through other comprehensive income ("**FVTOCI**")	25,123	11,479	15,750	14,458	11,186
Pledged and restricted bank deposits	2,274	–	–	145	145
Bank balances and cash	364,877	381,560	548,338	497,018	447,319
	890,070	730,463	924,726	972,519	1,049,783
Current liabilities					
Trade and bills payables	293,675	208,797	274,630	312,352	320,092
Other payables and accruals	55,427	63,972	103,230	75,061	86,663
Income tax payable	1,584	6,497	9,010	7,882	9,459
Borrowings	249,276	115,112	129,294	160,524	192,868
Lease liabilities	13,641	19,679	23,636	24,415	22,680
Contract liabilities	46,497	36,261	59,338	44,855	46,488
Deferred income	163	163	163	163	163
	660,263	450,481	599,301	625,252	678,413
Net current assets	229,807	279,982	325,425	347,267	371,370

Our Group had net current assets positions at the end of each reporting period and 31 August 2024. Despite the substantial amount of investment for the construction of XJ Intelligence Factory, our net current assets demonstrated an upward trend throughout the Track Record Period and further increased during the two months ended 31 August 2024. This was primarily due to that (i) we optimised our debt structure and (ii) we did not declare or pay any dividend during the Track Record Period and continuously invested our internally generated cash flow into our Group's production and operation.

Our Group's net current assets increased by 21.8% from RMB229.8 million as at 31 December 2021 to RMB280.0 million as at 31 December 2022, mainly due to (i) a decrease in borrowings of RMB134.2 million and (ii) a decrease in trade and bills payables of RMB84.9 million, which were partially offset by (i) a decrease in inventory of RMB70.7 million and (ii) a decrease in trade and bills receivables of RMB70.9 million.

Our Group's net current assets increased by 16.2% from RMB280.0 million as at 31 December 2022 to RMB325.4 million as at 31 December 2023, mainly due to an increase in bank balances and cash of RMB166.8 million which was partially offset by an increase in trade and bills payables of RMB65.8 million and an increase in other payables and accruals of RMB39.3 million.

Our net current assets increased by 6.3% from RMB325.4 million as at 31 December 2023 to RMB347.3 million as at 30 June 2024. Such increase was mainly due to (i) an increase in inventory of RMB47.3 million, (ii) an increase in trade and bills receivables of RMB34.8 million and (iii) a decrease in other payables and accruals of RMB28.2 million, which were partially offset by (i) a decrease in bank balances and cash of RMB51.3 million and (ii) an increase in borrowings of RMB31.2 million.

Our net current assets further increased slightly by 6.9% from RMB347.3 million as at 30 June 2024 to RMB371.4 million as at 31 August 2024. Such increase was mainly due to (i) an increase in trade and bills receivables of RMB107.8 million; and (ii) an increase in inventory of RMB31.2 million, which were partially offset by (i) a decrease in bank balances and cash of RMB49.7 million, (ii) an increase in borrowings of RMB32.3 million and (iii) an increase in other payables and accruals of RMB11.6 million.

INDEBTEDNESS

The following table sets out our Group's indebtedness excluding contingent liabilities as at the respective dates:

	As at 31 December			As at 30 June	As at 31 August
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Current liabilities					
Borrowings	249,276	115,112	129,294	160,524	192,868
Lease liabilities	13,641	19,679	23,636	24,415	22,680
	262,917	134,791	152,930	184,939	215,548
Non-current liabilities					
Borrowings	–	65,312	117,502	131,437	120,805
Lease liabilities	4,691	39,443	46,346	35,338	32,729
	4,691	104,755	163,848	166,775	153,534

Borrowings

Our borrowings represents (i) secured and guaranteed and (ii) unsecured and guaranteed bank loans. The following table sets out our Group's borrowings as at the respective dates:

	As at 31 December			As at 30 June	As at 31 August
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
Secured and guaranteed	228,033	122,856	183,417	223,419	237,669
Unsecured and guaranteed	21,243	57,568	63,379	68,542	76,004
	249,276	180,424	246,796	291,961	313,673

At the end of each reporting period and 31 August 2024, our bank borrowings were secured by bank deposits, trade receivables, property, plant and equipment, investment properties and leasehold land, and all of them were guaranteed by our Controlling Shareholders. Our Directors confirmed that the personal guarantee given by our Controlling Shareholders will be released upon the **[REDACTED]**. For details, please see note 28 to the Accountants' Report in Appendix I to this document.

The annual interest rates of our Group's bank borrowings ranged from 4.50–6.10% for bank borrowings as at 31 December 2021, ranged from 4.30–10.89% for bank borrowings as at 31 December 2022, ranged from 3.90–6.83% for bank borrowings as at 31 December 2023 and ranged from 2.90–6.83% for bank borrowings as at 30 June 2024.

The Directors confirm that there was no material delay or default in the repayment of bank borrowings and our Group did not have any difficulties in obtaining bank borrowings during the Track Record period and up to the Latest Practicable Date.

The Directors confirm that as at the Latest Practicable Date, there was no material covenant on any of the outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. The Directors further confirm that our Group did not have any material default in payment of trade and other payables and accruals, bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

As at the Latest Practicable Date, our Group had unutilised banking facilities amounted to RMB515.8 million.

LEASE LIABILITIES

The following table sets forth details of our lease liabilities as at the dates indicated:

	As at 31 December			As at 30 June	As at 31 August
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Lease liabilities payable:					
Within one year	13,641	19,679	23,636	24,415	22,680
Within a period of more than one year but not more than two years	3,052	19,269	17,152	11,548	10,906
Within a period of more than two years but not more than five years	1,639	20,174	21,061	17,172	14,293
Over five years	–	–	8,133	6,618	7,581
	18,332	59,122	69,982	59,753	55,410
Less: Amount due for settlement within 12 months shown under current liabilities	(13,641)	(19,679)	(23,636)	(24,415)	(22,680)
Amount due for settlement after 12 months shown under non-current liabilities	4,691	39,443	46,346	35,338	(32,729)

Statement of Indebtedness

Except as disclosed above, and apart from intra-group liabilities and normal trade payables, as of 31 August 2024, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees. Our Directors confirm that there has not been any material change in our indebtedness since 31 August 2024.

CAPITAL COMMITMENTS

The following table sets forth a summary of our capital commitments as of the dates indicated:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided for in the Historical Financial Information				
– Property, plant and equipment	315,051	208,223	86,947	7,814

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, our operations were generally financed through a combination of internally generated cash flows and bank borrowings. Our Directors believe that in the long term, our operations will be funded primarily by cash generated from operations and bank and other borrowings, the **[REDACTED]** from the **[REDACTED]** and, if necessary, additional equity financing when the needs come.

The following table sets forth the selected cash flow data from the consolidated statements of cash flows for the years/periods as indicated:

	FY2021	FY2022	FY2023	1HFY2023	1HFY2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Operating cash flows before movements in working capital changes	166,509	168,075	215,977	115,935	90,995
Change in working capital	(138,290)	62,297	52,827	(4,410)	(57,649)
Income tax paid	(10,230)	(5,908)	(26,014)	(13,697)	(11,283)
Net cash generated from operating activities	17,989	224,464	242,790	97,828	22,063
Net cash used in investing activities	(36,223)	(116,446)	(112,103)	(60,614)	(97,177)
Net cash generated from/(used in) financing activities	16,163	(108,484)	24,598	34,468	12,751
Net (decrease)/increase in cash and cash equivalents	**(2,071)**	**(466)**	**155,285**	**71,682**	**(62,363)**
Effect of foreign exchange rate changes	(10,028)	17,149	11,493	9,556	11,043
Cash and cash equivalents at the beginning of year/period	376,976	364,877	381,560	381,560	548,338
Cash and cash equivalents at the end of year/period	**364,877**	**381,560**	**548,338**	**462,798**	**497,018**

Net cash generated from operating activities

Net cash generated from operating activities in 1HFY2024 was RMB22.1 million, which was primarily attributable to our profit before tax for 1HFY2024 of RMB70.9 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included, increase in trade and bills payables of RMB47.0 million, and (ii) negative adjustments, which primarily included increase in inventories of RMB44.4 million, increase in trade and bills receivables of RMB34.2 million and decrease in contract liabilities of RMB14.5 million.

Net cash generated from operating activities in FY2023 was RMB242.8 million, which was primarily attributable to our profit before tax for FY2023 of RMB146.7 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included, depreciation of property, plant and equipment of RMB40.0 million, depreciation of right-of-use assets of RMB24.9 million and increase in trade and bills payables of RMB65.8 million, and (ii) negative adjustments, which primarily included interest income of RMB10.2 million and increase in trade and bills receivables of RMB15.3 million.

Net cash generated from operating activities in FY2022 was RMB224.5 million, which was primarily attributable to our profit before tax for FY2022 of RMB91.9 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily include depreciation of property, plant and equipment of RMB47.1 million, depreciation of right-of-use assets of RMB23.7 million, decrease in inventories of RMB66.2 million, decrease in trade and bills receivables of RMB68.5 million, decrease in prepayments and others receivables of RMB17.8 million, and (ii) negative adjustments, which primarily included decrease in trade and bills payables of RMB84.9 million.

Net cash generated from operating activities in FY2021 was RMB18.0 million, which was primarily attributable to our profit before tax for FY2021 of RMB83.2 million adjusted by certain non-cash and working capital items, including (i) positive adjustments, which primarily included depreciation of property, plant and equipment of RMB50.9 million, depreciation of right-of-use assets of RMB23.6 million, and (ii) negative adjustments, which primarily included increase in trade and bills receivables of RMB8.6 million, decrease in trade and bills payables of RMB89.0 million and decrease in contract liabilities of RMB23.8 million.

Net cash used in investing activities

Net cash used in investing activities in 1HFY2024 was RMB97.2 million, which was primarily attributable to purchase of property, plant and equipment of RMB96.7 million.

Net cash used in investing activities in FY2023 was RMB112.1 million, which was primarily attributable to purchase of property, plant and equipment of RMB124.5 million and purchase of wealth management products at FVTPL of RMB239.0 million, partially offset by proceeds from redemption of wealth management products at FVTPL of RMB239.6 million.

Net cash used in investing activities in FY2022 was RMB116.4 million, which was primarily attributable to purchase of wealth management products at FVTPL of RMB461.0 million and purchase of property, plant and equipment of RMB121.6 million, partially offset by proceeds from redemption of wealth management products at FVTPL of RMB463.9 million.

Net cash used in investing activities in FY2021 was RMB36.2 million, which was primarily attributable to purchase of wealth management products at FVTPL of RMB100.0 million and purchase of property, plant and equipment of RMB55.7 million, partially offset by proceeds from redemption of wealth management products at FVTPL of RMB102.2 million.

Net cash generated from (used in) financing activities

Net cash generated from financing activities in 1HFY2024 was RMB12.8 million, which was primarily attributable to new borrowing raised of RMB262.5 million, partially offset by repayment of borrowings of RMB226.5 million, repayment of lease liabilities of RMB12.6 million and interest paid for borrowings of RMB9.4 million.

Net cash generated from financing activities in FY2023 was RMB24.6 million, which was primarily attributable to new borrowing raised of RMB380.9 million, partially offset by repayment of lease liabilities RMB23.2 million and repayment of borrowings of RMB316.3 million.

Net cash used in financing activities in FY2022 was RMB108.5 million, which was primarily attributable to repayment of borrowings of RMB569.8 million and repayment of lease liabilities of RMB22.9 million, partially offset by new borrowings raised of RMB500.9 million.

Net cash generated from financing activities in FY2021 was RMB16.2 million, which was primarily attributable to new borrowing raised of RMB765.4 million, partially offset by repayment of lease liabilities RMB22.7 million, interest paid for borrowings of RMB13.1 million and repayment of borrowings of RMB711.0 million.

WORKING CAPITAL

The Directors are of the opinion that, taking into consideration our Group's internal resources, the banking facilities presently available to our Group, and the estimated **[REDACTED]** from the **[REDACTED]**, our Group has sufficient working capital for our Group's present requirements for at least the next 12 months commencing from the date of this document.

CAPITAL EXPENDITURES

The capital expenditure of our Group primarily consists of expenditures on buildings and machinery and equipment. The capital expenditures of our Group amounted to RMB63.9 million, RMB139.7 million, RMB168.2 million and RMB72.4 million for FY2021, FY2022, FY2023 and 1HFY2024, respectively.

The table below sets forth a breakdown of our historical capital expenditures for the periods indicated.

	FY2021	**FY2022**	**FY2023**	**1HFY2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	16,272	–	–	–
Machinery and equipment	14,751	12,410	16,436	19,847
Motor vehicles	400	166	626	311
Electronic equipment	1,182	523	1,538	1,078
Leasehold improvement	2,581	426	1,192	40
Construction in progress	28,759	126,208	148,435	51,167
Total	63,945	139,733	168,227	72,443

The capital expenditures incurred during the Track Record Period mainly represented additions of plant, machinery and construction of our XJ Intelligence Factory, which was completed in 1HFY2024. We financed our capital expenditures primarily through our cash generated from our operating activities and bank loans.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS OR COMMITMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group did not have any off-balance sheet arrangements or commitments.

KEY FINANCIAL RATIOS

	For the year ended/As at 31 December			For the six months ended/As at 30 June
	2021	2022	2023	2024
Current ratio[(1)]	1.3 times	1.6 times	1.5 times	1.6 times
Quick ratio[(2)]	1.0 times	1.2 times	1.3 times	1.2 times
Return on equity[(3)]	12.3%	12.1%	15.5%	N/A[(4)]
Return on total assets[(5)]	5.7%	6.6%	7.8%	N/A[(4)]
Gearing ratio[(6)]	42.9%	27.2%	31.4%	34.5%

Notes:

(1) Current ratio is calculated by dividing current assets with current liabilities as at the end of the respective year/period.

(2) Quick ratio is calculated by dividing total current assets net of inventory with current liabilities as at the end of the respective year/period.

(3) Return on equity is calculated by profit for the year/period attributable to owners of our Company divided by equity attributable to owners of our Company as at the end of the respective year/period multiplied by 100%.

(4) This semi-annual number is not meaningful as it is not comparable to the annual numbers.

(5) Return on total assets is calculated by profit for the year/period attributable to owners of our Company divided by total assets as at the end of the respective year/period multiplied by 100%.

(6) Gearing ratio is calculated based on the total borrowings divided by total equity as at the end of respective year/period multiplied by 100%.

Current ratio

Our current ratio increased from 1.3 times as at 31 December 2021 to 1.6 times as at 31 December 2022, mainly because of the repayment of certain of our short-term bank loans during FY2022. Our current ratio remained relatively stable at 1.6 times, 1.5 times and 1.6 times as at 31 December 2022 and 2023 and 30 June 2024.

Quick ratio

Our Group's quick ratio was 1.0 times, 1.2 times, 1.3 times and 1.2 times as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, which was generally in line with the fluctuation in our current ratio.

Return on equity

Our Group's return on equity remained relatively stable at 12.3% and 12.1% for FY2021 and FY2022, and then increased to 15.5% for FY2023. Such increase was primarily due to the growth of our profit outpaced that of our total equity during FY2023.

Return on total assets

Our return on total assets increased from 5.7% for FY2021 to 6.6% for FY2022 and further to 7.8% for FY2023, primarily attributable to the increase in our net profit during FY2022 and FY2023, outweighed the increase in our total assets.

Gearing ratio

Our gearing ratio decreased from 42.9% as at 31 December 2021 to 27.2% as at 31 December 2022, primarily due to the decrease in our borrowings, partially offset by the increase in our total equity as a result of accumulation of retained earnings. Our borrowings decreased in FY2022 mainly reflected by the repayment of certain of our short term loans.

Our gearing ratio increased from 27.2% as at 31 December 2022 to 31.4% as at 31 December 2023, mainly because the increase in our borrowings outpaced the increase in our equity. Our borrowings increased significantly by 36.8% primarily due to increased long-term bank loans which was used to finance the construction of XJ Intelligence Factory in FY2023.

Our gearing ratio remained relatively stable at 31.4% and 34.5% as at 31 December 2023 and 30 June 2024.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. For details relating to our related party transactions, please see "Connected Transactions" and Note 37 to the Accountants' Report set out in Appendix I to this document. The Directors are of the view that our transactions with related parties during the Track Record Period were conducted in the ordinary course of business and on an arm's length basis, and they did not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISKS

Our business activities expose us to a variety of financial risks including foreign exchange risks, credit risks and liquidity risks. For details of our financial risk management, please see Note 36 of the Accountants' Report included in Appendix I to this document.

UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF OUR GROUP ATTRIBUTABLE TO OWNERS OF OUR COMPANY

The following unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the **[REDACTED]** (as defined in this document) on the unaudited consolidated net tangible assets of our Group attributable to owners of our Company at 30 June 2024 as if the **[REDACTED]** had taken place on that date.

The unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of our Company as at 30 June 2024 or any future dates following the **[REDACTED]**.

The following unaudited **[REDACTED]** statement of adjusted consolidated net tangible assets of our Group attributable to owners of our Company is prepared based on the audited consolidated net tangible assets of our Group attributable to owners of our Company as at 30 June 2024 as derived from the Accountants' Report, the text of which is set out in Appendix I to this document, and adjusted as described below:

	Audited consolidated net tangible assets of our Group attributable to owners of our Company as at 30 June 2024[1]	**Estimated [REDACTED] from [REDACTED]**[2]	**Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 30 June 2024**	**Unaudited [REDACTED] adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 30 June 2024 per Share**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*[3]	*HK$*[4]
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	845,185	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**	845,185	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

(1) The amount is calculated based on the audited consolidated net assets of our Group attributable to owners of our Company amounted to RMB845,274,000 as at 30 June 2024, with adjustment for intangible assets of our Group attributable to owners of our Company as at 30 June 2024 of RMB89,000 as extracted from the Accountants' Report set forth in Appendix I to this document.

(2) The estimated **[REDACTED]** from the **[REDACTED]** are based on **[REDACTED]** H shares to be issued at the **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per **[REDACTED]**, being the low end and high end of the indicated **[REDACTED]** range respectively, after deduction of the estimated **[REDACTED]** and share issue costs (including **[REDACTED]** fees and other related expenses) expected to be incurred by our Group subsequent to 30 June 2024. It does not take into account (i) any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** or (ii) any Shares which may be issued or repurchased by our Company pursuant to the general mandates.

For the purpose of calculating, the estimated **[REDACTED]** from the **[REDACTED]**, the amount denominated in Hong Kong dollars has been converted into Renminbi at an exchange rate of HK$1 to RMB0.9133, which was the exchange rate prevailing on 12 September 2024 with reference to the rate published by the People's Bank of China. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

(3) The number of shares used for the calculation of unaudited **[REDACTED]** adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is based on 272,879,509 Shares comprising 204,659,509 Shares in issue as at 30 June 2024 and **[REDACTED]** H Shares to be issued, assuming the **[REDACTED]** had been completed on 30 June 2024. It does not take into account (i) any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** or (ii) any Shares which may be issued or repurchased by our Company pursuant to the general mandates.

(4) The audited **[REDACTED]** adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is converted from Renminbi to Hong Kong dollars at the rate of HK$1 to HK$0.9133, which was the exchange rate prevailing on 12 September 2024 with reference to the rate published by the People's Bank of China. No representation is made that the Renminbi amounts have been, would have been or may be converted to Hong Kong dollars, or vice versa, at that date or at any other rates or at all.

(5) No adjustment has been made to the unaudited **[REDACTED]** adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 30 June 2024 to reflect any operating result or other transactions of our Group entered into subsequent to 30 June 2024.

[REDACTED] EXPENSES

The total **[REDACTED]** expenses are expected to be HK$**[REDACTED]** million, which is approximately **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]** (assuming **[REDACTED]** will not be exercised and based on an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** range) with (i) an amount of approximately HK$**[REDACTED]** million being directly attributable to the issuance of H Shares will be deducted from our equity upon completion of the **[REDACTED]**; and (ii) an amount of approximately HK$**[REDACTED]** million to be charged to profit or loss of our Group. Such **[REDACTED]** expenses comprise **[REDACTED]**-related expenses of HK$**[REDACTED]** million and non-**[REDACTED]** expenses of HK$**[REDACTED]** million, which includes (i) professional fees paid and payable to the Sole Sponsor, legal advisers, and the reporting accountants of HK$**[REDACTED]** million, and (ii) fees paid and payable to other working parties and other expenses in relation to the **[REDACTED]** and the **[REDACTED]** of HK$**[REDACTED]** million.

During the Track Record Period, we did not incur any **[REDACTED]** expenses. The **[REDACTED]** expenses above are our Directors' best estimate as of the Latest Practicable Date and for reference only, and the actual amount may differ from this estimate.

DISTRIBUTABLE RESERVES

As at 30 June 2024, we had RMB503.6 million of retained earnings available for distribution to our Shareholders.

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we did not declare or distribute any dividend.

In order to return capital to our Shareholders in line with our growth, we have adopted in our general dividend policy a dividend payout ratio of no less than 30% of our annual distributable net profit of the immediately preceding year for each of the three financial years upon **[REDACTED]** (including the year of the **[REDACTED]**) (the "**Initial Period**"). After the Initial Period, pursuant to such general policy, we will determine the dividend payout ratio with reference to our results of operations, cash flows, financial condition, operating and capital expenditure requirements, distributable profits and other factors that our Directors may consider relevant. We may declare and pay dividends by way of cash or by other means that we consider appropriate. The dividend payout ratio will be decided by our Board at their discretion and distribution of dividends will be subject to Shareholders' approval. In addition, our dividend policy will also be subject to our Articles of Association, the PRC Company Law and any other applicable law and regulations.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, save for the estimated non-recurring **[REDACTED]** expenses, up to the date of this document, there has been no material adverse change in our financial operational and/or trading position or prospects of our Group since 30 June 2024, which is the end date of the period reported on in the Accountants' Report in Appendix I to this document, and there is no event since 30 June 2024 and up to the date of this document which would materially affect the information shown in the Accountants' Report in Appendix I to this document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rule 13.13 to Rule 13.19 of the Listing Rules.

FUTURE PLANS

For a detailed description of our future plans, please see "Business – Our Strategies" in this document.

[REDACTED]

We estimate that we will receive **[REDACTED]** from the **[REDACTED]**, after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]**, of approximately HK$**[REDACTED]** million (i.e. approximately RMB**[REDACTED]** million), assuming (i) an **[REDACTED]** of HK$**[REDACTED]** per Share, being the midpoint of the indicative **[REDACTED]** range, and (ii) no exercise of the **[REDACTED]**. In line with our strategies, we intend to use our **[REDACTED]** from the **[REDACTED]** for the purposes in the amounts and timeframe set forth below:

	For the period from 1 January 2025 to 31 December 2025	For the period from 1 January 2026 to 31 December 2026	After 1 January 2027	Total	Approximate % of [REDACTED]
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	
Set up our Thailand Factory to enhance our global presence					
– Acquisition of land	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Construction and renovation of production space	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Acquisition and installation of machines and equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Increase the level of automation and digitalisation					
– Acquisition and installation of machines and equipment	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Set up a new R&D Centre					
– Construction and renovation of the R&D centre	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Acquisition of equipment and software	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Procurement of materials and consumables for R&D	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
– Recruitment of staff	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Subtotal	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Enlist new brands to enhance our OBM business	[REDACTED]	[REDACTED]	[REDACTED] *(Note)*	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Note: As at the Latest Practicable Date, we had not identified any brand for acquisition. It is our plan to start identifying suitable targets upon **[REDACTED]** and complete acquisition by the end of 2027 if suitable target is identified.

- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the **[REDACTED]** will be used for setting up our Thailand Factory to enhance our global presence]. In particular,

  - approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million) will be used for acquiring a parcel of land in Rayong Province, Thailand;

  - approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million) will be used for the construction and renovation of production space in the Thailand Factory; and

  - approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million) will be used for the acquisition and installation of machines and equipment.

For the reasons, timetable, costs involved and other details of our plan of setting up the Thailand Factory, please see "Business – Our Strategies – Set up our Thailand Factory to enhance our global presence" in this document.

  - approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the **[REDACTED]** will be used for increasing the level of automation and digitalisation for sustainable growth. In particular, such **[REDACTED]** will be used for acquiring and installing machines and equipment.

For details of our plan of increasing the level of automation and digitalisation for sustainable growth, please see "Business – Our Strategies – Increase the level of automation and digitalisation" in this document.

- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the **[REDACTED]** will be used for setting up a new R&D Centre. In particular:

  - approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million) will be used for the construction and renovation of the R&D centre;

  - approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million) will be used for acquiring equipment and software for R&D activities;

  - approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million) will be used for the procurement of materials and consumables for R&D; and

  - approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million) will be used for the recruitment of 59 staff including technicians, electronics engineers and software engineers.

For details of setting up a new R&D Centre, please see "Business – Our Strategies – Set up a new R&D Centre" in this document.

- approximately RMB**[REDACTED]** million (i.e. approximately HK$**[REDACTED]** million), representing **[REDACTED]**% of the **[REDACTED]** will be used for enlisting new brands to enhance our OBM business. We plan to acquire established brand(s) that already possess a respected market position and reputation in the lifestyle household goods industry. For details of our acquisition of brands to expand our brand portfolio and OBM business, please see "Business – Our Strategies – Enlist new brands to enhance our OBM business" in this document.

- approximately **[REDACTED]**% of the **[REDACTED]** (approximately HK$**[REDACTED]** million) will be used for the general working capital of our Group.

The above allocation of the **[REDACTED]** will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed at a higher or lower level compared to the mid-point of the indicative **[REDACTED]** range or the **[REDACTED]** is exercised.

If the **[REDACTED]** is determined at HK$**[REDACTED]** per **[REDACTED]**, being the high end of the **[REDACTED]** range stated in this document, after deducting the **[REDACTED]** fees and expenses payable by us in respect with the **[REDACTED]**, we will receive **[REDACTED]** of approximately HK$**[REDACTED]** million, assuming that the **[REDACTED]** is not exercised.

If the **[REDACTED]** is determined at HK$**[REDACTED]** per **[REDACTED]**, being the low end of the **[REDACTED]** range stated in this document, after deducting the **[REDACTED]** fees and expenses payable by us in connection with the **[REDACTED]**, we will receive **[REDACTED]** of approximately HK$**[REDACTED]** million, assuming that the **[REDACTED]** is not exercised.

If the **[REDACTED]** is exercised in full, we will receive the additional **[REDACTED]** from approximately HK$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the low end of the indicative **[REDACTED]** range) to HK$**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the high end of the indicative **[REDACTED]** range), after deducting the **[REDACTED]** fees and expenses payable by us in connection with the **[REDACTED]**.

To the extent that the **[REDACTED]** of the **[REDACTED]** are not immediately used for the above purposes or if we are unable to effect any part of our future development plans as intended, to the extent permitted by applicable law and regulations, we will only deposit those **[REDACTED]** into short-term interest-bearing accounts at licenced commercial banks and/or other authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions). In such event, we will comply with the appropriate disclosure requirements under the Listing Rules. Our Directors consider that the **[REDACTED]** from the **[REDACTED]** together with the internal resources of our Group will be sufficient to finance the implementation of our Group's business plans as set out in this section.

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-[●], received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF X.J. ELECTRICS (HU BEI) CO., LTD AND SINOLINK SECURITIES (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of X.J. Electrics (Hu Bei) Co., Ltd 湖北香江電器股份有限公司 (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-[4] to I-[●], which comprises the consolidated statements of financial position of the Group as at 31 December 2021, 2022 and 2023 and 30 June 2024, the statements of financial position of the Company as at 31 December 2021, 2022 and 2023 and 30 June 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended 31 December 2023 and the six months ended 30 June 2024 (the "**Track Record Period**") and material accounting policy information and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-[4] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "**Document**") in connection with the proposed **[REDACTED]** of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

Directors' responsibility for the Historical Financial Information

The directors of the Company (the "**Directors**") are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note [2] to the Historical Financial Information, and for such internal control as the Directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note [2] to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024, of the Company's financial position as at 31 December 2021, 2022 and 2023 and 30 June 2024, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note [2] to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2023 and other explanatory information (the "**Stub Period Comparative Financial Information**"). The Directors are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note [2] to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note [2] to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[4] have been made.

Dividends

We refer to Note [15] to the Historical Financial Information which states that no dividend was declared or paid by the Company or its subsidiaries in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board (the "**IASB**") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Notes	**2021**	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	6	1,480,358	1,096,965	1,188,321	556,901	614,423
Cost of sales		(1,220,843)	(873,095)	(902,300)	(414,656)	(477,013)
Gross profit		259,515	223,870	286,021	142,245	137,410
Other income	7	17,229	23,215	22,149	11,772	8,762
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	8	126	(1,610)	(2,494)	(2,336)	773
Other gains and losses	9	(6,493)	8,602	9,798	8,321	8,523
Selling expenses		(33,339)	(24,188)	(28,274)	(12,440)	(14,900)
Administrative expenses		(101,201)	(87,714)	(90,071)	(41,223)	(45,819)
Research and development expenses		(36,096)	(31,981)	(34,447)	(15,086)	(16,455)
Other expenses		(1,440)	(3,806)	(3,470)	(2,674)	(1,806)
Finance costs	10	(15,106)	(14,467)	(12,519)	(6,676)	(5,561)
Profit before tax		83,195	91,921	146,693	81,903	70,927
Income tax expense	11	(11,393)	(11,660)	(25,231)	(12,773)	(10,388)
Profit for the year/period	12	71,802	80,261	121,462	69,130	60,539
Other comprehensive (expense) income:						
Item that may be reclassified subsequently to profit or loss:						
Exchange differences arising on translation of foreign operations		(348)	1,493	306	740	(200)
Total comprehensive income for the year/period		71,454	81,754	121,768	69,870	60,339
Earnings per share						
– Basic *(RMB)*	16	0.35	0.39	0.59	0.34	0.30

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP

		As at 31 December			As at 30 June
	Notes	**2021**	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	17	229,842	322,676	433,746	487,417
Right-of-use assets	18	72,245	111,454	119,842	108,555
Investment properties	19	4,414	1,768	16,056	15,611
Intangible assets	20	134	116	98	89
Deferred tax assets	21	12,475	13,648	14,103	13,297
Prepayments for non-current assets		1,468	2,142	2,688	2,939
Prepayments and other receivables	24	3,253	3,507	4,033	4,001
Pledged and restricted bank deposits	25	35,000	35,000	35,000	35,000
		358,831	490,311	625,566	666,909
Current assets					
Inventories	22	244,467	173,738	173,615	220,953
Income tax recoverable		2,264	252	3,093	3,666
Trade and bills receivables	23(a)	203,782	132,836	146,093	180,932
Prepayments and other receivables	24	47,283	30,598	37,837	55,347
Trade receivables at fair value through other comprehensive income ("**FVTOCI**")	23(b)	25,123	11,479	15,750	14,458
Pledged and restricted bank deposits	25	2,274	–	–	145
Bank balances and cash	25	364,877	381,560	548,338	497,018
		890,070	730,463	924,726	972,519
Current liabilities					
Trade and bills payables	26	293,675	208,797	274,630	312,352
Other payables and accruals	27	55,427	63,972	103,230	75,061
Income tax payable		1,584	6,497	9,010	7,882
Borrowings	28	249,276	115,112	129,294	160,524
Lease liabilities	29	13,641	19,679	23,636	24,415
Contract liabilities	30	46,497	36,261	59,338	44,855
Deferred income	31	163	163	163	163
		660,263	450,481	599,301	625,252
Net current assets		**229,807**	**279,982**	**325,425**	**347,267**
Total assets less current liabilities		**588,638**	**770,293**	**950,991**	**1,014,176**

		As at 31 December			As at 30 June
	Notes	**2021**	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liabilities					
Borrowings	28	–	65,312	117,502	131,437
Lease liabilities	29	4,691	39,443	46,346	35,338
Deferred income	31	2,534	2,371	2,208	2,127
		7,225	107,126	166,056	168,902
Net assets		**581,413**	**663,167**	**784,935**	**845,274**
Capital and reserves					
Share capital	32	204,660	204,660	204,660	204,660
Reserves		376,753	458,507	580,275	640,614
Total equity		**581,413**	**663,167**	**784,935**	**845,274**

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 June 2024
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	17	97,816	92,047	86,411	82,157
Right-of-use assets	18	15,414	15,032	14,657	14,896
Investment properties	19	4,310	1,560	1,443	1,385
Investments in subsidiaries	39	360,190	371,369	368,369	518,369
Deferred tax assets	21	2,285	2,304	3,625	1,934
Prepayments for non-current assets		71	189	356	251
Prepayments and other receivables	24	158	150	150	150
		480,244	482,651	475,011	619,142
Current assets					
Inventories	22	48,580	52,851	49,333	43,774
Income tax recoverable		–	–	–	651
Trade and bills receivables	23(a)	124,817	191,080	133,698	163,271
Prepayments and other receivables	24	6,634	8,486	7,467	14,323
Amounts due from subsidiaries	37(a)(i)	2,743	44,576	75,330	1,763
Bank balances and cash	25	56,395	26,332	104,157	227,717
		239,169	323,325	369,985	451,499
Current liabilities					
Trade and bills payables	26	74,164	67,252	61,082	58,612
Other payables and accruals	27	11,699	12,439	11,843	8,692
Income tax payable		186	3,885	2,261	–
Amounts due to subsidiaries	37(a)(ii)	88	21,921	37,072	222,053
Borrowings	28	53,598	52,469	38,378	50,000
Lease liabilities	29	73	70	73	505
Contract liabilities	30	7,018	21,214	314	1,320
Deferred income	31	163	163	163	163
		146,989	179,413	151,186	341,345
Net current assets		**92,180**	**143,912**	**218,799**	**110,154**
Total assets less current liabilities		**572,424**	**626,563**	**693,810**	**729,296**

		As at 31 December			As at 30 June
	Notes	**2021**	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current liability					
Deferred income	31	2,534	2,371	2,208	2,127
		2,534	2,371	2,208	2,127
Net assets		**569,890**	**624,192**	**691,602**	**727,169**
Capital and reserves					
Share capital	32	204,660	204,660	204,660	204,660
Reserves	32	365,230	419,532	486,942	522,509
Total equity		**569,890**	**624,192**	**691,602**	**727,169**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Translation reserve *RMB'000*	Statutory reserve *RMB'000* *(note i)*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2021	204,660	112,713	–	(527)	5,151	185,460	507,457
Profit for the year	–	–	–	–	–	71,802	71,802
Other comprehensive expense for the year	–	–	–	(348)	–	–	(348)
Total comprehensive (expense) income for the year	–	–	–	(348)	–	71,802	71,454
Deemed contribution from a shareholder *(note ii)*	–	–	2,502	–	–	–	2,502
Transfer to statutory reserve	–	–	–	–	2,974	(2,974)	–
At 31 December 2021	204,660	112,713	2,502	(875)	8,125	254,288	581,413
Profit for the year	–	–	–	–	–	80,261	80,261
Other comprehensive income for the year	–	–	–	1,493	–	–	1,493
Total comprehensive income for the year	–	–	–	1,493	–	80,261	81,754
Transfer to statutory reserve	–	–	–	–	5,943	(5,943)	–
At 31 December 2022	204,660	112,713	2,502	618	14,068	328,606	663,167
Profit for the year	–	–	–	–	–	121,462	121,462
Other comprehensive income for the year	–	–	–	306	–	–	306
Total comprehensive income for the year	–	–	–	306	–	121,462	121,768
Transfer to statutory reserve	–	–	–	–	7,045	(7,045)	–

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Translation reserve *RMB'000*	Statutory reserve *RMB'000* *(note i)*	Retained profits *RMB'000*	Total *RMB'000*
At 31 December 2023	204,660	112,713	2,502	924	21,113	443,023	784,935
Profit for the period	–	–	–	–	–	60,539	60,539
Other comprehensive expense for the period	–	–	–	(200)	–	–	(200)
Total comprehensive (expense) income for the period	–	–	–	(200)	–	60,539	60,339
At 30 June 2024	204,660	112,713	2,502	724	21,113	503,562	845,274
At 1 January 2023	204,660	112,713	2,502	618	14,068	328,606	663,167
Profit for the period	–	–	–	–	–	69,130	69,130
Other comprehensive income for the period	–	–	–	740	–	–	740
Total comprehensive income for the period	–	–	–	740	-	69,130	69,870
At 30 June 2023 (unaudited)	204,660	112,713	2,502	1,358	14,068	397,736	733,037

Notes:

(i) It represents the statutory reserve of the Company in the People's Republic of China (the "**PRC**"). Pursuant to applicable PRC regulations, PRC entity is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of its registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the paid-up capital of the relevant entity.

(ii) It represents the waiver of an amount due to the controlling shareholder of the Company of RMB2,502,000 during the year ended 31 December 2021, which is accounted for as deemed capital contribution from a shareholder.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
OPERATING ACTIVITIES					
Profit before tax	83,195	91,921	146,693	81,903	70,927
Adjustments for:					
Depreciation of property, plant and equipment	50,881	47,138	40,015	20,862	18,170
Depreciation of right-of-use assets	23,568	23,735	24,941	12,386	13,347
Depreciation of investment properties	113	201	726	59	445
Amortisation of intangible assets	18	18	18	9	9
Impairment losses under ECL model, net of reversal	(126)	1,610	2,494	2,336	(773)
Loss (gain) on disposal of property, plant and equipment	466	(53)	(7)	(92)	104
Gain from termination of lease contracts	–	(12)	(15)	(15)	–
Loss from foreign currency forward contracts	199	8,004	–	–	–
Gain from wealth management products measured at fair value through profit or loss ("**FVTPL**")	(2,216)	(2,874)	(561)	(467)	–
Release of deferred income	(163)	(163)	(163)	(81)	(81)
Finance costs	15,106	14,467	12,519	6,676	5,561
Interest income	(6,243)	(6,081)	(10,168)	(5,093)	(4,942)
(Reversal of write-down) write-down of inventories	(5,129)	4,550	9,424	5,401	(2,964)
Net foreign exchange losses (gains)	6,840	(14,386)	(9,939)	(7,949)	(8,808)
Operating cash flows before movements in working capital	166,509	168,075	215,977	115,935	90,995
(Increase) decrease in inventories	(6,104)	66,179	(9,301)	15,254	(44,374)
(Increase) decrease in trade and bills receivables	(8,600)	68,501	(15,274)	(32,514)	(34,213)
(Increase) decrease in trade receivables at FVTOCI	(3,971)	13,517	(4,461)	4,532	1,602
(Increase) decrease in prepayments and other receivables	(1,707)	17,785	(7,528)	1,831	(11,711)
Increase in restricted bank deposits	–	–	–	–	(145)
(Decrease) increase in trade and bills payables	(89,001)	(84,878)	65,833	6,690	47,002
(Decrease) increase in other payables and accruals	(5,058)	(8,571)	481	(4,463)	(1,327)
(Decrease) increase in contract liabilities	(23,849)	(10,236)	23,077	4,260	(14,483)
Cash generated from operations	28,219	230,372	268,804	111,525	33,346
Income tax paid	(10,230)	(5,908)	(26,014)	(13,697)	(11,283)
Net cash from operating activities	17,989	224,464	242,790	97,828	22,063

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
INVESTING ACTIVITIES					
Interest received	6,243	6,081	10,168	5,093	4,942
Proceeds from redemption of wealth management products at FVTPL	102,216	463,883	239,561	216,467	–
Proceeds from disposal of property, plant and equipment	4,741	2,359	2,150	831	501
Rental and other refundable deposits received	6,466	–	–	–	–
Withdraw of pledged bank deposits for borrowings	–	2,274	–	–	–
Placement of bank deposits for borrowings	(34)	–	–	–	–
Payments for rental and other refundable deposits	–	(387)	(526)	(326)	(5,930)
Purchase of property, plant and equipment	(55,656)	(121,643)	(124,456)	(66,679)	(96,690)
Settlement of foreign currency forward contracts	(199)	(8,004)	–	–	–
Purchase of wealth management products at FVTPL	(100,000)	(461,009)	(239,000)	(216,000)	–
Net cash used in investing activities	(36,223)	(116,446)	(112,103)	(60,614)	(97,177)
FINANCING ACTIVITIES					
New borrowings raised	765,360	500,932	380,916	245,081	262,459
Interest paid for lease liabilities	(2,393)	(2,361)	(2,629)	(1,485)	(1,206)
Repayment of lease liabilities	(22,723)	(22,882)	(23,195)	(11,796)	(12,597)
Interest paid for borrowings	(13,064)	(14,390)	(14,225)	(7,085)	(9,431)
Repayment of borrowings	(711,017)	(569,783)	(316,269)	(190,247)	(226,474)
Net cash from (used in) financing activities	16,163	(108,484)	24,598	34,468	12,751
Net (decrease) increase in cash and cash equivalents	**(2,071)**	**(466)**	**155,285**	**71,682**	**(62,363)**
Effect of foreign exchange rate changes	(10,028)	17,149	11,493	9,556	11,043
Cash and cash equivalents at the beginning of the year/period	**376,976**	**364,877**	**381,560**	**381,560**	**548,338**
Cash and cash equivalents at the end of the year/period	**364,877**	**381,560**	**548,338**	**462,798**	**497,018**

NOTES TO THE FINANCIAL INFORMATION

1. INFORMATION

The Company was incorporated in the PRC as a joint stock company with limited liability. The controlling shareholder of the Company is Mr. Pan Yun. The addresses of the registered office and principal place of business of the Company are the same as the registered office in the PRC and the headquarter in the PRC as stated in the section headed "Corporate Information" of the document.

The Group is principally engaged in the businesses of research and development, design, manufacturing and sales of electric home appliances and non-electric household goods throughout the Track Record Period. Details of the subsidiaries are disclosed in Note [39].

The Historical Financial Information is presented in **RMB**, which is also the functional currency of the Company.

The statutory consolidated financial statements of the Company for the years ended 31 December 2021 and 2022 prepared in accordance with the relevant accounting principles in the PRC were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所特殊(普通合夥)) which was the certified public accountants registered in the PRC. The statutory consolidated financial statements of the Company for the year ended 31 December 2023 prepared in accordance with the relevant accounting principles in the PRC were audited by Shenzhen Yuehua Certified Public Accountants LLP (深圳岳華會計師事務所(普通合夥)) which was the certified public accountants registered in the PRC.

2. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies which conform with IFRSs issued by the IASB.

3. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the International Accounting Standards ("**IASs**") and IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the accounting period beginning on 1 January 2024 throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards - Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

IFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace IAS 1 "Presentation of Financial Statements". The new IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss and other comprehensive income; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18 will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is not expected to have material impact on the financial position of the Group but is expected to affect the presentation of the statement of profit or loss and other comprehensive income and statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the Group's consolidated financial statements.

Except as described above, the Directors anticipate that the application of the amendments to IFRSs will have no material impact on the Group's financial position and performance in the foreseeable future.

4. MATERIAL ACCOUNTING POLICY INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with IFRSs issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its investment with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investments in subsidiaries

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less any identified impairment loss.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 6 and 30.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 "Lease" at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases for staff quarters and warehouses that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability and any lease payments made at or before the commencement date.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease terms.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date as the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) when the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the re-translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 "Income Taxes" requirements to lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings, machinery and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Impairment on property, plant and equipment, right-of-use assets, and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and trade receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Trade receivables classified at FVTOCI

Subsequent changes in the carrying amounts for trade receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these trade receivables are recognised in other comprehensive income ("**OCI**") and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these trade receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these trade receivables had been measured at amortised cost. When these trade receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and bills receivables, other receivables, pledged and restricted bank deposits and bank balances and cash) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, and factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and credit-impaired and collectively for the remaining debtors using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;

- a breach of contract, such as a default or past due event;

- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for trade receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognised through a loss allowance account. For trade receivables are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these trade receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of trade receivables at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

Financial liabilities including trade and bills payables, amounts due to subsidiaries, other payables and borrowings are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

Net realisable value of inventories

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the carrying amount of the Group's inventories is RMB244,467,000, RMB173,738,000, RMB173,615,000 and RMB220,953,000, respectively. During the years ended 31 December 2022 and 2023, a write-down of inventories of RMB4,550,000 and RMB9,424,000 was recognised or in profit or loss, respectively. During the year ended 31 December 2021 and the six months ended 30 June 2024, a reversal of write-down of inventories of RMB5,129,000 and RMB2,964,000 was recognised or in profit or loss, respectively.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

The Group assesses the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgement on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

Provision of ECL for trade receivables

Trade receivables of the Group with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on ageing of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Note [36].

6. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

Types of goods

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Electric home appliances					
– Electro-thermic appliances	572,916	459,013	499,099	191,078	296,238
– Motor-driven appliances	365,729	317,623	321,937	123,071	127,415
– Electronic appliances	188,518	122,997	111,570	60,670	43,885
	1,127,163	899,633	932,606	374,819	467,538
Non-electric household goods					
– Garden hose	326,168	181,460	221,788	164,461	135,033
– Others *(note)*	27,027	15,872	33,927	17,621	11,852
	353,195	197,332	255,715	182,082	146,885
	1,480,358	1,096,965	1,188,321	556,901	614,423

Note: Others include cookware, cleaning tools and other household goods etc.

Geographical markets

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Overseas					
– North America	1,077,993	781,129	993,949	470,440	505,598
– Europe	282,625	227,672	111,730	46,623	62,042
– Oceania	46,849	44,073	28,834	12,387	23,214
– Asia (excluding the PRC)	41,646	26,331	35,833	16,779	16,381
– South America	14,650	8,527	12,228	7,947	4,228
– Africa	2,512	552	759	122	135
Domestic					
–The PRC	14,083	8,681	4,988	2,603	2,825
	1,480,358	1,096,965	1,188,321	556,901	614,423

Timing of revenue recognition

All revenue from contracts with customers within the scope of IFRS 15 are recognised at a point in time.

(ii) Performance obligations for contracts with customers and revenue recognition policies

The Group sells electric home appliances and non-electric household goods directly to customers mainly through offline channels and also via online channels.

Revenue is recognised when control of the goods has been transferred, being when the goods have been shipped to the customers' specific location (delivery) (for offline channels) and at the point the goods are delivered to and accepted by the customers (for online channels). The Group requires an advance payment or grants the customers a credit period from 30 days to 135 days based on the assessed credit worthiness of the customers. A contract liability is recognised for advance payments received for sales in which revenue has yet been recognised.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The contracts for selling electric home appliances and non-electric household goods are for period of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(iv) Segment information

Information reported to the executive directors of the Company, being the chief operating decision makers. for the purposes of resource allocation and performance assessment focuses on revenue analysis by products. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Geographical information

The details of the Group's revenue from external customers by geographical location of the operations are set out in Note 6(i).

The Group's non-current assets (excluding deferred tax assets and financial assets) of RMB306,277,000, RMB433,169,000, RMB555,934,000 and RMB598,552,000 are located in the PRC as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. The remaining non-current assets, which are immaterial, are located in the United States of America (the "**U.S.**") and Indonesia.

(v) Information about major customers

Revenue from customers of the corresponding years/periods contributing over 10% of the total revenue of the Group are as follow:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A *(note i)*	401,840	223,746	282,148	194,003	153,466
Customer B *(note ii)*	250,635	233,390	338,166	124,181	148,324
Customer C *(note iii)*	N/A	N/A	N/A	N/A	86,250

Notes:

(i) The customer is a group of companies under the same control of an independent third party.

(ii) The customer is a group of companies under the same holding company.

(iii) The corresponding revenue did not contribute over 10% of the total revenue of the Group for the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023.

7. OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants					
– related to expense items *(note)*	5,867	13,117	7,890	4,883	1,323
– related to assets *(Note 31)*	163	163	163	81	81
	6,030	13,280	8,053	4,964	1,404
Interest income	6,243	6,081	10,168	5,093	4,942
Compensation income from customers	1,717	344	7	6	103
Sales of materials, mouldings and scraps	2,520	2,342	2,793	1,227	1,636
Rental income	548	924	647	358	464
Others	171	244	481	124	213
	17,229	23,215	22,149	11,772	8,762

Note: The amount mainly represents various subsidies received from the PRC government authorities. Unconditional government grants are recognised in profit and loss when received.

8. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Impairment losses recognised (reversed) on:					
– Trade and bills receivables	19	2,450	2,015	2,413	(627)
– Trade receivables at FVTOCI	–	127	190	84	(309)
– Other receivables	(145)	(967)	289	(161)	163
	(126)	1,610	2,494	2,336	(773)

9. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Gain from wealth management products measured at FVTPL	2,216	2,874	561	467	–
Gain from termination of lease contracts	–	12	15	15	–
Loss from foreign currency forward contracts	(199)	(8,004)	–	–	–
(Loss) gain on disposal of property, plant and equipment	(466)	53	7	92	(104)
Net foreign exchange (losses) gains	(6,840)	14,386	9,939	7,949	8,808
Others	(1,204)	(719)	(724)	(202)	(181)
	(6,493)	8,602	9,798	8,321	8,523

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on borrowings	12,713	13,014	14,689	7,152	6,893
Interest on lease liabilities	2,393	2,361	2,629	1,485	1,206
Total borrowing costs	15,106	15,375	17,318	8,637	8,099
Less: amounts capitalised in the cost of qualifying assets	–	(908)	(4,799)	(1,961)	(2,538)
	15,106	14,467	12,519	6,676	5,561

During the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, the weighted average capitalisation rate on the borrowing is nil, 4.5%, 4.3%, 4.3% (unaudited) and 4.2%, respectively, per annum.

11. INCOME TAX EXPENSE

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax:					
– PRC Enterprise Income Tax	5,444	11,730	25,357	12,636	9,319
– Hong Kong	589	762	154	233	97
– U.S.	648	341	175	605	166
	6,681	12,833	25,686	13,474	9,582
Deferred tax *(Note 21)*	4,712	(1,173)	(455)	(701)	806
	11,393	11,660	25,231	12,773	10,388

PRC Enterprise Income Tax

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period.

The Company has been accredited as the High New Tech Enterprises for a term of three years from 2019 to 2021 and renewed the certificate for another term of three years from 2022 to 2024. According to the EIT Law for High New Tech Enterprises, the Company was subject to Enterprise Income Tax rate of 15% during the Track Record Period.

Hong Kong

The Company's subsidiaries domiciled in Hong Kong are subject to a two-tiered income tax rate for taxable income earned in Hong Kong effectively since 1 April 2018. The first 2 million Hong Kong dollars of profits earned by the qualifying group entity are subject to be taxed at an income tax rate of 8.25%, while the remaining profits will continue to be taxed at the existing tax rate, 16.5%.

U.S.

Pursuant to the applicable U.S. federal and state income tax laws, the U.S. subsidiaries have provided income taxes on their federal and state taxable income at the 21% U.S. federal statutory corporate income tax rate and states statutory corporate tax rates of up to 8.84% throughout the Track Record Period, respectively.

The tax charge for the Track Record Period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Profit before tax	83,195	91,921	146,693	81,903	70,927
Tax at the domestic income tax rate of 15%	12,479	13,788	22,004	12,285	10,639
Tax effect of expenses not deductible for tax purposes	532	608	2,444	1,331	28
Effect of different tax rates of the subsidiaries	5,111	3,020	6,165	1,343	2,890
Tax effect of tax losses not recognised	667	944	1,303	481	331
Utilisation of tax losses previously not recognised	–	–	(96)	(2)	(86)
Additional deduction of research and development expenses *(note)*	(7,396)	(6,700)	(6,589)	(2,665)	(3,414)
	11,393	11,660	25,231	12,773	10,388

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that have been effective from 2018 onwards, enterprises engaging in research and development activities are entitled to claim 175% and 200% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for the period from 1 January 2021 to 30 September 2022 and for the period from 1 October 2022 to 30 June 2024, respectively.

12. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2021	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Directors' and supervisors' emoluments *(Note 13)*	6,986	6,292	6,817	2,940	3,144
Other staffs costs (excluding directors' and supervisors' emoluments)					
– Salaries and other benefit	294,073	190,469	193,927	90,325	99,781
– Discretionary bonus	6,365	3,590	5,022	–	–
– Retirement benefits scheme contributions	14,126	13,275	12,732	6,209	8,158
Total staff costs	321,550	213,626	218,498	99,474	111,083
Capitalised in inventories	(230,212)	(136,581)	(143,203)	(65,531)	(74,145)
	91,338	77,045	75,295	33,943	36,938
Depreciation of property, plant and equipment	50,881	47,138	40,015	20,862	18,170
Depreciation of investment properties	113	201	726	59	445
Depreciation of right-of-use assets	23,815	24,475	25,682	12,756	13,655
Amortisation of intangible assets	18	18	18	9	9
Total depreciation and amortisation	74,827	71,832	66,441	33,686	32,279
Capitalised in inventories	(53,440)	(49,273)	(43,500)	(22,480)	(19,446)
Capitalised in construction in progress	(247)	(740)	(741)	(370)	(308)
	21,140	21,819	22,200	10,836	12,525
Auditor's remuneration	1,415	1,000	1,000	500	–
Other expenses					
– Professional fees *(note)*	1,415	3,686	3,280	2,654	1,356
– Donation	25	120	190	20	450
	1,440	3,806	3,470	2,674	1,806
Lease expense related to short-term leases	2,388	1,481	670	283	249
(Reversal of write-down) write-down of inventories, included in cost of sales	(5,129)	4,550	9,424	5,401	(2,964)
Cost of inventories recognised as an expense	1,220,843	873,095	902,300	414,656	477,013

Note: The amount represents the professional fees incurred in connection with the application for the Company's A-share listing, which was terminated in 2024.

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company during the Track Record Period disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance are as follows:

	Fees	**Salaries, bonus and other allowances**	**Discretionary bonus** *(note i)*	**Retirement benefit scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2021					
Executive directors:					
Mr. Pan Yun	–	848	80	–	928
Mr. Pan Guangshe	–	2,168	–	–	2,168
Mrs. Ji Ying	–	716	80	–	796
Mrs. Li, Youxiang	–	715	80	5	800
Mr. Xu Xiping	–	270	–	5	275
Mrs. Hu Yan	–	721	80	5	806
Independent non-executive directors:					
Mr. Chen Yong *(note ii)*	50	–	–	–	50
Mr. Huang Hanxiong	50	–	–	–	50
Mr. Li Jiannan	50	–	–	–	50
Supervisors:					
Mr. Ye Hongdong	–	405	45	4	454
Mr. Shi Chuanlai	–	336	30	5	371
Mrs. Yi Hongliang	–	208	25	5	238
	150	6,387	420	29	6,986

	Fees	Salaries, bonus and other allowances	Discretionary bonus *(note i)*	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2022					
Executive directors:					
Mr. Pan Yun	–	649	60	–	709
Mr. Pan Guangshe	–	2,254	–	–	2,254
Mrs. Ji Ying	–	547	60	–	607
Mrs. Li, Youxiang	–	547	60	5	612
Mr. Xu Xiping	–	270	15	5	290
Mrs. Hu Yan	–	549	60	5	614
Independent non-executive directors:					
Mr. Chen Yong *(note ii)*	50	–	–	–	50
Mr. Huang Hanxiong	50	–	–	–	50
Mr. Li Jiannan	50	–	–	–	50
Supervisors:					
Mr. Ye Hongdong	–	390	35	4	429
Mr. Shi Chuanlai	–	307	70	5	382
Mrs. Yi Hongliang	–	215	25	5	245
	150	5,728	385	29	6,292
For the year ended 31 December 2023					
Executive directors:					
Mr. Pan Yun	–	666	120	–	786
Mr. Pan Guangshe	–	2,327	–	–	2,327
Mrs. Ji Ying	–	555	120	–	675
Mrs. Li, Youxiang	–	565	120	5	690
Mr. Xu Xiping	–	273	23	5	301
Mrs. Hu Yan	–	555	120	5	680
Independent non-executive directors:					
Mr. Chen Yong *(note ii)*	50	–	–	–	50
Mr. Huang Hanxiong	50	–	–	–	50
Mr. Li Jiannan	50	–	–	–	50
Supervisors:					
Mr. Ye Hongdong	–	402	75	4	481
Mr. Shi Chuanlai	–	321	120	5	446
Mrs. Yi Hongliang	–	216	60	5	281
	150	5,880	758	29	6,817

	Fees *RMB'000*	Salaries, bonus and other allowances *RMB'000*	Discretionary bonus *(note i)* *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2023 (unaudited)					
Executive directors:					
Mr. Pan Yun	–	319	–	–	319
Mr. Pan Guangshe	–	1,146	–	–	1,146
Mrs. Ji Ying	–	262	–	–	262
Mrs. Li, Youxiang	–	269	–	3	272
Mr. Xu Xiping	–	136	–	3	139
Mrs. Hu Yan	–	268	–	3	271
Independent non-executive directors:					
Mr. Chen Yong *(note ii)*	25	–	–	–	25
Mr. Huang Hanxiong	25	–	–	–	25
Mr. Li Jiannan	25	–	–	–	25
Supervisors:					
Mr. Ye Hongdong	–	199	–	2	201
Mr. Shi Chuanlai	–	143	–	3	146
Mrs. Yi Hongliang	–	106	–	3	109
	75	2,848	–	17	2,940
For the six months ended 30 June 2024					
Executive directors:					
Mr. Pan Yun	–	358	–	–	358
Mr. Pan Guangshe	–	1,173	–	–	1,173
Mrs. Ji Ying	–	299	–	–	299
Mrs. Li, Youxiang	–	299	–	3	302
Mr. Xu Xiping	–	136	–	3	139
Mrs. Hu Yan	–	297	–	3	300
Independent non-executive directors:					
Mr. Chen Yong *(note ii)*	25	–	–	–	25
Mr. Huang Hanxiong	25	–	–	–	25
Mr. Li Jiannan	25	–	–	–	25
Supervisors:					
Mr. Ye Hongdong	–	207	–	3	210
Mr. Shi Chuanlai	–	162	–	3	165
Mrs. Yi Hongliang	–	120	–	3	123
	75	3,051	–	18	3,144

Notes:

(i) The discretionary bonus is determined based on the Group's performance, performance of the relevant individual within the Group and comparable market statistics.

(ii) Mr. Chen Yong resigned as an independent non-executive director of the Company on 4 September 2024.

(iii) Dr. Gu Zhaoyang was appointed as an independent director of the Company on 5 September 2024 and redesignated as an independent non-executive director on 24 September 2024.

The executive directors' emoluments shown above were paid for their services in connection with the management of affairs of the Group and the Company during the Track Record Period.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The supervisors' emoluments shown above were for their services as supervisors of the Company.

During the Track Record Period, none of the directors nor the supervisors of the Company had waived any emoluments.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included five, four, four, four (unaudited) and four directors during the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively, details of whose remuneration are set out above. Details of the remuneration for the remaining nil, one, one, one (unaudited) and one highest paid individual during the years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively, are as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	–	616	702	280	357
Discretionary bonus	–	40	100	–	–
Retirement benefit scheme contributions	–	5	5	3	3
	–	661	807	283	360

The number of the highest paid employees who are not the directors or supervisors whose remuneration fell within the following bands is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	No. of employees	*No. of employees*	*No. of employees*	*No. of employees* (unaudited)	*No. of employees*
Emolument bands					
Nil to Hong Kong dollar ("**HK$**")1,000,000	–	1	1	1	1

No emoluments had been paid by the Group to any of the directors or the supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

No dividend was paid or proposed by the Company and its subsidiaries during the Track Record Period.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
				(unaudited)	
Profit for the year/period attributable to owners of the Company for basic earnings per share *(RMB'000)*	71,802	80,261	121,462	69,130	60,539
Number of shares:					
Weighted average number of ordinary shares for the purpose of basic earnings per share *('000)*	204,660	204,660	204,660	204,660	204,660

No diluted earnings per share for the Track Record Period were presented as there were no potential ordinary shares in issue for the Track Record Period.

17. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 January 2021	144,856	356,794	15,039	26,306	12,948	941	556,884
Additions	16,272	14,751	400	1,182	2,581	28,759	63,945
Transfers	–	11,197	–	–	–	(11,197)	–
Transfers to investment properties *(Note 19)*	(4,376)	–	–	–	–	–	(4,376)
Disposals	–	(16,872)	(496)	(633)	–	–	(18,001)
Exchange adjustments	–	–	(34)	–	–	–	(34)
At 31 December 2021	156,752	365,870	14,909	26,855	15,529	18,503	598,418
Additions	–	12,410	166	523	426	126,208	139,733
Transfers	–	7,452	–	–	–	(7,452)	–
Transfers from investment properties *(Note 19)*	4,219	–	–	–	–	–	4,219
Transfers to investment properties *(Note 19)*	(2,083)	–	–	–	–	–	(2,083)
Disposals	–	(7,366)	(284)	(354)	–	–	(8,004)
Exchange adjustments	–	–	135	–	–	–	135
At 31 December 2022	158,888	378,366	14,926	27,024	15,955	137,259	732,418
Additions	–	16,436	626	1,538	1,192	148,435	168,227
Transfers	–	8,398	–	–	–	(8,398)	–
Transfers to investment properties *(Note 19)*	(16,272)	–	–	–	–	–	(16,272)
Disposals	(586)	(7,230)	(792)	(550)	–	–	(9,158)
Exchange adjustments	–	–	27	–	–	–	27
At 31 December 2023	142,030	395,970	14,787	28,012	17,147	277,296	875,242
Additions	–	19,847	311	1,078	40	51,167	72,443
Transfers	322,322	5,971	147	23	–	(328,463)	–
Disposals	–	(2,243)	–	(57)	–	–	(2,300)
Exchange adjustments	–	–	10	–	–	–	10
At 30 June 2024	464,352	419,545	15,255	29,056	17,187	–	945,395
DEPRECIATION							
At 1 January 2021	48,093	232,823	8,655	19,822	10,900	–	320,293
Provided for the year	7,018	37,663	1,640	2,247	2,313	–	50,881
Transfers to investment properties *(Note 19)*	(1,618)	–	–	–	–	–	(1,618)
Eliminated on disposals	–	(11,380)	(470)	(523)	–	–	(12,373)
Exchange adjustments	–	–	(2)	–	–	–	(2)

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021	53,493	259,106	9,823	21,546	13,213	–	357,181
Provided for the year	7,105	35,170	1,489	1,867	1,507	–	47,138
Transfers from investment properties *(Note 19)*	1,670	–	–	–	–	–	1,670
Transfers to investment properties *(Note 19)*	(1,979)	–	–	–	–	–	(1,979)
Eliminated on disposals	–	(4,517)	(269)	(318)	–	–	(5,104)
Exchange adjustments	–	–	35	–	–	–	35
At 31 December 2022	60,289	289,759	11,078	23,095	14,720	–	398,941
Provided for the year	6,582	30,011	1,074	1,309	1,039	–	40,015
Transfers to investment properties *(Note 19)*	(1,258)	–	–	–	–	–	(1,258)
Eliminated on disposals	(557)	(5,183)	(752)	(523)	–	–	(7,015)
Exchange adjustments	–	–	12	–	–	–	12
At 31 December 2023	65,056	314,587	11,412	23,881	15,759	–	430,695
Provided for the period	3,208	13,562	378	551	471	–	18,170
Eliminated on disposals	–	(1,644)	–	(51)	–	–	(1,695)
Exchange adjustments	–	–	7	–	–	–	7
At 30 June 2024	68,264	326,505	11,797	24,381	16,230	–	447,177
IMPAIRMENT							
At 1 January 2021	–	11,665	–	151	–	–	11,816
Eliminated on disposals	–	(419)	–	(2)	–	–	(421)
At 31 December 2021	–	11,246	–	149	–	–	11,395
Eliminated on disposals	–	(588)	–	(6)	–	–	(594)
At 31 December 2022 and 2023 and 30 June 2024	–	10,658	–	143	–	–	10,801
CARRYING VALUES							
At 31 December 2021	103,259	95,518	5,086	5,160	2,316	18,503	229,842
At 31 December 2022	98,599	77,949	3,848	3,786	1,235	137,259	322,676
At 31 December 2023	76,974	70,725	3,375	3,988	1,388	277,296	433,746
At 30 June 2024	396,088	82,382	3,458	4,532	957	–	487,417

The Company

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2021	119,296	97,782	2,444	11,156	481	231,159
Additions	–	1,725	–	122	–	1,847
Transfers to investment properties *(Note 19)*	(4,376)	–	–	–	–	(4,376)
Disposals	–	(8,495)	(141)	(112)	–	(8,748)
At 31 December 2021	114,920	91,012	2,303	11,166	481	219,882
Additions	–	5,562	11	109	–	5,682
Transfers from investment properties *(Note 19)*	4,219	–	–	–	–	4,219
Disposals	–	(646)	(66)	(267)	–	(979)
At 31 December 2022	119,139	95,928	2,248	11,008	481	228,804
Additions	–	5,749	–	591	791	7,131
Disposals	(586)	(1,642)	–	(308)	–	(2,536)
At 31 December 2023	118,553	100,035	2,248	11,291	1,272	233,399
Additions	–	1,336	–	83	40	1,459
Disposals	–	(781)	–	–	–	(781)
At 30 June 2024	118,553	100,590	2,248	11,374	1,312	234,077
DEPRECIATION						
At 1 January 2021	34,846	60,506	1,749	8,771	330	106,202
Provided for the year	5,635	9,643	192	880	137	16,487
Transfers to investment properties *(Note 19)*	(1,618)	–	–	–	–	(1,618)
Eliminated on disposals	–	(6,260)	(132)	(84)	–	(6,476)
At 31 December 2021	38,863	63,889	1,809	9,567	467	114,595
Provided for the year	5,548	7,503	158	578	14	13,801
Transfers from investment properties *(Note 19)*	1,670	–	–	–	–	1,670
Eliminated on disposals	–	(348)	(63)	(251)	–	(662)
At 31 December 2022	46,081	71,044	1,904	9,894	481	129,404
Provided for the year	5,631	6,402	118	298	150	12,599
Eliminated on disposals	(557)	(1,519)	–	(292)	–	(2,368)
At 31 December 2023	51,155	75,927	2,022	9,900	631	139,635
Provided for the period	2,816	2,530	41	130	133	5,650
Eliminated on disposals	–	(718)	–	–	–	(718)
At 30 June 2024	53,971	77,739	2,063	10,030	764	144,567

	Buildings	Machinery and equipment	Motor vehicles	Electronic equipment	Leasehold improvement	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
IMPAIRMENT						
At 1 January 2021 and 31 December 2021	–	7,344	–	127	–	7,471
Eliminated on disposals	–	(118)	–	–	–	(118)
At 31 December 2022 and 2023 and 30 June 2024	–	7,226	–	127	–	7,353
CARRYING VALUES						
At 31 December 2021	76,057	19,779	494	1,472	14	97,816
At 31 December 2022	73,058	17,658	344	987	–	92,047
At 31 December 2023	67,398	16,882	226	1,264	641	86,411
At 30 June 2024	64,582	15,625	185	1,217	548	82,157

The Group's and the Company's property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Transfers to, or from, investment property are made when, and only when, there is a change in use, evidenced by (i) commencement of owner-occupation, for a transfer from investment property to owner-occupied property; (ii) end of owner-occupation, for a transfer from owner-occupied property to investment property.

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis over the useful lives as follows:

Buildings	20 years
Machinery and equipment	3 to 10 years
Motor vehicles	8 years
Electronic equipment	3 to 5 years
Leasehold improvement	Over the shorter of lease term or [5] years

The Group is in the process of obtaining the property ownership certificates of buildings with carrying amounts of nil, nil, nil, and RMB322,322,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

Details of the pledged property, plant and equipment are disclosed in Note 28.

18. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands *RMB'000*	Leased properties *RMB'000*	Total *RMB'000*
As at 31 December 2021			
Carrying amounts	54,929	17,316	72,245
As at 31 December 2022			
Carrying amounts	53,704	57,750	111,454
As at 31 December 2023			
Carrying amounts	52,479	67,363	119,842
As at 30 June 2024			
Carrying amounts	51,866	56,689	108,555
For the year ended 31 December 2021			
Depreciation charge	1,225	22,590	23,815
Capitalised in construction in progress	(247)	–	(247)
	978	22,590	23,568
For the year ended 31 December 2022			
Depreciation charge	1,225	23,250	24,475
Capitalised in construction in progress	(740)	–	(740)
	485	23,250	23,735
For the year ended 31 December 2023			
Depreciation charge	1,225	24,457	25,682
Capitalised in construction in progress	(741)	–	(741)
	484	24,457	24,941
For the period ended 30 June 2024			
Depreciation charge	613	13,042	13,655
Capitalised in construction in progress	(308)	–	(308)
	305	13,042	13,347

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Expense relating to short-term leases	2,388	1,481	670	283	249
Total cash outflow for leases	27,504	26,724	26,494	13,564	14,052
Addition to right-of-use assets	1,524	63,528	34,121	18,125	2,366

The Company

	Leasehold land *RMB'000*	Leased properties *RMB'000*	Total *RMB'000*
As at 31 December 2021			
Carrying amounts	15,342	72	15,414
As at 31 December 2022			
Carrying amounts	14,964	68	15,032
As at 31 December 2023			
Carrying amounts	14,586	71	14,657
As at 30 June 2024			
Carrying amounts	14,396	500	14,896
For the year ended 31 December 2021			
Depreciation charge	378	786	1,164
For the year ended 31 December 2022			
Depreciation charge	378	820	1,198
For the year ended 31 December 2023			
Depreciation charge	378	854	1,232
For the period ended 30 June 2024			
Depreciation charge	190	428	618

The Group and the Company lease various offices for its operations. Lease terms are negotiated by the Group and the Company on an individual basis and contain a wide range of different terms and conditions. The terms are fixed with various period, from 1 to 10 years. In determining the lease term and assessing the length of the non-cancellable period, the Group and the Company apply the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarters and warehouses. As at 31 December 2021, 2022 and 2023 and 30 June 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

In addition, the Group and the Company own several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group and the Company are the registered owner of these property interests, including underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately, for which the Group and the Company have obtained the land use right certificates. Details of the pledged leasehold lands are disclosed in Note 28.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased properties may not be used as security for borrowing purposes.

19. INVESTMENT PROPERTIES

The Group

	Investment properties *RMB'000*
COST	
As at 1 January 2021	4,390
Transfers from property, plant and equipment *(Note 17)*	4,376
As at 31 December 2021	8,766
Transfers from property, plant and equipment *(Note 17)*	2,083
Transfers to property, plant and equipment *(Note 17)*	(4,219)
As at 31 December 2022	6,630
Transfers from property, plant and equipment *(Note 17)*	16,272
As at 31 December 2023 and 30 June 2024	22,902
DEPRECIATION	
As at 1 January 2021	2,621
Charge for the year	113
Transfers from property, plant and equipment *(Note 17)*	1,618
As at 31 December 2021	4,352
Charge for the year	201
Transfers from property, plant and equipment *(Note 17)*	1,979
Transfers to property, plant and equipment *(Note 17)*	(1,670)
As at 31 December 2022	4,862
Charge for the year	726
Transfers from property, plant and equipment *(Note 17)*	1,258
As at 31 December 2023	6,846
Charge for the period	445
At 30 June 2024	7,291
CARRYING VALUES	
At 31 December 2021	4,414
At 31 December 2022	1,768
At 31 December 2023	16,056
At 30 June 2024	15,611

The Company

	Investment property
	RMB'000
COST	
As at 1 January 2021	2,306
Transfers from property, plant and equipment *(Note 17)*	4,376
As at 31 December 2021	6,682
Transfers to property, plant and equipment *(Note 17)*	(4,219)
At at 31 December 2022 and 2023 and 30 June 2024	2,463
DEPRECIATION	
As at 1 January 2021	641
Charge for the year	113
Transfers from property, plant and equipment *(Note 17)*	1,618
As at 31 December 2021	2,372
Charge for the year	201
Transfers to property, plant and equipment *(Note 17)*	(1,670)
As at 31 December 2022	903
Charge for the year	117
As at 31 December 2023	1,020
Charge for the period	58
At 30 June 2024	1,078
CARRYING VALUES	
At 31 December 2021	4,310
At 31 December 2022	1,560
At 31 December 2023	1,443
At 30 June 2024	1,385

The above investment properties are measured using the cost model and represent office units and industrial buildings located in the PRC and are depreciated on a straight-line basis over 20 years.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, the fair value of the Group's investment properties are RMB13,480,000, RMB14,510,000, RMB26,420,000 and RMB25,260,000 and the fair value of the Company's investment properties are RMB7,970,000, RMB3,640,000, RMB3,490,000 and RMB3,350,000, respectively. The fair value has been arrived at based on a valuation carried out by an independent qualified professional valuer not connected with the Group.

The fair value was determined based on the income approach, taking into considerations of the term value of the property by capitalising the rental income over the existing lease terms and the reversionary value by capitalising the current market rental income of the property until the end of the land use right terms. In estimating the fair value of the property, the highest and best use of the property is their current use. The fair value of the Group's investment property as at 31 December 2021, 2022 and 2023 and 30 June 2024 is grouped into Level 3 of fair value measurement. There has been no change from the valuation technique used in the Track Record Period.

Details of the pledged investment properties of the Group are disclosed in Note 28.

20. INTANGIBLE ASSETS

The Group

	Software
	RMB'000
COST	
As at 1 January 2021, 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024	177
AMORTISATION	
As at 1 January 2021	25
Charge for the year	18
As at 31 December 2021	43
Charge for the year	18
As at 31 December 2022	61
Charge for the year	18
As at 31 December 2023	79
Charge for the period	9
At 30 June 2024	88
CARRYING VALUES	
At 31 December 2021	134
At 31 December 2022	116
At 31 December 2023	98
At 30 June 2024	89

21. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets	12,475	13,648	14,103	13,297	2,285	2,304	3,625	1,934

The Group

	Provision of write-down of inventories	Provision for impairment of property, plant and equipment	ECL provision	Lease liabilities	Right-of-use assets	Tax losses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	5,458	2,207	1,905	9,962	(9,674)	7,049	280	17,187
(Charge) credit to profit or loss	(1,271)	(105)	(178)	(5,374)	5,341	(3,773)	648	(4,712)
At 31 December 2021	4,187	2,102	1,727	4,588	(4,333)	3,276	928	12,475
Credit (charge) to profit or loss	1,131	(137)	282	10,393	(10,297)	(51)	(148)	1,173
At 31 December 2022	5,318	1,965	2,009	14,981	(14,630)	3,225	780	13,648
Credit (charge) to profit or loss	2,081	–	202	2,255	(1,942)	(2,542)	401	455
At 31 December 2023	7,399	1,965	2,211	17,236	(16,572)	683	1,181	14,103
(Charge) credit to profit or loss	(401)	–	(71)	(2,663)	2,760	596	(1,027)	(806)
At 30 June 2024	6,998	1,965	2,140	14,573	(13,812)	1,279	154	13,297

The Company

	Provision of write-down of inventories	Provision for impairment of property, plant and equipment	ECL provision	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	928	1,121	–	429	2,478
(Charge) credit to profit or loss	(420)	–	2	225	(193)
At 31 December 2021	508	1,121	2	654	2,285
(Charge) credit to profit or loss	(74)	(18)	250	(139)	19
At 31 December 2022	434	1,103	252	515	2,304
Credit to profit or loss	668	–	124	529	1,321
At 31 December 2023	1,102	1,103	376	1,044	3,625
Charge to profit or loss	(382)	–	(69)	(1,240)	(1,691)
At 30 June 2024	720	1,103	307	(196)	1,934

The Group has unused tax losses of RMB19,760,000, RMB21,179,000, RMB16,244,000 and RMB19,789,000 available for offset against future profits as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. A deferred tax asset has been recognised in respect of RMB13,103,000, RMB12,899,000, RMB2,740,000 and RMB5,162,000 of such losses as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. No deferred tax asset has been recognised on the tax losses of remaining RMB6,657,000, RMB8,280,000, RMB13,504,000 and RMB14,627,000 of such losses as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively due to the unpredictability of future profit streams. The unrecognised tax losses with expiry dates are disclosed in the following table.

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2022	955	–	–	–	–	–	–	–
2023	1,072	1,072	–	–	–	–	–	–
2024	780	780	780	–	–	–	–	–
2025	2,264	2,264	1,878	1,878	–	–	–	–
2026	1,586	1,586	1,586	1,586	–	–	–	–
2027	–	2,578	2,578	2,578	–	–	–	–
2028	–	–	4,111	4,111	–	–	–	–
2029	–	–	–	1,192	–	–	–	–
Indefinitely	–	–	2,571	3,282	–	–	–	–
	6,657	8,280	13,504	14,627	–	–	–	–

22. INVENTORIES

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	73,509	69,211	62,323	80,951	12,877	25,225	12,171	14,598
Work in progress	66,736	67,265	63,978	86,808	15,607	13,987	11,815	19,966
Finished goods	88,855	43,209	41,865	62,098	9,867	8,024	5,698	7,400
Goods in transit	38,326	21,562	42,382	25,065	13,614	8,506	26,998	6,607
	267,426	201,247	210,548	254,922	51,965	55,742	56,682	48,571
Less: provision	(22,959)	(27,509)	(36,933)	(33,969)	(3,385)	(2,891)	(7,349)	(4,797)
	244,467	173,738	173,615	220,953	48,580	52,851	49,333	43,774

23. TRADE AND BILLS RECEIVABLES/TRADE RECEIVABLES AT FVTOCI

(a) Trade and bills receivables

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	203,494	135,154	150,596	184,808	124,819	192,756	136,207	165,315
Bills receivable	331	168	–	–	–	–	–	–
Less: allowance for ECL	(43)	(2,486)	(4,503)	(3,876)	(2)	(1,676)	(2,509)	(2,044)
	203,782	132,836	146,093	180,932	124,817	191,080	133,698	163,271

Details of the trade receivables for goods sold to the subsidiaries of the Company included in the table above are set out in Note 37.

As at 1 January 2021, the carrying amount of trade and bills receivables net of allowance for ECL from contracts with customers of the Group and the Company amounted to RMB195,225,000 and RMB42,100,000, respectively.

Ageing of trade receivables is prepared based on the dates of delivery of goods, which approximated the respective revenue recognition dates, as follows:

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	202,984	130,698	146,164	181,063	124,777	189,915	133,698	163,270
1–2 years	453	4,093	924	123	42	2,799	533	–
2–3 years	52	338	3,249	444	–	42	1,934	407
Over 3 years	5	25	259	3,178	–	–	42	1,638
	203,494	135,154	150,596	184,808	124,819	192,756	136,207	165,315

The normal credit term to the customers ranged between 30 to 135 days.

As at 31 December 2021, 2022 and 2023 and 30 June 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB44,339,000, RMB25,664,000, RMB30,737,000 and RMB36,823,000 which are past due as at the reporting date.

Out of the past due 90 days or more balances, RMB6,997,000, RMB715,000 , RMB223,000 and RMB3,756,000 is not considered as in default due to the historical and expected subsequent repayment from the debtors and the remaining trade receivables due 90 days or more amounting to RMB5,000, RMB4,649,000, RMB4,149,000 and RMB3,742,000 has become credit-impaired. The Group does not hold any collateral over these balances.

Details of the pledged trade receivables and impairment assessment of trade and bills receivables are set out in Notes 28 and 36, respectively.

(b) Trade receivables at FVTOCI

The Group

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables at FVTOCI	25,123	11,479	15,750	14,458

As at 1 January 2021, trade receivables at FVTOCI from contracts with customers amounted to RMB21,151,000.

The amounts represent the trade receivables that were held under the "hold to collect and sell" business model, whose objective is achieved by both collecting contractual cash flows and factoring trade receivables to the banks without recourse. Hence theses trade receivables are measured at FVTOCl. In the opinion of the Directors, when the trade receivables are factored to banks, the Group transfers substantially all the risks and rewards of ownership to banks, and accordingly the related trade receivables are derecognised. At each reporting date, the fair value changes on trade receivables at FVOCl are insignificant and accordingly, no fair value changes are recognised in equity as FVOCl reserve. The ageing analysis of the trade receivables at FVTOCI based on the dates of delivery of goods is as follows:

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	25,123	11,035	15,456	14,458
1–2 years	–	444	14	–
2–3 years	–	–	280	–
	25,123	11,479	15,750	14,458

24. PREPAYMENTS AND OTHER RECEIVABLES

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Other tax recoverable	15,179	17,739	29,080	33,748	3,762	4,347	3,311	2,568
Prepayments	7,548	5,806	3,771	7,789	371	347	185	3,064
Prepaid professional fee	–	1,218	1,356	–	–	1,218	1,356	–
Receivables for payments made on behalf of customers	21,453	–	–	3,578	–	–	–	–
Receivables from suppliers for litigation settlement	6,846	6,823	7,274	7,274	–	–	–	–
Rental and other deposits	3,529	3,916	4,442	4,399	150	369	369	369
Refundable deposits for land use rights	2,000	2,000	2,000	7,973	2,000	2,000	2,000	7,973
Others	1,974	3,629	1,262	2,065	518	355	396	499
	58,529	41,131	49,185	66,826	6,801	8,636	7,617	14,473
Less: allowance for ECL	(7,993)	(7,026)	(7,315)	(7,478)	(9)	–	–	–
	50,536	34,105	41,870	59,348	6,792	8,636	7,617	14,473
Analysed for reporting purposes as:								
Current assets	47,283	30,598	37,837	55,347	6,634	8,486	7,467	14,323
Non-current assets	3,253	3,507	4,033	4,001	158	150	150	150
	50,536	34,105	41,870	59,348	6,792	8,636	7,617	14,473

Details of impairment assessment of other receivables are set out in Note 36.

25. PLEDGED AND RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

The ranges of fixed interest rates/market rates on the pledged and restricted bank deposits/bank balances and cash are as follows:

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	%	%	%	%	%	%	%	%
Fixed-rate pledged and restricted bank deposits	1.30–1.50	1.30	1.30	0.20–1.30	–	–	–	–
Variable-rate bank balances	0.00–1.76	0.00–1.76	0.00–4.30	0.00–5.05	0.01–1.76	0.01–1.76	0.01–4.30	0.01–5.05

The deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits amounting to RMB2,274,000, nil, nil, and nil have been pledged to secure short-term bank borrowings and are therefore classified as current assets. The remaining deposits amounting to RMB35,000,000, RMB35,000,000, RMB35,000,000, and RMB35,000,000 have been pledged to banking facilities with revolving credit and are therefore classified as non-current assets as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. The pledged bank deposits will be released upon the settlement of relevant borrowings or the end of agreement period. The Group's restricted bank deposits of RMB145,000 as at 30 June 2024 are frozen due to an ongoing litigation case involving immaterial claims.

Details of impairment assessment of bank balances and pledge of bank deposits are set out in Notes 36 and 28, respectively.

26. TRADE AND BILLS PAYABLES

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	261,025	192,270	257,273	283,360	74,164	67,252	61,082	58,612
Bills payables	32,650	16,527	17,357	28,992	–	–	–	–
	293,675	208,797	274,630	312,352	74,164	67,252	61,082	58,612

The following is the ageing analysis of trade payables based on the date of goods and services received at the end of each reporting period:

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	258,984	186,790	254,672	280,034	73,542	65,094	60,464	57,989
1–2 years	467	3,572	371	763	57	1,574	159	139
2–3 years	282	344	558	569	12	23	166	26
Over 3 years	1,292	1,564	1,672	1,994	553	561	293	458
	261,025	192,270	257,273	283,360	74,164	67,252	61,082	58,612

The credit period on purchases of goods and services of the Group and Company is within 120 days. All the bills payable with maturity within one year.

27. OTHER PAYABLES AND ACCRUALS

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accrued employees' benefits	20,651	17,310	21,201	17,017	5,609	5,253	6,270	4,065
Payables for acquisition of property, plant and equipment	14,377	31,493	70,270	43,428	1,551	3,613	1,821	1,472
Other accrued charges	6,503	4,869	4,813	7,920	2,843	1,496	2,255	2,402
Settlement payables to suppliers on behalf of customers	8,204	5,113	2,009	3,414	–	–	–	–
Other taxes payable	3,694	4,108	3,607	1,953	927	1,703	1,077	365
Deposits received	921	757	929	949	351	284	345	369
Others	1,077	322	401	380	418	90	75	19
	55,427	63,972	103,230	75,061	11,699	12,439	11,843	8,692

28. BORROWINGS

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans:								
Secured and guaranteed	228,033	122,856	183,417	223,419	53,598	17,299	–	–
Unsecured and guaranteed	21,243	57,568	63,379	68,542	–	35,170	38,378	50,000
	249,276	180,424	246,796	291,961	53,598	52,469	38,378	50,000
The carrying amounts of the above borrowings are repayable*:								
– Within one year	249,276	115,112	129,294	160,524	53,598	52,469	38,378	50,000
– Within a period of more than one year but not exceeding two years	–	13,062	29,375	37,553	–	–	–	–
– Within a period of more than two years but not exceeding five years	–	39,187	88,127	93,884	–	–	–	–
– Within a period of more than five years	–	13,063	–	–	–	–	–	–
	249,276	180,424	246,796	291,961	53,598	52,469	38,378	50,000
Less: amounts due within one year shown under current liabilities	(249,276)	(115,112)	(129,294)	(160,524)	(53,598)	(52,469)	(38,378)	(50,000)
Amounts shown under non-current liabilities	–	65,312	117,502	131,437	–	–	–	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the borrowings are as follows:

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fixed-rate borrowings	249,276	112,256	129,294	156,620	53,598	52,469	38,378	50,000
Variable-rate borrowings	–	68,168	117,502	135,341	–	–	–	–
	249,276	180,424	246,796	291,961	53,598	52,469	38,378	50,000

The Group's variable-rate borrowings carry interest at Loan Prime Rate ("**LPR**"). Interest is reset every 12 months.

The range of effective interest rates (which are also equal to contracted interest rates) on the borrowings is as follows:

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	%	*%*	*%*	*%*	*%*	*%*	*%*	*%*
Effective interest rate:								
Fixed-rate borrowings	4.50–6.10	4.35–10.89	3.90–6.83	2.90–6.83	4.50–5.65	4.35–5.45	4.30–4.40	2.90–3.90
Variable-rate borrowings	–	4.30–4.45	4.20	3.45–4.20	–	–	–	–

The borrowings had been secured by the pledge of the Group's and the Company's assets. The carrying amounts of the respective assets are as follows:

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank deposits	37,274	35,000	35,000	35,000	–	–	–	–
Trade receivables	123,186	19,581	6,577	23,786	–	–	–	–
Property, plant and equipment	86,177	219,591	352,868	368,813	76,057	73,058	67,398	38,125
Investment properties	4,414	1,768	1,651	208	4,310	1,560	1,443	–
Leasehold lands	17,680	52,675	51,492	46,696	15,342	14,964	14,585	10,191
	268,731	328,615	447,588	474,503	95,709	89,582	83,426	48,316

Details of the guarantees for the borrowings are as follows:

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Maximum amounts under banking facilities guaranteed by:								
Mr. Pan Yun and/or Ms. Cao Chengling *(note)*	415,464	895,027	868,274	909,487	110,133	173,500	173,500	213,500

Note: Ms. Cao Chengling is the spouse of Mr. Pan Yun, the controlling shareholder of the Company.

The Group's borrowings that are denominated in currencies other the functional currencies of the relevant group entities are set out below:

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**	**2021**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
United States Dollars ("**US$**")	100,526	13,875	4,867	21,156	–	–	–	–

29. LEASE LIABILITIES

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Lease liabilities payable:								
Within one year	13,641	19,679	23,636	24,415	73	70	73	505
Within a period of more than one year but not more than two years	3,052	19,269	17,152	11,548	–	–	–	–
Within a period of more than two years but not more than five years	1,639	20,174	21,061	17,172	–	–	–	–
Over five years	–	–	8,133	6,618	–	–	–	–
	18,332	59,122	69,982	59,753	73	70	73	505
Less: amount due for settlement within 12 months shown under current liabilities	(13,641)	(19,679)	(23,636)	(24,415)	(73)	(70)	(73)	(505)
Amount due for settlement after 12 months shown under non-current liabilities	4,691	39,443	46,346	35,338	–	–	–	–

The weighted average incremental borrowing rates applied to lease liabilities is 4.8% per annum during the Track Record Period.

30. CONTRACT LIABILITIES

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Sales of goods	46,497	36,261	59,338	44,855	7,018	21,214	314	1,320

As at 1 January 2021, the Group's and the Company's contract liabilities amounted to RMB70,346,000 and RMB8,078,000, respectively.

Revenue recognised during each reporting period with performance obligation satisfied includes the entire amount of contract liability at the beginning of each reporting period.

Details of the contract liabilities for goods sold to the subsidiaries of the Company included in the table above are set out in Note 37.

31. DEFERRED INCOME

	The Group				The Company			
	As at 31 December			As at 30 June	As at 31 December			As at 30 June
	2021	2022	2023	2024	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets-related government subsidies	2,697	2,534	2,371	2,290	2,697	2,534	2,371	2,290
Less: amount due for settlement with 12 months shown under current liabilities	(163)	(163)	(163)	(163)	(163)	(163)	(163)	(163)
	2,534	2,371	2,208	2,127	2,534	2,371	2,208	2,127

Deferred income consists of government grants provided by the relevant PRC government authorities for the purposes of financing the purchase of plant and machinery and the related expenses to be incurred for the development of new products or technology. The amounts are recognised as income to match with related expenses or on systematic basis over the useful lives of the relevant assets upon completing inspection by the related government authorities.

32. SHARE CAPITAL

	Number of shares	Share capital
		RMB'000
Ordinary shares of RMB1 each		
Registered, issued and fully paid		
At 1 January 2021, 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024	204,659,509	204,660

Reserves of the Company:

Below table sets out the details of the reserves of the Company:

	Share premium	Capital reserve *(note)*	Statutory reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	112,713	168,635	5,151	47,441	333,940
Profit for the year	–	–	–	28,788	28,788
Deemed contribution from a shareholder	–	2,502	–	–	2,502
Transfer to statutory reserve	–	–	2,974	(2,974)	–
At 31 December 2021	112,713	171,137	8,125	73,255	365,230
Profit for the year	–	–	–	54,302	54,302
Transfer to statutory reserve	–	–	5,943	(5,943)	–
At 31 December 2022	112,713	171,137	14,068	121,614	419,532
Profit for the year	–	–	–	67,410	67,410
Transfer to statutory reserve	–	–	7,045	(7,045)	–
At 31 December 2023	112,713	171,137	21,113	181,979	486,942
Profit for the period	–	–	–	35,567	35,567
At 30 June 2024	112,713	171,137	21,113	217,546	522,509

Note: Capital reserve of the Company represents deemed contribution from certain shareholders of the Company, including (i) the difference between the aggregated net asset values of certain subsidiaries acquired under common control in 2016 and the aggregated consideration paid; and (ii) waiver of an amount due to the controlling shareholder of the Company of RMB2,502,000 during the year ended 31 December 2021.

33. CAPITAL COMMITMENTS

The Group

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided for in the Historical Financial Information				
– Property, plant and equipment	315,051	208,223	86,947	7,814

34. RETIREMENT BENEFIT SCHEME

The employees of the Group's subsidiaries in the PRC are members of a state-managed defined contribution retirement scheme operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit scheme subject to certain cap as governed by the social fund bureau. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the scheme.

A subsidiary in the U.S. maintains multiple qualified contributory savings plans as allowed under Section 401(k) of the Internal Revenue Code in the U.S.. These plans are defined contribution plans covering substantially all its qualifying employees and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation. The employer's contributions are primarily based on the smaller of three percent of the employees' compensation and the half of the employees' contributions.

The total retirement benefits scheme contributions to those plans recognised as employee benefit charged to profit or loss and capitalised as inventories, amounting to RMB14,155,000, RMB13,304,000, RMB12,761,000, RMB6,226,000 (unaudited) and RMB8,176,000 for each of the three years ended 31 December 2021, 2022 and 2023 and the six months ended 30 June 2023 and 2024, respectively, representing contributions paid to the retirement benefits scheme by the Group.

35. CAPITAL RISK MANAGEMENT

The Group and the Company manages its capital to ensure that entities in the Group and the Company will be able to continue as a going concern with maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group and the Company consists of net debt, which includes the borrowings and lease liabilities disclosed in Notes 28 and 29, respectively, net of bank balances and cash and total equity, mainly comprising issued share capital, share premium and retained profits.

The management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The Group

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Amortised cost	633,742	558,738	737,094	730,906
Trade receivables at FVTOCI	25,123	11,479	15,750	14,458
	658,865	570,217	752,844	745,364
Financial liabilities				
Amortised cost	574,033	431,775	599,848	660,404

The Company

	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Amortised cost	186,614	264,712	315,950	401,592
Financial liabilities				
Amortised cost	133,013	147,125	141,028	334,927

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, trade receivables at FVTOCI, other receivables, pledged and restricted bank deposits, bank balances and cash, trade and bills payables, other payables and borrowings. The Company's major financial instruments include trade and bills receivables, other receivables, amounts due from subsidiaries, bank balances and cash, trade and bills payables, other payables, amounts due to subsidiaries and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk, and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

(i) Currency risk

The Group's and the Company's exposure to foreign currency risk related primarily to bank balances and cash, trade receivables, other receivables, trade payables, other payables and borrowings that are denominated in HK$, US$, Canadian dollar ("**C$**") and Great Britain Pound ("**GBP**").

The carrying amounts of the Group's and the Company's foreign currencies denominated monetary assets and liabilities at the end of each reporting period are as follows:

The Group

	Assets			
	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	247,430	274,407	244,629	389,318
HK$	298	413	430	431
C$	–	–	1	1
	247,728	274,820	245,060	389,750

Liabilities

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	108,899	19,302	7,059	26,268
GBP	1,084	1,384	2,019	2,546
	109,983	20,686	9,078	28,814

The Company

Assets

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	106,943	172,097	148,364	225,837
HK$	2	2	2	2
	106,945	172,099	148,366	225,839

Liabilities

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	88	–	–	–

The Group and the Company currently do not have a foreign exchange hedging policy. However, the management of the Group and the Company monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Sensitivity analysis

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in RMB against US$. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominate monetary items and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rates. A negative number below indicates an decrease in post-tax profit where RMB strengthen 5% against US$. For a 5% weakening of RMB against US$ there would be an equal and opposite impact on the post-tax profit and the amounts below would be positive.

The Group

	Year ended 31 December			Six months ended 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	(5,799)	(10,757)	(9,957)	(14,879)

The Company

	Year ended 31 December			Six months ended 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
US$	(4,541)	(7,314)	(6,305)	(9,598)

During the Track Record Period, the currency exposure of RMB against HK$, C$, and GBP is immaterial, and accordingly, no sensitivity analysis is disclosed.

(ii) Interest risk

The Group and the Company are exposed to fair value interest rate risk in relation to pledged and restricted bank deposits (see Note 25), fixed-rate bank borrowings (see Note 28 for details of these borrowings) and lease liabilities (see Note 29 for details). The Group and the Company are exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 25 for details). Furthermore, the Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 28 for details). The cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances of the Group and the Company and LPR arising from the Group's borrowings. The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year/period would increase/decrease by RMB256,000, RMB537,000 and RMB315,000 for the years ended 31 December 2022 and 2023 and the six months ended 30 June 2024, respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's and the Company's counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group's and the Company's credit risk exposures are primarily attributable to trade and bills receivables, trade receivables at FVTOCI, pledged and restricted bank deposits, bank balances, other receivables and amounts due from subsidiaries. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

Trade receivables arising from contracts with customers and trade receivables at FVTOCI

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The Group's concentration of credit risk by geographical locations is mainly in North America, which accounted for 66%, 76%, 74% and 66% of the total trade receivables as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. The Group has concentration of credit risk as 42%, 49%, 29% and 25% of the total trade receivables was due from the Group's largest customer as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively. The Group has concentration of credit risk as 83%, 89%, 80% and 80% of the total trade receivables was due from the Group's five largest customers as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively.

For trade receivables, the Group has applied the simplified approach of IFRS 9 to measure the loss allowance at lifetime ECL. Except for items that are subject to individual evaluation, which are assessed for impairment individually, the remaining trade receivables are grouped based on shared credit risk characteristics by reference to the Group's ageing of outstanding balances. Details of the quantitative disclosures are set out below in this note.

Bills receivables

Bills receivables were all bank-issued notes. Since the issuers were reputable banks of good credit quality, the management of the Group considered the credit risk of these bank issued bills is insignificant and no impairment was provided on them at the end of each reporting period.

Other receivables

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group and the Company provided impairment based on 12m ECL except for certain other receivables have been measured based on lifetime ECL with significant increase in credit risk or credit-impaired. Details of the quantitative disclosures are set out below in this note.

Pledged and restricted bank deposits/bank balances

Credit risk on pledged and restricted bank deposits/bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group and the Company assessed 12m ECL for pledged and restricted bank deposits/bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on pledged and restricted bank deposits/bank balances is considered to be insignificant and therefore no loss allowance was recognised.

The Group's and the Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	**Description**	**Trade receivables**	**Financial assets other than trade receivables**
Low risk	The counterparty has a low risk of default	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group and the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's and the Company's financial assets, which are subject to ECL assessment:

The Group

As at 31 December 2021

	External/ internal credit rating	**12m or lifetime ECL**	**Average loss rate**	**Gross carrying amount** *RMB'000*	**Impairment loss allowance** *RMB'000*
Debt instruments at FVTOCI					
Trade receivables at FVTOCI	*note ii*	12m ECL	0.01%	25,125	2
Financial assets at amortised cost					
Bank balances	AAA/BBB+ *note i*	12m ECL	N/A	364,877	–
Pledged and restricted bank deposits	AAA/BBB+ *note i*	12m ECL	N/A	37,274	–
Trade receivables	*note ii*	Lifetime ECL (not credit-impaired)	0.02%	203,489	38
		Lifetime ECL (credit-impaired)	100.00%	5	5
Bills receivables	*note i*	12m ECL	N/A	331	–
Other receivables	*note iii*	12m ECL (not credit-impaired)	N/A	27,809	–
		Lifetime ECL (credit-impaired)	100.00%	7,993	7,993
				666,903	8,038

As at 31 December 2022

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
Debt instruments at FVTOCI					
Trade receivables at FVTOCI	*note ii*	12m ECL	1.11%	11,608	129
Financial assets at amortised cost					
Bank balances	AAA/BBB+ *note i*	12m ECL	N/A	381,560	–
Pledged and restricted bank deposits	AAA/BBB+ *note i*	12m ECL	N/A	35,000	–
Trade receivables	*note ii*	Lifetime ECL (not credit-impaired)	0.11%	130,505	149
		Lifetime ECL (credit-impaired)	50.27%	4,649	2,337
Bills receivables	*note i*	12m ECL	N/A	168	–
Other receivables	*note iii*	12m ECL (not credit-impaired)	N/A	9,342	–
		Lifetime ECL (credit-impaired)	100.00%	7,026	7,026
				579,858	9,641

As at 31 December 2023

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
Debt instruments at FVTOCI					
Trade receivables at FVTOCI	*note ii*	12m ECL	1.99%	16,069	319
Financial assets at amortised cost					
Bank balances	AAA/BBB+ *note i*	12m ECL	N/A	548,338	–
Pledged and restricted bank deposits	AAA/BBB+ *note i*	12m ECL	N/A	35,000	–
Trade receivables	*note ii*	Lifetime ECL (not credit-impaired)	0.24%	146,447	354
		Lifetime ECL (credit-impaired)	100.00%	4,149	4,149
Other receivables	*note iii*	12m ECL (not credit-impaired)	N/A	7,663	–
		Lifetime ECL (credit-impaired)	100.00%	7,315	7,315
				764,981	12,137

As at 30 June 2024

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
Debt instruments at FVTOCI					
Trade receivables at FVTOCI	*note ii*	12m ECL	0.07%	14,468	10
Financial assets at amortised cost					
Bank balances	AAA/BBB+ *note i*	12m ECL	N/A	497,018	–
Pledged and restricted bank deposits	AAA/BBB+ *note i*	12m ECL	N/A	35,145	–
Trade receivables	*note ii*	Lifetime ECL (not credit-impaired)	0.07%	181,066	134
		Lifetime ECL (credit-impaired)	100.00%	3,742	3,742
Other receivables	*note iii*	12m ECL (not credit-impaired)	N/A	17,811	–
		Lifetime ECL (credit-impaired)	100.00%	7,478	7,478
				756,728	11,364

The Company

As at 31 December 2021

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
Financial assets at amortised cost					
Bank balances	AAA/BBB+ *note i*	12m ECL	N/A	56,395	–
Amounts due from subsidiaries	*note iii*	12m ECL	N/A	2,743	–
Trade receivables	*note ii*	Lifetime ECL (not credit-impaired)	–	124,819	2
Other receivables	*note iii*	12m ECL (not credit-impaired)	0.34%	2,668	9
				186,625	11

As at 31 December 2022

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount	Impairment loss allowance
				RMB'000	*RMB'000*
Financial assets at amortised cost					
Bank balances	AAA/BBB+ *note i*	12m ECL	N/A	26,332	–
Amounts due from subsidiaries	*note iii*	12m ECL	N/A	44,576	–
Trade receivables	*note ii*	Lifetime ECL (not credit-impaired)	0.01%	189,424	11
		Lifetime ECL (credit-impaired)	49.97%	3,332	1,665
Other receivables	*note iii*	12m ECL (not credit-impaired)	N/A	2,724	–
				266,388	1,676

As at 31 December 2023

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount	Impairment loss allowance
				RMB'000	*RMB'000*
Financial assets at amortised cost					
Bank balances	AAA/BBB+ *note i*	12m ECL	N/A	104,157	–
Amounts due from subsidiaries	*note iii*	12m ECL	N/A	75,330	–
Trade receivables	*note ii*	Lifetime ECL (not credit-impaired)	N/A	133,698	–
		Lifetime ECL (credit-impaired)	100.00%	2,509	2,509
Other receivables	note iii	12m ECL (not credit-impaired)	N/A	2,765	–
				318,459	2,509

As at 30 June 2024

	External/ internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount *RMB'000*	Impairment loss allowance *RMB'000*
Financial assets at amortised cost					
Bank balances	AAA/BBB+ *note i*	12m ECL	N/A	227,717	–
Amounts due from subsidiaries	*note iii*	12m ECL	N/A	1,763	–
Trade receivables	*note ii*	Lifetime ECL (not credit-impaired)	N/A	163,271	–
		Lifetime ECL (credit-impaired)	100.00%	2,044	2,044
Other receivables	*note iii*	12m ECL (not credit-impaired)	N/A	8,841	–
				403,636	2,044

Notes:

(i) The counterparties are reputable banks with high credit ratings and the risk of default on liquid funds is limited.

(ii) For trade receivables, the Group and the Company applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for receivables from debtors with significant balances or credit-impaired, which are assessed individually, the Group and the Company determine the ECL on the remaining trade receivables on a collective basis using provision matrix, grouped by the ageing of the trade receivables. As part of the Group's credit risk management, the Group uses the ageing of the trade receivables to assess the impairment for its trade receivables in relation to its operation because these customers have common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The Group's trade receivables at amortised cost with significant balances or credit-impaired with gross carrying amounts of RMB134,321,000, RMB109,287,000, RMB113,011,000 and RMB132,419,000 as at 31 December 2021, 2022 and 2023 and 30 June 2024, respectively, were assessed individually. The remaining trade receivables are assessed based on provision matrix, and the impairment losses recognised were insignificant.

The estimated loss rates used in the provision matrix are estimated based on historical credit loss experience of debtors taking into consideration the historical default rates and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The Company's trade receivables are mainly from the subsidiaries, as disclosed in Note 37. Both the receivables from subsidiaries and the trade receivables that are credit-impaired are assessed individually.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

The Group

	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2021	24	5	29
Impairment loss recognised	19	–	19
Exchange adjustments	(5)	–	(5)
As at 31 December 2021	38	5	43
Transfer to credit-impaired	(3)	3	–
Impairment loss recognised	119	2,331	2,450
Write-off	–	(2)	(2)
Exchange adjustments	(5)	-	(5)
As at 31 December 2022	149	2,337	2,486
Transfer to credit-impaired	(59)	59	–
Impairment loss recognised	262	1,753	2,015
Exchange adjustments	2	–	2
As at 31 December 2023	354	4,149	4,503
Impairment loss reversed	(220)	(407)	(627)
As at 30 June 2024	134	3,742	3,876

The Company

	Lifetime ECL not credit-impaired *RMB'000*	**Lifetime ECL credit-impaired** *RMB'000*	**Total** *RMB'000*
As at 1 January 2021	–	–	–
Impairment loss recognised	2	–	2
As at 31 December 2021	2	–	2
Impairment loss recognised	9	1,665	1,674
As at 31 December 2022	11	1,665	1,676
Transfer to credit-impaired	(11)	11	–
Impairment loss recognised	–	833	833
As at 31 December 2023	–	2,509	2,509
Impairment loss reversed	–	(465)	(465)
As at 30 June 2024	–	2,044	2,044

(iii) For the purposes of internal credit risk management, the ECL on other receivables of the Group and the Company, as well as the non-trade amounts due from subsidiaries of the Company, is assessed individually. All of the Group's impairment losses are for other receivables that are credit-impaired, which include the receivables from suppliers for litigation settlement as disclosed in Note 24.

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintains a level of bank balances and cash deemed adequate by the management to finance the operations of the Group and the Company, and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings, if necessary.

The following table details the Group's and the Company's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of and financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on management's best estimates at the end of each reporting period.

The Group

	Weighted average effective interest rate	On demand/ less than 1 year	1 year to 2 years	2 year to 5 years	over 5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021							
Borrowings	5.56	253,410	–	–	–	253,410	249,276
Trade and bills payables	–	293,675	–	–	–	293,675	293,675
Other payables	–	31,082	–	–	–	31,082	31,082
Lease liabilities	4.80	14,076	3,180	1,672	–	18,928	18,332
		592,243	3,180	1,672	–	597,095	592,365
As at 31 December 2022							
Borrowings	5.11	120,006	16,108	43,659	13,390	193,163	180,424
Trade and bills payables	–	208,797	–	–	–	208,797	208,797
Other payables	–	42,554	–	–	–	42,554	42,554
Lease liabilities	4.80	21,981	20,656	20,966	–	63,603	59,122
		393,338	36,764	64,625	13,390	508,117	490,897
As at 31 December 2023							
Borrowings	4.27	166,222	33,944	94,209	–	294,375	246,796
Trade and bills payables	–	274,630	–	–	–	274,630	274,630
Other payables	–	78,422	–	–	–	78,422	78,422
Lease liabilities	4.80	26,369	18,859	23,379	9,011	77,618	69,982
		545,643	52,803	117,588	9,011	725,045	669,830
As at 30 June 2024							
Borrowings	4.17	189,250	42,494	99,243	–	330,987	291,961
Trade and bills payables	–	312,352	–	–	–	312,352	312,352
Other payables	–	56,091	–	–	–	56,091	56,091
Lease liabilities	4.80	26,587	12,928	19,035	7,328	65,878	59,753
		584,280	55,422	118,278	7,328	765,308	720,157

The Company

	Weighted average effective interest rate	On demand/ less than 1 year	1 year to 2 years	2 year to 5 years	over 5 years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021							
Borrowings	4.99	55,059	–	–	–	55,059	53,598
Trade and bills payables	–	74,164	–	–	–	74,164	74,164
Other payables	–	5,163	–	–	–	5,163	5,163
Amounts due to subsidiaries	–	88	–	–	–	88	88
Lease liabilities	4.80	73	–	–	–	73	73
		134,547	–	–	–	134,547	133,086
As at 31 December 2022							
Borrowings	4.87	54,094	–	–	–	54,094	52,469
Trade and bills payables	–	67,252	–	–	–	67,252	67,252
Other payables	–	5,483	–	–	–	5,483	5,483
Amounts due to subsidiaries	–	21,921	–	–	–	21,921	21,921
Lease liabilities	4.80	70	–	–	–	70	70
		148,820	–	–	–	148,820	147,195
As at 31 December 2023							
Borrowings	4.37	39,632	–	–	–	39,632	38,378
Trade and bills payables	–	61,082	–	–	–	61,082	61,082
Other payables	–	4,496	–	–	–	4,496	4,496
Amounts due to subsidiaries	–	37,072	–	–	–	37,072	37,072
Lease liabilities	4.80	73	–	–	–	73	73
		142,355	–	–	–	142,355	141,101
As at 30 June 2024							
Borrowings	3.62	51,003	–	–	–	51,003	50,000
Trade and bills payables	–	58,612	–	–	–	58,612	58,612
Other payables	–	4,262	–	–	–	4,262	4,262
Amounts due to subsidiaries	–	222,053	–	–	–	222,053	222,053
Lease liabilities	4.80	511	–	–	–	511	505
		336,441	–	–	–	336,441	335,432

(c) Transfers of financial assets

The following shows the Group's financial assets that were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards, it continues to recognise the full carrying amount and has recognised the cash received on the transfer as a collateralised borrowing (see Note 28).

	Trade receivables			
	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount of transferred assets	123,186	19,581	6,577	23,786
Carrying amount of associated liabilities	(100,526)	(13,875)	(4,867)	(21,156)
	22,660	5,706	1,710	2,630

(d) Fair value measurements of financial instruments

Fair value of the Group's financial assets measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Set out below is the information about how the fair values of the Group's financial instruments that are measured at fair value are determined, including the valuation technique and inputs used:

Financial assets	**As at 31 December 2021**	**2022**	**2023**	**As at 30 June 2024**	**Fair value hierarchy**	**Valuation technique and key input(s)**	**Significant unobservable input**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*			
Trade receivables at FVTOCI	25,123	11,479	15,750	14,458	Level 3	Discounted cash flow Risk-adjusted discount rate and cash flow are key inputs	Discount rate

Fair value of financial instruments that are recorded at amortised cost

The fair values of financial assets and financial liabilities of the Group are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The management consider that the carrying amounts of financial assets recorded at amortised cost in the Historical Financial Information approximate their fair values.

Reconciliation of Level 3 fair value measurements

The following table presents the changes in level 3 financial instruments during the Track Record Period:

	Year ended 31 December			Six months ended 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January	21,151	25,123	11,479	15,750
Addition	336,897	316,665	428,200	171,674
Settlements	(332,925)	(330,182)	(423,739)	(173,275)
Fair value changes	–	(127)	(190)	309
At 31 December	25,123	11,479	15,750	14,458

37. RELATED PARTY TRANSACTIONS

Saved for those disclosed in Note 28, during the Track Record Period, the Group and the Company entered into the following transactions/balances with the related parties:

(a) Related party balances

(i) Amounts due from subsidiaries

The Company

Name of related party	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	As at 30 June 2024 RMB'000
X.J. Electrical Appliances Co., Ltd.* ("**X.J. Electrical Appliances**") 惠州市香江智能電器有限公司	–	44,000	74,000	–
X.J. Group (HK) Limited ("**X.J. Group (HK)**") 湖北香江電器(香港)股份有限公司	–	576	1,330	1,763
X.J. Electronics (Shenzhen) Co., Ltd.* ("**X.J. Electronics (Shenzhen)**") 遠特信電子(深圳)有限公司	1,325	–	–	–
X.J. Electrics (Shenzhen) Co., Ltd.* ("**X.J. Electrics (Shenzhen)**") 愛思傑電器(深圳)有限公司	1,160	–	–	–
MeiNuoWei Electrics (HuiZhou) Co., Ltd.* ("**MeiNuoWei Electrics**") 惠州市美諾威電器有限公司	158	–	–	–
Innovative (Jiangyin) Electronics Co., Ltd.* ("**Innovative (Jiangyin)**") 益諾威(江陰)電子有限公司	100	–	–	–
	2,743	44,576	75,330	1,763

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand.

* *For identification purpose only*

(ii) Amounts due to subsidiaries

The Company

Name of related party	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	As at 30 June 2024 RMB'000
X.J. Group (HK)	88	–	–	–
X.J. Electronics (Shenzhen)	–	21,921	37,072	86,706
X.J. Electrics (Shenzhen)	–	–	–	61,538
Innovative (Jiangyin)	–	–	–	40,863
MeiNuoWei Electrics	–	–	–	32,946
	88	21,921	37,072	222,053

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(iii) ***Trade receivables***

The Company

Name of related party	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	As at 30 June 2024 RMB'000
X.J. Group (HK)	105,801	170,856	120,089	106,978
PT Dingsheng Electrics Indonesia ("**PT Dingsheng**")	–	–	–	728
THS Industrial Limited ("**THS Industrial**")	–	–	1,762	38,667
X.J. Electronics (Shenzhen)	2,021	3,963	1,039	2,411
X.J. Electrics (Shenzhen)	5,846	8,423	4,576	7,138
Innovative (Jiangyin)	219	56	–	778
Aigrentrading Co., Ltd.* ("**Aigrentrading**") 湖北艾格麗經貿有限公司	7,211	4,711	5,238	5,593
MeiNuoWei Electrics	98	220	323	348
HNW Electronics (Shenzhen) Co., Ltd.* ("**HNW Electronics**") 深圳市宏諾威電子有限公司	620	874	528	266
Shenzhen Nawu Technology Co., Ltd.* ("**Nawu Technology**") 深圳市納吾科技有限公司	131	131	131	131
X.J. Electrical Appliances	–	–	–	233
	121,947	189,234	133,686	163,271

The amounts are in trade nature, unsecured, non-interest bearing and repayable on demand.

* *For identification purpose only*

(iv) ***Contract liabilities***

The Company

Name of related party	As at 31 December 2021 RMB'000	2022 RMB'000	2023 RMB'000	As at 30 June 2024 RMB'000
THS Industrial	7,018	20,985	–	–
Innovative (Jiangyin)	–	–	2	–
	7,018	20,985	2	–

(b) Related party transactions

(i) ***Assignment of patents***

In March 2023, Mr. Pan Yun assigned some patents to the Company without consideration.

(ii) Collection and payment on behalf of the Company

During the year ended 31 December 2021, receipts on behalf of the Company by Mr. Pan Yun, the controlling shareholder of the Company, including receipts from scrap and meltblown fabrics of RMB113,000, and payments on behalf of the Company by Mr. Pan Yun, mainly including employees' bonus, hospitality and incidental expenses of RMB723,000. These amounts have been fully settled during the year ended 31 December 2021.

(iii) Leases

Lease liabilities

The Group

Name of related party	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Pan Yun	120	66	240	774

Interest on lease liabilities

The Group

Name of related party	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Mr. Pan Yun	9	7	15	8	20

(iv) Compensation of key management personnel

The remuneration of directors of the Company and other members of key management of the Group during the Track Record Period is as follows:

	Year ended 31 December			Six months ended 30 June	
	2021	**2022**	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and other benefits	6,387	5,728	5,880	2,848	3,051
Discretionary bonus	420	385	758	–	–
Retirement benefit scheme contributions	29	29	29	17	18
	6,836	6,142	6,667	2,865	3,069

The remuneration of directors, supervisors and other members of key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowings	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 31 December 2020	198,152	39,555	237,707
Financing cash flows	41,279	(25,116)	16,163
New leases entered	–	1,524	1,524
Interest expenses	12,713	2,393	15,106
Exchange adjustments	(2,868)	(24)	(2,892)
As at 31 December 2021	249,276	18,332	267,608
Financing cash flows	(83,241)	(25,243)	(108,484)
New leases entered	–	63,528	63,528
Lease modified	–	(28)	(28)
Interest expenses	13,014	2,361	15,375
Exchange adjustments	1,375	172	1,547
As at 31 December 2022	180,424	59,122	239,546
Financing cash flows	50,422	(25,824)	24,598
New leases entered	–	34,121	34,121
Lease modified	–	(30)	(30)
Interest expenses	14,689	2,629	17,318
Exchange adjustments	1,261	(36)	1,225
As at 31 December 2023	246,796	69,982	316,778
Financing cash flows	26,554	(13,803)	12,751
New leases entered	–	2,366	2,366
Interest expenses	6,893	1,206	8,099
Non-cash transactions *(note)*	9,280	–	9,280
Exchange adjustments	2,438	2	2,440
As at 30 June 2024	291,961	59,753	351,714
As at January 2023	180,424	59,122	239,546
Financing cash flows	47,749	(13,281)	34,468
New leases entered	–	18,125	18,125
Lease modified	–	(11)	(11)
Interest expenses	7,152	1,485	8,637
Exchange adjustments	774	169	943
As at 30 June 2023 (unaudited)	236,099	65,609	301,708

Note: The amount represents the drawdown of bank borrowings used for direct settlement of the Group's obligations to its suppliers, as agreed upon between the bank and the Group.

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The Company

	As at 31 December			As at 30 June
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at cost less impairment	360,190	371,369	368,369	518,369

General information of subsidiaries

During the Track Record Period and as at the date of this report, details of the subsidiaries directly and indirectly held by the Company at the end of each reporting period are set out below:

Name of subsidiaries	Place and date of incorporation/ establishment	Issued paid up/ registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2021	2022	2023	As at 30 June 2024	At date of this report	Principal activities
Directly owned								
Innovative (Jiangyin) *(notes i & v)*	The PRC 5 September 2000	RMB36,432,000	100%	100%	100%	100%	[100%]	[Manufacture and sale of lifestyle household goods]
X.J. Electrics (Shenzhen) *(notes i & v)*	The PRC 12 August 2002	RMB6,366,600	100%	100%	100%	100%	[100%]	[Manufacture and sale of lifestyle household goods]
Aigrentrading *(note iv)*	The PRC 26 April 2013	RMB8,000,000	100%	100%	100%	100%	[100%]	[Operation of Online stores on e-commerce platforms]
X.J. Electronics (Shenzhen) *(notes i & v)*	The PRC 9 October 2013	RMB6,250,000	100%	100%	100%	100%	[100%]	[Manufacture and sale of lifestyle household goods]
MeiNuoWei Electrics *(note i)*	The PRC 9 March 2017	RMB20,000,000	100%	100%	100%	100%	[100%]	[Manufacture and sale of lifestyle household goods]
HNW Electronics *(note iv)*	The PRC 2 June 2020	RMB2,000,000	100%	100%	100%	100%	[100%]	[Manufacture and sale of lifestyle household goods]
X.J. Electrical Appliances *(notes i & v)*	The PRC 23 October 2020	RMB50,000,000	100%	100%	100%	100%	[100%]	[Manufacture and sale of lifestyle household goods]
X.J. Group (HK) *(note ii)*	The Hong Kong 30 June 2014	US$1,290,000	100%	100%	100%	100%	[100%]	[Sales of lifestyle household goods]
Weighmax Group *(note iii)*	The U.S. 30 March 2016	US$1,000,000	100%	100%	100%	100%	[100%]	[Sales of lifestyle household goods]

Name of subsidiaries	Place and date of incorporation/ establishment	Issued paid up/ registered capital	Proportion of ownership interest/ voting rights held by the Group as at 31 December 2021	2022	2023	As at 30 June 2024	At date of this report	Principal activities
Indirectly owned								
Shenzhen Nuocheng Electronic Commerce Co., Ltd.* 深圳市諾誠電子商務有限公司 *(note iv)*	The PRC 20 January 2020	RMB500,000	100%	100%	100%	100%	[100%]	[Operation of Online stores on e-commerce platforms]
Nawu Technology *(note iv)*	The PRC 22 January 2020	RMB500,000	100%	100%	100%	100%	[100%]	[Operation of Online stores on e-commerce platforms]
THS Industrial *(note ii)*	The Hong Kong 26 June 2017	HK$10,000	100%	100%	100%	100%	[100%]	[Sales of lifestyle household goods]
Goodlife Global Imports Inc *(note iv)*	The U.S. 19 November 2021	RMB20,000,000	100%	100%	100%	100%	[100%]	[Sales of lifestyle household goods]
PT Dingsheng *(note iv)*	The Indonesia 8 August 2023	US$700,000	N/A	N/A	100%	100%	[100%]	[Manufacture and sale of lifestyle household goods]
X.J. Electrics (Thailand) Co., Ltd. *(note iv)*	The Thailand 5 April 2024	THB100,000,000	N/A	N/A	N/A	100%	[100%]	[Manufacture and sale of lifestyle household goods]

* *For identification purpose only*

Notes:

(i) The statutory financial statements of the subsidiaries for the years ended 31 December 2021 and 2022 prepared in accordance with the relevant accounting principles in the PRC were audited by BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所(特殊普通合夥)) which was the certified public accountants registered in the PRC.

(ii) The statutory financial statements of the subsidiaries prepared in accordance with HKFRSs were audited by Huang Tak Wai Certified Public Accountant (Practising) which was the certified public accountants registered in the Hong Kong for the years ended 31 December 2021, 2022 and 2023.

(iii) The statutory financial statements of the subsidiaries for the years ended 31 December 2021, and 2022 and 2023 prepared in accordance with relevant accounting principles generally accepted in the U.S. were audited by Cheung & Chu, CPA and Spectrum Accountancy Corp., certified public accountants registered in the U.S..

(iv) No statutory financial statements have been prepared for these entities since the date of incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(v) The statutory financial statements of the subsidiaries for the year ended 31 December 2023 prepared in accordance with the relevant accounting principles in the PRC were audited by Shenzhen Yuehua Certified Public Accountants LP (深圳岳華會計師事務所(普通合夥)) which was the certified public accountants registered in the PRC.

All the subsidiaries of the Company are limited liability companies. All subsidiaries have adopted 31 December, as their financial year end date.

None of the subsidiaries had issued any debt securities during the Track Record Period.

40. EVENT AFTER THE END OF THE REPORTING PERIOD

[●]

41. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 June 2024.]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a letter, a summary of values and valuation certificates prepared for the purpose of incorporation in this document received from AVISTA Valuation Advisory Limited, an independent valuer, in connection with its valuation as at [30 June 2024] of the property interests held by the Company.

AVISTA Valuation Advisory
艾華迪評估諮詢

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Wan Chai, Hong Kong

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[●] 2024

The Board of Directors
X.J. Electrics (Hu Bei) Co., Ltd (湖北香江電器股份有限公司)
7/F, Building 7, Haijinger Road,
Shatoujiao Bonded Zone, Yantian District,
Shenzhen City, China

Dear Sirs/Madams,

INSTRUCTIONS

In accordance with the instructions of X.J. Electrics (Hu Bei) Co., Ltd (湖北香江電器股份有限公司) (the "**Company**") and its subsidiaries (hereinafter together referred to as the "**Group**") for us to carry out the valuation of the property interests (the "**Properties**") located in the People's Republic of China (the "**PRC**") held by the Group, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at [30 June 2024] (the "**Valuation Date**").

BASIS OF VALUATION AND VALUATION STANDARDS

Our valuation is carried out on a market value basis, which is defined by the Royal Institution of Chartered Surveyors as "*the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion*".

In valuing the Properties, we have complied with all the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the RICS Valuation – Global Standards 2022 published by the Royal Institution of Chartered Surveyors ("**RICS**") and the International Valuation Standards published from time to time by the International Valuation Standards Council.

CATEGORISATION OF PROPERTY INTERESTS

In the course of our valuation, the appraised Properties have been categorized according firstly to type of interests held by the Company, which in turn being classified into the following groups:

Group I – Property interests held for owner occupation by the Company in the PRC

Group II – Property interests held for investment by the Company in the PRC

VALUATION ASSUMPTIONS

Our valuation of the Properties excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value or costs of sale and purchase or offset for any associated taxes.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In the course of our valuation of the Properties in the PRC, we have relied on the advice given by the Group and its legal advisor, being Zhong Lun Law Firm (中倫律師事務所) (the "**PRC Legal Advisor**"), regarding the titles to the Properties.

In valuing the Properties, we have relied on a legal opinion regarding the Properties provided by the PRC Legal Adviser dated [●] (the "**PRC Legal Opinion**"). Unless otherwise stated, the Group has legally obtained the land use rights of the Properties.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed.

VALUATION METHODOLOGY

In valuing the property interests in Group I, due to the nature of the buildings and structures of the subject property, there are no market sales comparables readily available. We have valued the property interests on the basis of their depreciated replacement cost. Depreciated replacement cost is defined as "*the current cost of replacing an asset with its modern equivalent asset less deduction for physical deterioration and all relevant forms of obsolescence and optimisation*". It is based on an estimation of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the building, including the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.

The property interests in Group II have been valued by the income approach. The income approach takes into considerations of the term value of the property by capitalizing the rental income over the existing lease terms and the reversionary value by capitalizing the current market rental income of the property until the end of the land use right terms. The current market rent adopted in determining the reversionary value is based on the findings of rental comparables in the locality which share similar characteristics with the subject property. When determining the parameter of capitalisation rate or market yield, reference has been made to the current sale price and rental income of the properties in the locality which share similar characteristics with the subject properties. The income approach estimates the value of the property by taking into consideration the existing rental level and current market condition, without specifically involving the forecasting of future profits.

We have assigned no commercial value to the property interests for which the Group has not possessed either the land titleship or the building ownership documents.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the Properties in the PRC. Where possible, we have examined the original documents to verify the existing title to the Properties in the PRC and any material encumbrance that might be attached to the Properties or any tenancy amendment. All documents have been used for reference only and all dimensions, measurements and areas are approximate. In the course of our valuation, we have relied considerably on the PRC Legal Opinion given by the PRC Legal Adviser, concerning the validity of the title of the Properties in the PRC.

SITE INVESTIGATION

We have inspected the exteriors and, where possible, the interior of the subject properties. The site inspection was carried out on 8 August 2024 by Arya Lin (Senior Analyst). She has more than 3 years' experience in valuation of properties in the PRC.

In the course of our inspection, we did not note any serious defects. However, we have not carried out an investigation on site to determine the suitability of ground conditions and services for any development thereon, nor have we conducted structural surveys to ascertain whether the subject properties are free of rot, infestation, or any other structural defects. Additionally, no tests have been carried out on any of the utility services. Our valuation has been prepared on the assumption that these aspects are satisfactory. We have further assumed that there is no significant pollution or contamination in the locality which may affect any future developments.

SOURCE OF INFORMATION

Unless otherwise stated, we shall rely to a considerable extent on the information provided to us by the Group or the PRC Legal Adviser or other professional advisers on such matters as statutory notices, planning approvals, zoning, easements, tenures, completion date of buildings, development proposal, identification of the properties, particulars of occupation, site areas, floor areas, matters relating to tenure, tenancies and all other relevant matters.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

LIMITING CONDITION

Wherever the content of this report is extracted and translated from the relevant documents supplied in Chinese context and there are discrepancies in wordings, those parts of the original documents will take prevalent.

CURRENCY

Unless otherwise stated, all monetary amounts stated in this report are in Renminbi (RMB).

Our valuations are summarized below, and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
AVISTA Valuation Advisory Limited
Vincent C B Pang
MRICS CFA FCPA FCPA Australia
RICS Registered Valuer
Managing Partner

Note: Mr. Vincent C B Pang is a member of Royal Institution of Chartered Surveyors (RICS) and a registered valuer of RICS. He has over 10 years' experience in valuation of properties including Hong Kong, the PRC, the U.S., and East and Southeast Asia.

SUMMARY OF VALUES

Group I – Property interests held for owner occupation by the Company in the PRC

No.	Property	Market value in existing state as at [30 June 2024] *RMB*	Interest Attributable to the Company	Market value Attributable to the Company as at [30 June 2024] *RMB*
1.	[He'an Avenue, Yuanzhou Town, Boluo County, Huizhou City, Guangdong Province, the PRC] ([中國廣東省惠州市博羅縣園洲鎮和安大道])	[No Commercial Value]	100%	[No Commercial Value]
	Sub-total:	**[No Commercial Value]**		**[No Commercial Value]**

Group II – Property interests held for investment by the Company in the PRC

No.	Property	Market value in existing state as at [30 June 2024] *RMB*	Interest Attributable to the Company	Market value Attributable to the Company as at [30 June 2024] *RMB*
2.	[Unit 2407, Block 11, Phase II, Tianan Yungu Industrial Park, Xuegang North Road, Longgong District, Shenzhen City, Guangdong Province, the PRC] ([中國廣東省深圳市龍崗區雪崗北路天安雲谷產業園二期11棟2407室])	[11,760,000]	100%	[11,760,000]
	Sub-total:	**[11,760,000]**		**[11,760,000]**
	Grand-total:	**[11,760,000]**		**[11,760,000]**

VALUATION CERTIFICATE

Group I – Property interests held for owner occupation by the Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at [30 June 2024] *RMB*
1.	[He'an Avenue, Yuanzhou Town, Boluo County, Huizhou City, Guangdong Province, the PRC] ([中國廣東省惠州市博羅縣園洲鎮和安大道])	The property comprises two 7-storey industrial buildings and two 10-storey dormitory buildings over a 1-storey basement, with a total gross floor area of approximately [147,069.00] sq.m. The property was held for owner occupation as at the Valuation Date. As advised by the Group, the property was completed in 2024. The classification, usage and area details are set out in Note 6. The property is located in Boluo County of Huizhou City, with approximately 6.0 km to Boluo Yuanzhou Bus Terminal and 93.5 km to Shenzhen Bao'an International Airport. The land use rights of the property have been granted for a term expiring on 23 December 2070 for industrial use.	The property was occupied by the Group as at the Valuation Date manufacturing purpose.	[No Commercial Value]

Notes:

1. Pursuant to a Real Estate Ownership Certificate (for land) – Yue (2021) Bo Luo Xian Bu Dong Chan Quan Di No. 0022926 issued by the Boluo Municipal Bureau of Natural Resources (博羅縣自然資源局), the land use rights of the property with a total site area of approximately 49,979.00 sq.m. have been granted to [X.J. Electrical Appliances (Huizhou) Co., Ltd.] [(惠州市香江智能電器有限公司, "**X.J. Electrical Appliances**")], in which the Company holds a direct ownership stake of 100%, for a term expiring on 23 December 2070 for industrial use.

2. Pursuant to a Construction Land Planning Permit – Bo Zi Ran Zi Di Zi Di No. 4413222021-0267, permission for the planning of a land parcel with a total site area of approximately 49,979.00 sq.m. has been granted to [X.J. Electrical Appliances].

3. Pursuant to 7 Construction Works Planning Permits – Bo Zi Ran Zi Jian Zi Di No. 4413222021-1308 to 4413222021-1314, in favour of [X.J. Electrical Appliances], the construction work of the property with a total gross floor area of approximately 147,441.00 sq.m. has been approved for construction.

   As confirmed by the Group, the property comprises a portion of the abovementioned permits.

4. Pursuant to a Construction Work Commencement Permit – No. 441322202112170301 in favour of [X.J. Electrical Appliances], permission has been given by the relevant local authority to commence the construction work of the property with a total gross floor area of approximately 147,441.00 sq.m.

   As confirmed by the Group, the property comprises a portion of the abovementioned permit.

5. As advised by the Group, the title certificates of building ownership of the property have not been obtained.

6. In undertaking our valuation, we have assigned no commercial value to the property since [X.J. Electrical Appliances] has yet to obtain proper title certificates of building ownership due to certain law deficiencies as mentioned in Note 8(c). For reference purposes, we are of the opinion that the estimated value of the property as at the Valuation Date would be [RMB378,260,000], assuming the property could be freely transferred in the market.

7. As advised by the Group, the details of the property are set out as below:

Classification	**Usage**	**Gross Floor Area** *(sq.m.)*	**No. of Car Parking Spaces**
Group I – Property interests held for owner occupation by the Company in the PRC	Industrial	116,820.00	–
	Dormitory	20,850.00	–
	Amenity Facilities	1,143.00	–
	Basement	8,256.00	230
	Total:	**147,069.00**	**230**

8. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following:

   a. [X.J. Electrical Appliances] legally obtained the land use rights of the property, but had not yet obtained the building ownership of the property;

   b. [X.J. Electrical Appliances] has the right to occupy or use the land use rights of the property;

   c. There are certain legal deficiencies as [X.J. Electrical Appliances] commenced production before completing the as-built acceptance filings (竣工驗收備案), fire protection acceptance filings (消防驗收備案), environmental protection acceptance filings (竣工環境保護驗收備案), and energy conservation acceptance filing (節能驗收備案). However, due to the following:

      i. [X.J. Electrical Appliances] has completed the environmental protection acceptance filings and energy conservation acceptance filing, and is actively preparing for the as-built acceptance filings and fire protection acceptance filings;

      ii. [X.J. Electrical Appliances] has not been subjected to any administrative penalties by governmental authorities;

iii. The Boluo County People's Government (博羅縣人民政府, the "**Government**") has issued a document certifying [X.J. Electrical Appliances] meets the basic requirements for production. The Government is aware of and has agreed [X.J. Electrical Appliances] to commence production in June 2024. No violations or illegal activities in construction projects, fire safety, environmental protection, safety production, energy conservation, or other areas requiring administrative penalties by the Government or other relevant authorities have been discovered. The Government agrees [X.J. Electrical Appliances] in maintaining its current production status; and

iv. The actual controllers of the Company, Mr. Pan Yun and Mr. Guangshe Pan, have committed to bearing all losses that may arise from fines or production suspension due to the aforementioned matters.

The deficiencies in the construction procedures do not constitute significant violations, and the risk of material adverse impacts on the Company's production from administrative penalties is relatively low, and does not present a significant legal obstacle to this issuance.

d. The property has been pledged to Industrial and Commercial Bank of China Limited, Boluo Branch (中國工商銀行股份有限公司博羅支行); and

e. The land use rights of the property has not been subject to any other encumbrances.

7. In the course of our valuation, we assume that the property is transferable without legal impediment.

8. Our valuation has been made on the following basis and analysis:

In our valuation of the land use rights, we have considered and analyzed [3] land sale comparables in the vicinity. The adjusted site values of the land sales range from RMB[1,040] to RMB[1,060] per sq.m. for industrial use. The unit rate adopted in the valuation is consistent with the unit rates of the relevant comparables after due adjustments in terms of location, time, and size, etc.

Regarding the building portion, the current replacement cost of the building is assessed by determining the construction cost of a modern substitute building with the same service capacity as the building which is being valued. The adjusted replacement costs range from RMB[2,050] per sq.m. to RMB[2,200] per sq.m. for industrial buildings, from RMB[2,080] per sq.m. to RMB[3,190] per sq.m. for dormitory buildings and from RMB[3,070] per sq.m. to RMB[3,770] per sq.m. for basement based on our research of the local construction costs. The replacement cost adopted in the valuation is consistent with the findings of our research.

VALUATION CERTIFICATE

Group II – Property interests held for investment by the Company in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at [30 June 2024] *RMB*
2.	[Unit 2407, Block 11, Phase II, Tianan Yungu Industrial Park, Xuegang North Road, Longgong District, Shenzhen City, Guangdong Province, the PRC] (中國廣東省深圳市龍崗區雪崗北路天安雲谷產業園二期11棟2407室)	The property comprises an office unit with a total gross floor area of approximately 499.02 sq.m. located on the 24th floor of a 34-storey industrial office building within an industrial park, namely Tianan Yungu Industrial Park. The property was held for investment as at the Valuation Date. As advised by the Group, the property was completed in 2019. The property is located at Xuegang North Road in Longgang District of Shenzhen City, with approximately 11.0 km to Shenzhen North Station of Guangzhou-Shenzhen-Hong Kong Express Rail Link and 34.6 km to Shenzhen Bao'an International Airport. The land use rights of the property have been granted for a term expiring on 28 September 2065 for industrial use.	The property was leased to a tenant for office use as at the Valuation Date.	[11,760,000] (100% interest attributable to the Company: [11,760,000])

Notes:

1. Pursuant to a sale and purchase agreement dated 17 March 2021 between 深圳天安雲谷投資發展有限公司 and X.J. Electrics (Shenzhen) Co., Ltd. (愛思傑電器(深圳)有限公司, "**X.J. Electrics (Shenzhen)**"), in which the Company holds a direct ownership stake of 100%, an office unit with a total gross floor area of approximately 499.02 sq.m. have been contracted to be purchased by X.J. Electrics (Shenzhen) at a total consideration of RMB16,317,954.

2. Pursuant to a Real Estate Ownership Certificate – Yue (2021) Shen Zhen Shi Bu Dong Chan Quan Di No. 0135366 issued by the Shenzhen Real Estate Registration Centre (深圳市不動產權登記中心), the land use rights of the property with a total site area of approximately 30,051.31 sq.m. for a term expiring on 28 September 2065 for industrial use and the building ownership of the property with a total gross floor area of approximately 499.02 sq.m. for [industrial research and development] use have been vested in X.J. Electrics (Shenzhen).

3. Pursuant to a tenancy agreement, the property with a gross floor area of approximately 499.02 sq.m. had been leased to [an independent third party] with a total monthly rent of RMB49,902, inclusive of value-added tax but exclusive of management fees and utility fees, for a term with the expiry date on 2 April 2025.

4. We have been provided with the PRC Legal Opinion, which contains, inter alia, the following:

   a. [X.J. Electrics (Shenzhen)] legally obtained the land use rights and the building ownership of the property;

   b. [X.J. Electrics (Shenzhen)] has the right to occupy or use the property under the terms of the Real Estate Ownership Certificate; and

   c. The property has not been subject to any encumbrances.

5. In the course of our valuation, we assume that the property is transferable without legal impediment.

6. Our valuation has been made on the following basis and analysis:

   In the course of our valuation of the property, we have made references to various relevant rental evidence in the locality which has similar characteristics as the subject property such as nature, use, size, and accessibility. The adjusted unit rents of the comparables range from RMB108 to RMB114 per sq.m. per month. The market yield assumed by us is 4.8%.

THE PRC

The PRC Legal System

The PRC legal system is based on Constitution of the People's Republic of China (《中華人民共和國憲法》, the "**Constitution**"), which was adopted on 20 September 1954 and subsequently amended on 17 January 1975, 5 March 1978, 4 December 1982, 12 April 1988, 29 March 1993, 15 March 1999, 14 March 2004 and 11 March 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory documents. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference and guidance.

The National People's Congress (the "**NPC**") and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》, the "**Legislation Law**"), which was adopted on 15 March 2000 and amended on 15 March 2015. The NPC has the power to formulate and amend basic laws governing state authorities, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, environmental protection and historical cultural protection based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws, administrative regulations and local regulations of their respective provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a handling decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. The autonomous regulations and separate regulations of an autonomous region shall come into force after being reported to and approved by the Standing Committee of the NPC. The autonomous regulations and separate regulations of an autonomous prefecture or an autonomous county shall come into force after being reported to and approved by the standing committee of the people's congress of the province, autonomous region, or municipality directly under the Central Government.

The ministries and commissions of the State Council, the People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council may formulate departmental rules within the jurisdiction of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on 10 June 1981, the Supreme People's Court has the power to give interpretation on issues related to the application of laws and decrees in a court trial, and issues related to the application of laws and decrees in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations and Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgment. The other issues related to laws and decrees other than the abovementioned should be interpreted by the State Council and the competent authorities. The State Council and its ministries and commissions are also vested with the power to give interpretations of the administrative regulations and departmental rules which they have promulgated. At the regional level, the power to interpret regional laws is vested in the regional legislative and administrative authorities which promulgate such laws.

The PRC Judicial System

Under the Constitution and the Law of Organisation of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》), which is adopted on 21 September 1954 and subsequently amended on 5 July 1979, 2 September 1983, 2 December 1986, 31 October 2006 and 26 October 2018, the PRC judicial system is made up of the Supreme People's Court, the local people's courts, the military courts and other special people's courts.

The local people's courts are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The basic people's courts may set up civil, criminal and economic divisions, and certain people's tribunals based on the facts of the region, population and cases. The intermediate people's courts have divisions similar to those of the basic people's courts and may set up other special divisions if needed. These two levels of people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts. The Supreme People's Procuratorate is authorised to supervise the judgment and ruling of the people's courts at all levels which have been legally effective, and the people's procuratorate at a higher level is authorised to supervise the judgment and ruling of a people's court at lower levels which have been legally effective.

Under the Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》), which is adopted on 9 April 1991 and subsequently amended on 28 October 2007, 31 August 2012, 27 June 2017, and 1 September 2023, which became effective from 1 January 2024, a people's court takes the rule of the second instance as the final rule. A party may appeal against the judgment or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgment, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgment, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgment, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the judicial committee of the people's court at the same level for discussion and decision.

The Civil Procedure Law of the People's Republic of China prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgment or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. Generally, a civil case is initially heard by the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff 's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located, provided that the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation is given the same litigation rights and obligations as a citizen, a legal person or other organisations of the PRC when initiating actions or defending against litigations at a PRC court. Should a foreign court limit the litigation rights of PRC citizens or enterprises, the PRC court may apply the same limitations to the citizens and enterprises of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC court. In accordance with the international treaties to which the People's Republic of China is a signatory or participant or according to the principle of reciprocity, a people's court and a foreign court may request each other to serve documents, conduct investigation and collect evidence and conduct other actions on its behalf. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgment or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the same within two years subject to application for postponed enforcement or revocation. If a party fails to satisfy within the stipulated period a judgment which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgment on the party.

Where a party applies for enforcement of a judgment or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognised and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgment or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

The PRC Securities Laws and Regulations

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offerings of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) stipulates the public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On 25 December 1995, the State Council promulgated the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations principally govern the issue, subscription, trading and declaration of dividends and other distributions of domestic listed foreign shares and disclosure of information of joint stock limited companies having domestic listed foreign shares.

The Securities Law of the People's Republic of China (《中華人民共和國證券法》, the "**PRC Securities Law**") took effect on 1 July 1999 and was revised as of 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 2019, respectively. The PRC Securities Law, which was revised on 28 December 2019 and came into effect on 1 March 2020, is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the listing of securities, and takeovers of listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

Arbitration and Enforcement of Arbitral Award

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was enacted by the Standing Committee of the NPC on 31 August 1994, which became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017, respectively. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral body of the PRC against a party who or whose property is not located within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognised and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution passed by the Standing Committee of the NPC on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China adopted the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on 18 June 1999, which went into effect on 1 February 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangement, the awards by the Mainland arbitral bodies in accordance with the PRC Arbitration Law may be enforced in Hong Kong, and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced. The Supreme People's Court of China adopted the Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) (the "**Supplementary Arrangements**") on 9 November 2020. According to the Supplementary Arrangements, before or after the acceptance of an application for enforcement of an arbitration award, the relevant court may, upon application and in accordance with the law of the place where the arbitration award is enforced, adopt preservation or enforcement measures.

Judicial Judgment and its Enforcement

According to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**Arrangement**") promulgated by the Supreme People's Court on 25 January 2024 and implemented on 29 January 2024, the Arrangement applies to the reciprocal recognition and enforcement of legally effective judgments in civil and commercial matters between the courts of Hong Kong and the PRC. In respect of judgments for the award of property, reciprocal recognition and enforcement of judgments includes both monetary and non-monetary rulings. the scope of recognition and enforcement by the courts of the Mainland and of the HKSAR shall include the property awarded, the corresponding interest, costs, payment for late compliance, or interest for late compliance awarded in the judgment, but shall not include taxes and penalties.

The PRC Company Law, The Trial Measures and The Guidelines

Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "**PRC Company Law**") was adopted by the 5th meeting of the SCNPC on 29 December 1993 and came into effect on 1 July 1994. It was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018, and 29 December 2023 respectively. The latest revised PRC Company Law was implemented on 1 July 2024.

The Trial Measures which were promulgated by the CSRC on 17 February 2023 and came into effect on 31 March 2023, and were applicable to the overseas offering and listing of PRC domestic companies' securities.

The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) the "**Guidelines**") which were issued by the CSRC on 16 December 1997, latest revised on 15 December 2023 and came into effect on the same date, providing the guidelines for the Articles of Association. As such, the contents provided in the Guidelines are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix VII – Summary of Articles of Association" in this document.

Set out below is a summary of the major provisions of the PRC Company Law, the Trial Measures and the Guidelines applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

Incorporation

A joint stock limited company may be established by promotion or subscription. A joint stock limited company shall have a minimum of one but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. Companies established by promotion are companies of which the registered capital is the total share capital subscribed for by all the promoters registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. If laws, administrative regulations and State Council decisions provide otherwise on paid-in registered capital and the minimum registered capital, the company should follow such provisions.

For companies incorporated by way of promotion, the promoters shall subscribe in writing for the shares required to be subscribed for by them and pay up their capital contributions under the articles of association. In the case of capital contributions to be made in non-cash assets, the formalities for transfer of property rights shall be completed in accordance with the provisions of the law. Promoters who fail to pay up their capital contributions in accordance with the foregoing provisions shall be liable for compensation for the losses it causes to the company.

Where a joint stock limited company is established by means of promotion, the convening and voting procedures for the establishment meeting shall be prescribed by the articles of association of the company or the agreement of the promoters. The Board shall, within 30 days after the end of the establishment meeting of a company, authorise a representative to file an application for registration of establishment with the company registration authority.

Share Capital

The promoters of a company may make a capital contribution in currencies, or on-monetary assets such as in kind or intellectual property rights or land use rights which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the fair value of the assets contributed must be carried out.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, the conditions and price per share must be the same. The share offering price may be equal to or greater than the nominal value of the share, but may not be less than the nominal value. A PRC domestic company must file with the CSRC to offer its shares to the overseas public. According to the Trial Measures, target investors of overseas offering and listing by domestic companies shall be overseas investors, unless prescribed in the Trial Measures or otherwise stipulated by the state.

Increase in Share Capital

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at shareholder's meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares.

After new shares issued by the company has been paid up, the change must be registered with the company registration authorities and a public announcement must be made accordingly. Where an increase in registered capital of a company is made by means of an issue of new shares, the subscription of new shares by shareholders shall be governed by the relevant provisions on the payment of stock capital for the establishment of a joint stock limited company.

Reduction of Share Capital

When a company needs to reduce its registered capital, it shall prepare a balance sheet and an inventory of property. The company shall inform its creditors within 10 days from the date of resolution of the shareholders' meeting on reduction in registered capital, and make an announcement in the newspaper or the National Enterprise Credit Information Publicity System within 30 days.

The creditors have the right to demand the company to settle the debts or provide corresponding guarantees within 30 days from the date of receipt of the notice, or within 45 days from the date of the announcement if the notice has not been received.

Repurchase of Shares

No company may purchase its own shares except under any of the following circumstances:

(1) where the company's registered capital is reduced;

(2) where it merges with another company holding its shares;

(3) where its shares are used for employee stock ownership plan or equity incentives;

(4) where any shareholder, who raises objections to the resolution of the shareholders' meeting on the merger or split-up of the company, requests the company to purchase its shares;

(5) where its shares are used for converting the corporate bonds into convertible stocks issued by the company; or

(6) it is necessary for a listed company to maintain its company value and its shareholders' equity.

Where a company purchases its own shares under any of the circumstances as mentioned in items (1) or (2) of the preceding paragraph, a resolution of the shareholders' meeting shall be adopted. Where a company purchases its own shares under any of the circumstances as mentioned in items (3), (5) or (6) of the preceding paragraph, a resolution shall be adopted at the Board meeting with the attendance of not less than two thirds of the directors, according to the articles of association or the shareholders' meeting of the company.

After the company purchases its own shares according to the aforementioned, the shares purchased shall be written off within ten days as of the purchase date under the circumstance as mentioned in item (1); the shares shall be transferred or written off within six months under the circumstance as mentioned in item (2) or (4); and the shares held accumulatively by the company shall not exceed 10% of the total shares issued and be transferred or written off within three years under any of the circumstances as mentioned in item (3), (5) or (6).

Where a listed company purchases its own shares, it shall perform its obligation of information disclosure according to the provisions of the PRC Securities Law. Where a listed company purchases its own shares due to any of the circumstances as mentioned in items (3), (5) or (6), such purchase shall be conducted by way of public centralised trading.

No company may accept the shares of its own as the subject matter of pledge.

Transfer of Shares

The shares held by a shareholder may be transferred to other shareholders or to persons other than the shareholders of the company. Where the articles of association of the company have any restriction on the transfer of shares, the transfer shall be carried out in accordance with the articles of association. The share transfer by a shareholder shall be conducted on a lawfully established stock exchange or by any other means as prescribed by the State Council.

The shares shall be transferred by a shareholder in the form of endorsement or by any other means prescribed by the relevant laws or administrative regulations. After the transfer, the company shall record the name and domicile of the transferee in the register of shareholders. The register of shareholders shall not be modified within 20 days before any shareholders' meeting is held, or within 5 days prior to the benchmark date decided by the company for the distribution of dividends. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the modification of the register of shareholders of a listed company, such provisions shall prevail.

The shares issued before a company makes a public offering of shares shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Where it is otherwise provided for in any law, administrative regulation or by the securities regulatory authority of the State Council for the transfer of shares held by the shareholders or actual controllers of a listed company, such provisions shall prevail.

The directors, supervisors and senior management of the company shall declare to the company the shares they hold and the changes thereof. During their term of office as determined when they assume the posts, the shares transferred each year shall not exceed 25% of the total shares they hold of the company. The shares of the company held by them shall not be transferred within 1 year as of the day when the stocks of the company are listed and traded on the stock exchange. Any of the aforesaid persons shall not transfer the shares of the company held within six months after he/she leaves the position in the company. Any other restrictions on the transfer of company shares held by directors, supervisors or senior management may be specified in the articles of association.

Where the shares are pledged within the time limit for restricted transfer as provided for by laws and administrative regulations, the pledgee may not exercise the pledge right within such restricted period.

Under the PRC Company Law and the Guidelines, the rights of holders of ordinary shares of a joint stock limited company include the right:

(1) to receive dividends and profit distributions in any other form in proportion to their shareholdings;

(2) to lawfully require, convene, preside over or attend general meetings either in person or by proxy and exercise the corresponding voting right;

(3) to supervise, present suggestions on or make inquiries about the operations of the company;

(4) to transfer, donate or pledge their shares in accordance with the laws, administrative regulations and the articles of association;

(5) to consult and copy the articles of association, register of shareholders, minutes of shareholders' meetings, resolutions of Board meetings or meetings of Supervisory Committee, as well as financial and accounting reports of a company;

where the shareholders who separately or aggregately hold 3% or more of the company's shares for 180 consecutive days or more, to request to consult the accounting books or accounting vouchers of the company;

where the shareholders request to consult or copy the relevant materials of a wholly-owned subsidiary of the company, the provisions of this item (5) shall apply;

(6) in the event of the termination or liquidation of the company, to participate in the distribution of the remaining property of the company in proportion to the shares held by them;

(7) to require the company to buy their shares in the event of their objection to resolutions of the general meeting concerning merger or division of the company; and

(8) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by the articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholder obligation specified in the articles of association.

Shareholders' Meetings

The shareholders' meeting is the authority of the company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' meeting shall exercise the following functions and powers:

(1) electing and replacing directors and supervisors and deciding on their remunerations;

(2) reviewing and approving the reports of the Board;

(3) reviewing and approving the reports of the Supervisory Committee;

(4) reviewing and approving the plans for profit distribution and making up losses of the company;

(5) making resolutions on the increase or decrease of the registered capital of the company;

(6) making resolutions on the issuance of corporate bonds;

(7) making resolutions on the merger, split-up, dissolution, liquidation or change of corporate form of the company;

(8) amending the articles of association; and

(9) other functions and powers as prescribed in the articles of association.

The shareholders' meeting may authorise the Board to make resolutions on the issuance of corporate bonds.

An annual shareholders' meeting shall be held every year. If any of the following circumstances occurs, an interim shareholders' meeting shall be held within two months:

(1) where the number of directors is less than two thirds of the number as provided for by PRC Company Law or the articles of association;

(2) where the outstanding losses of the company amounted to one-third of the company's total capital stock;

(3) where shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary meeting;

(4) where the Board deems it necessary;

(5) where the Supervisory Committee proposes; or

(6) any other circumstances as provided for in the articles of association.

The shareholders' meeting shall be convened by the Board and presided over by the chairman of the Board. If the chairman is unable or fails to perform his/her duties, the meeting shall be presided over by the deputy chairman. If the deputy chairman is unable or fails to perform his/her duties, the meeting shall be presided over by a director jointly elected by more than half of the directors. If the Board is unable or fails to perform the duties of convening the shareholders' meeting, the Board shall timely convene and preside over the meeting. If the Supervisory Committee fails to convene and preside over the meeting, shareholders who separately or aggregately hold more than 10% of the shares of the company for more than 90 consecutive days may convene and preside over the meeting by themselves.

The time and place of the meeting and the matters to be deliberated shall be notified to each shareholder 20 days before a shareholders' meeting is held. For an interim shareholders' meeting, a notice shall be served 15 days in advance. The shareholders who separately or aggregately hold more than 1% of the shares of the company may, 10 days before a shareholders' meeting is held, submit an interim proposal in writing to the Board. The contents of the interim proposal shall fall within the scope of powers of the shareholders' meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made. The Board shall, within 2 days after it receives such a proposal, notify other shareholders and submit the interim proposal to the shareholders' meeting for deliberation, unless the interim proposal is in violation of any law, administrative regulation or the articles of association or fails to fall into the scope of powers of the shareholders' meeting. The company shall not raise the shareholding proportion of the shareholder who brings forward any interim proposal.

The shareholders' meeting shall not make any resolution on any matter not specified in the notice.

Under the PRC Company Law, shareholders present at a shareholders' meeting have one vote for each share they hold, save that the company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholder's meeting pursuant to the provisions of the articles of association or a resolution of the shareholder's meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the shareholder's meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the shareholders' meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting.

Minutes shall be prepared in respect of matters considered at the shareholders' meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

If the Board of the company has more than three members, it may include an employees' representative of the company. Where a company has 300 or more employees, the Board shall include the employees' representatives of the company unless the Supervisory Committee has been established and includes employees' representatives of the company according to law. The employees' representatives in the Board shall be democratically elected by the employees through the employees' representative congress, employees' congress or by other means.

The term of office of directors shall be prescribed in the articles of association, but each term shall not exceed three years. After the term of office of a director expires, he/she may be reelected to serve another term. Where a director is not reelected timely upon expiration of the term of office, or the resignation of any director during his/her term of office results in the number of members of the Board being less than the quorum, the original director shall, before a newly elected director takes office, perform his/her duties as a director according to the laws, administrative regulations and the articles of association. Where a director resigns, he/she shall notify the company in written form, and the resignation shall become effective on the day when the company receives the notice. However, under any of the circumstances as mentioned previously, the director shall continue performing his/her duties.

Under the PRC Company Law, the Board shall exercise the following functions and powers:

(1) convening the shareholders' meeting and reporting its work to the shareholders' meeting;

(2) executing the resolutions of the shareholders' meeting;

(3) deciding the business plans and investment scheme of the company;

(4) formulating the plans for profit distribution and making up for loss of the company;

(5) formulating the plan for increasing or decreasing the registered capital, as well as the plan for issuance of corporate bonds;

(6) formulating the plan for merger, division, dissolution, or change of corporate form of the company;

(7) deciding the establishment of the internal management body of the company;

(8) deciding the appointment or dismissal of the manager of the company and the remuneration thereof, and, according to the nomination of the manager, deciding on hiring or dismissing deputy managers and financial director of the company as well as their remuneration;

(9) formulating the basic management rules of the company; and

(10) other functions and powers specified in the articles of association or granted by the shareholders' meeting.

Board meetings shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the Supervisory Committee. The chairman of the Board shall convene the meeting within 10 days of receiving such proposal, and preside over the Board meeting. The board may otherwise determine the means and the period of notice for convening an interim board meeting. Board meetings shall be held only if more than half of the directors are present. Resolutions of the board shall be passed by more than half of all directors. Each director shall have one vote for a resolution to be approved by the board. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorisation.

The directors shall be responsible for the resolutions made by the Board. Where a resolution of the Board is in violation of any law, administrative regulation, article of association or resolution of the shareholders' meeting and causes any serious loss to the company, the directors who participate in adopting such resolution shall be liable for compensation to the company. If a director is proved to have expressed his/her objection to the voting on such resolution and such objection has been recorded in the minutes, he/she may be exempted from liability.

Under the PRC Company Law, under any of the following circumstances, anyone may not act as a director of a company:

(1) having no capacity for civil conduct or having limited capacity for civil conduct;

(2) having been sentenced to any criminal penalty due to an offence of corruption, bribery, encroachment of property, misappropriation of property or disrupting the order of the socialist market economy, or having been deprived of political rights due to a crime, where a five-year period has not elapsed since the expiration of execution period; If he/she is pronounced for suspension of sentence, a two-year period has not elapsed since the expiration of the suspension of sentence;

(3) serving as a director, factory director or manager of a company or enterprise which has been bankrupt and liquidated and being personally liable for the bankruptcy of such company or enterprise, where a three-year period has not elapsed since the completion of the bankruptcy and liquidation;

(4) acting as the legal representative of a company or enterprise whose business licence has been revoked or which was ordered to close down due to any violation of the law and being personally liable, where a three-year period has not elapsed since the date of revocation of business licence or the order for closure; or

(5) being listed as a dishonest person subject to enforcement by the people's court due to his/her failure to pay off a relatively large amount of due debts.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board shall appoint a chairman and may appoint a vice chairman.

The chairman and the vice chairman shall be elected with approval of more than half of all the directors. The chairman shall convene and preside over the Board meetings and check the implementation of the resolutions of the Board. The deputy chairman shall assist the chairman in work. If the chairman is unable or fails to perform his/her duties, the deputy chairman shall perform such duties. If the deputy chairman is unable or fails to perform his/her duties, a director jointly elected by more than half of the directors shall perform such duties.

Supervisory Committee

The Supervisory Committee shall comprise 3 members or more. The Supervisory Committee shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the Supervisory Committee shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior executive shall not act concurrently as supervisors.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The Supervisory Committee shall exercise the following functions and powers:

(1) examining the financial affairs of the company;

(2) supervising the acts of the directors and senior management in the performance of their duties, and proposing the removal of the directors and senior management who have violated laws, administrative regulations, the articles of association or the resolutions of the shareholders' meeting;

(3) requiring the directors and senior management to correct their acts if such acts damage the interests of the company;

(4) proposing to convene interim shareholders' meetings, and convening and presiding over the shareholders' meeting when the Board fails to implement the duties to convene and preside over the shareholders' meeting as prescribed in PRC Company Law;

(5) presenting proposals to the shareholders' meetings;

(6) initiating lawsuits against the directors and senior management according to relevant provisions of the PRC Company Law; and

(7) other functions and powers provided for in the articles of association.

Supervisors may attend the Board meetings and raise inquiries or suggestions concerning the matters subject to resolutions to be adopted by the Board. If the Supervisory Committee finds any abnormality in the operation of the company, it may carry out an investigation. If necessary, it may hire an accounting firm to assist in its work at the expense of the company.

The Supervisory Committee shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the supervisory board shall be elected by more than half of the supervisors. The chairman of the Supervisory Committee shall convene and preside over the meetings of Supervisory Committee. Where the chairman of the Supervisory Committee is unable or fails to perform his/her duties, the vice chairman of the supervisory board shall convene and preside over the meetings of Supervisory Committee. Where the vice chairman of the Supervisory Committee is unable or fails to perform his/her duties, a supervisor elected by more than half of the supervisors shall convene and preside over such meetings.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the Board. The manager shall be responsible to the Board and exercise his/her functions and powers according to the articles of association or the authorisation of the Board. The manager shall attend the Board meetings as a non-voting member.

According to the PRC Company Law, senior management refers to the manager, deputy manager, head of finance, secretary to the Board of a listed company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management shall assume the obligation of loyalty to the company and take measures to avoid the conflict between their own interests and those of the company and may not seek any improper interests by taking advantage of their powers.

The directors, supervisors and senior management shall assume the duty of diligence to the company. When performing their duties, they shall, for the best interests of the company, exercise the reasonable care that shall be generally possessed by a manager.

The provisions of the preceding two paragraphs shall apply to the controlling shareholder or actual controller of a company who does not serve as a director but actually executes the affairs of the company.

No director, supervisor or senior executive may have any of the following acts:

(1) embezzling the property or misappropriating the funds of the company;

(2) depositing the funds of the company into an account opened in his/her own name or in the name of any other individual;

(3) giving bribes or accepting any other illegal proceeds by taking advantage of his/her power;

(4) taking commissions from the transactions between the company and any other person into his/her own pocket;

(5) unlawfully disclosing the confidential information of the company; or

(6) other acts in violation of the obligation of loyalty to the company.

Where any director, supervisor or senior executive directly or indirectly concludes a contract or conducts a transaction with his/her company, he/she shall report the matters relating to the conclusion of the contract or transaction to the Board or shareholders' meeting, which shall be subject to the resolution of the Board or shareholders' meeting according to the articles of association.

Where any of the near relatives of the directors, supervisors or senior management, or any of the enterprises directly or indirectly controlled by the directors, supervisors or senior management or any of their near relatives, or any of the related parties who has any other related-party relationship with the directors, supervisors or senior management, concludes a contract or conducts a transaction with the company, the provisions of the preceding paragraph shall apply.

No director, supervisor or senior executive may take advantage of his/her position to seek any business opportunity that belongs to the company for himself/herself or any other person except under any of the following circumstances:

(1) where he/she has reported to the Board or the shareholders' meeting and has been approved by a resolution of the Board or the shareholders' meeting according to the articles of association; or

(2) where the company cannot make use of the business opportunity as stipulated by laws, administrative regulations or the articles of association.

Where any director, supervisor or senior executive fails to report to the Board or the shareholders' meeting and obtain an approval by resolution of the Board or the shareholders' meeting according to the articles of association, he/she may not engage in any business that is similar to that of the company where he/she holds office for himself/herself or for any other person.

The incomes derived by any director, supervisor or senior executive in violation of related provisions of the PRC Company Law shall belong to the company.

If the shareholders' meeting demands a director, supervisor or senior executive to attend the meeting as a non-voting delegate, he/she shall do so and answer shareholders' inquiries.

Where any director, supervisor or senior executive violates any law, administrative regulation or the articles of association during the performance of duties and causes any loss to the company, he/she shall be liable for compensation.

Where any director or senior executive is under the circumstance as mentioned in the preceding provisions, the shareholders of a joint stock limited company separately or aggregately holding 1% or more of the total shares of the company for 180 consecutive days or more may request the Supervisory Committee in writing to initiate a lawsuit in the people's court. If any supervisor is under the circumstance in the preceding provisions, the aforesaid shareholders may request the Board in writing to file a lawsuit with the people's court.

Where the Supervisory Committee or the Board refuses to initiate a lawsuit after it receives a written request of the shareholders as mentioned in the preceding paragraph, or fails to file a lawsuit within 30 days upon receipt of the request, or in an emergency, the failure to initiate a lawsuit immediately will cause irreparable damage to the interests of the company, the shareholders in the preceding paragraph shall have the right to directly initiate a lawsuit in the people's court in their own name for the interests of the company.

If others infringe upon the legitimate rights and interests of a company and cause losses to the company, the shareholders of a joint stock limited company separately or aggregately holding 1% or more of the total shares of the company for 180 consecutive days or more may initiate a lawsuit in the people's court in accordance with the related provisions of the PRC Company Law.

If a director, supervisor or senior executive of a wholly-owned subsidiary of the company is under the aforementioned circumstance, or if the legitimate rights and interests of a wholly-owned subsidiary of the company are impaired by any other person, thus causing any losses, shareholders of a joint stock limited company separately or aggregately holding 1% or more of the total shares of the company for 180 consecutive days or more may request the Supervisory Committee or the Board of the wholly-owned subsidiary in written form to initiate a lawsuit in the people's court or directly files a lawsuit with the people's court in their own name.

Finance and Accounting

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When a company distributes its after-tax profit for the current year, 10% of the profit shall be accrued and included in the company's statutory reserve. Such accrual is no longer required when the accumulated amount of the company's statutory reserve is more than 50% of the company's registered capital. Where the accumulative amount of the company's statutory reserve is not enough to make up for the losses of the previous year, the current year's profits shall first be used to make up for the losses before the statutory reserve is accrued according to the provisions of the preceding paragraph.

After having accrued statutory reserve from the after-tax profits, a company can also set aside discretionary reserve from the after-tax profits upon a resolution made by the shareholders' meeting.

The residual after-tax profits after a company has made up its losses and accrued reserve can be distributed by the company in proportion to the shares held by its shareholders, except as otherwise provided for in the company's articles of association.

Profit shall not be distributed for a company's shares held by this company.

Where a company distributes profits to shareholders in violation of the provisions of PRC Company Law, the shareholders shall refund the profits distributed to the company, and the shareholders and the liable directors, supervisors and senior management shall be held liable for compensation if any loss is caused to the company.

The reserve of a company shall be used for making up losses, expanding the production and business scale or increasing the registered capital of the company. Where the reserve of a company is used for making up losses, the discretionary reserve and statutory reserve shall be firstly used. If losses still cannot be made up, the capital reserve can be used according to the relevant provisions. Where the statutory reserve is converted to increase registered capital, the amount of such reserve retained shall not be less than 25% of the registered capital of the company prior to the conversion.

The company shall have no accounting books other than the statutory books. No account shall be opened in the name of any individual for the deposit of a company's funds.

Appointment and Retirement of Auditors

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' meeting, the Board or the Supervisory Committee in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, the Board or the Supervisory Committee conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting documents, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm, and shall not refuse, conceal or misrepresent.

Profit Distribution

According to the PRC Company Law, the residual after-tax profits after a company has made up its losses and accrued reserve can be distributed by the company in proportion to the shares held by its shareholders, except as otherwise provided for in the company's articles of association.

Dividends

A company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC laws on any dividends or other distributions payable to a shareholder. Under PRC laws, the limitation period for an action to recover a debt (including the recovery of dividends) is three years. A company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Amendments to the Articles of Association

Pursuant to PRC Company Law, the resolution of a shareholders' meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting.

Dissolution and Liquidation

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

(1) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(2) the shareholders' meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or division;

(4) the business licence of the company is revoked or the company is ordered to close down or to be dissolved in accordance with the laws;

(5) the company is dissolved by a people's court in response to the request of shareholders who hold 10% or more of the voting rights of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

If any of the situations as mentioned in the preceding paragraph arises, a company shall publicise the situations through the National Enterprise Credit Information Publicity System within ten days.

Where a company falls under the circumstance as mentioned in item (1) or (2) above, and it has not distributed the assets to its shareholders yet, it may survive by modifying its articles of association or upon a resolution of the shareholders' meeting. To modify its articles of association or make a resolution of the shareholders' meeting according to the provisions of the preceding paragraph, the consent of two thirds or more of the voting rights of the shareholders who attend the meeting of the shareholders' meeting is required.

Where a company is dissolved according to item (1), (2), (4) or (5) above, it shall be liquidated. The directors, who are the liquidation obligors of the company, shall form a liquidation committee to carry out liquidation within 15 days from the date of occurrence of the cause of dissolution. The liquidation committee shall be composed of the directors, unless it is otherwise provided for in the company's articles of association or it is otherwise elected by the shareholders' meeting. The liquidation obligors shall be liable for compensation if they fail to fulfil their obligations of liquidation in a timely manner, and thus any loss is caused to the company or the creditors.

Where a company shall be liquidated in accordance with the preceding provision, and the liquidation committee fails to be formed within the time limit or fails to carry out the liquidation after its formation, any interested party may request the people's court to designate relevant persons to form a liquidation committee. The people's court shall accept such request and organise a liquidation committee to carry out the liquidation in a timely manner. Where a company is dissolved according to item (4), the department or company registration authority that made the decision to revoke the company's business licence, ordered the company to close down or dissolved the company may request the people's court to designate relevant persons to form a liquidation committee for liquidation of the company.

The liquidation committee may exercise following powers during the liquidation:

(1) to sort out the company's assets and to prepare a statement of financial position and an inventory of assets, respectively;

(2) to notify creditors by notice or public notices;

(3) to deal with any outstanding business related to the liquidation;

(4) to pay outstanding tax together with any tax arising during the liquidation process;

(5) to settle claims and liabilities;

(6) to distribute the company's remaining assets after its debts have been paid off;

(7) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers or on the National Enterprise Credit Information Publicity System within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required statement of financial position and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required statement of financial position and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it shall file an application to a people's court for bankruptcy liquidation in accordance with the laws. After the people's court accepts the application for bankruptcy, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

The members of the liquidation committee performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation committee who neglects to fulfil his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation committee who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' meeting or a people's court for confirmation of its completion and submit the same to the company registration authority to apply for deregistration of the company. The members of the liquidation committee performing their duties of liquidation are obliged to loyalty and diligence. Any member of the liquidation committee who neglects to fulfil his/her liquidation duties, thus causing any loss to the company shall be liable for compensation, and any member of the liquidation committee who cause any loss to any creditor due to his/her intentional or gross negligence shall be liable for compensation.

Where, during the period of survival, a company has not incurred any debts or has paid off all the debts, the company may, upon a commitment of all the shareholders, be deregistered under the summary procedures according to the relevant provisions. The deregistration of a company under the summary procedures shall be announced through the National Enterprise Credit Information Publicity System for a period of no less than 20 days. If there is no objection after the expiry of the announcement period, the company may apply for deregistration of the company with the company registration authority within 20 days. For a company deregistered under the summary procedures, its shareholders shall be jointly and severally liable for the debts incurred before the deregistration if they have made untrue commitment thereof.

Where, after three years since the business licence of a company is revoked, or the company is ordered to close down or is revoked, the company fails to apply for its deregistration with the company registration authority, the said authority may announce the company's deregistration through the National Enterprise Credit Information Publicity System for a period of no less than 60 days. If there is no objection after the announcement period expires, the company registration authority may deregister the company. The deregistration of a company under such situation will not affect the liability of the original shareholders or liquidation obligors.

Liquidation of a company declared bankrupt according to laws shall be processed in accordance with the laws on corporate bankruptcy.

Overseas Listing

Pursuant to the Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three PRC business days after such application is submitted.

Merger and Division

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or National Enterprise Credit Information Publicity System within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or National Enterprise Credit Information Publicity System within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

THE U.S.

Corporate law: formation and compliance (California law)

Corporate law governs the creation, organisation, and operation of business entities. Each state has its own corporate laws, and in California, business entities are regulated primarily by the California Corporations Code. The choice of business entity is a critical decision for entrepreneurs as it affects liability, taxation, and the ability to raise capital. Key types of business entities include corporations, limited liability companies (LLCs), partnerships, and sole proprietorships. Each entity type has different legal implications and is subject to various state and federal laws.

Business entity formation

Businesses in California must file formation documents with the California Secretary of State to legally form an entity. For corporations, this involves filing Articles of Incorporation, while for LLCs, it involves filing Articles of Organisation. The formation documents generally include key details such as the business name, purpose, registered agent, and address. For corporations, they also include information as to the number of authorised shares.

Corporations must adopt bylaws, which outline the internal rules and governance structure, including how directors are elected, how meetings are conducted, and how decisions are made. LLCs operate under an operating agreement, which serves a similar function but is generally more flexible, allowing LLC members to define their own governance rules.

California law also requires businesses to designate a registered agent to receive legal documents on behalf of the entity. The registered agent must be a California resident or a company authorised to do business in California.

In addition to filing formation documents, businesses are required to file Statements of Information, providing updated details about the business's directors, officers, and agents. Statement of Information filing requirements vary depending on the type of entity (corporation or limited liability company), jurisdiction of formation, and for corporations, if the entity is a stock or nonprofit corporation. Statements of Information can be filed online at the California Secretary of State website. Generally, CA Stock Corporations and Qualified Out-of-State Corporations are required to file their Statement of Information yearly in the month of registration with the California Secretary of State. California Nonprofit Corporations and all Limited Liability Companies are required to file every two years in the month of registration in even or odd years based on the year of registration. All businesses should file a Statement of Information when information changes and must file a new Statement of Information when their agent for service of process resigns or is no longer valid.

Corporate governance

Corporate governance refers to the system by which companies are directed and controlled. In California, corporate governance rules are primarily established by the California Corporations Code. The law imposes fiduciary duties on corporate directors and officers to ensure they act in the best interests of the corporation and its shareholders.

Key fiduciary duties include:

- **Duty of care**: Directors and officers must act with the care that a reasonably prudent person would exercise in a similar situation. This includes staying informed about the company's operations and making decisions based on adequate information.

- **Duty of loyalty**: Directors and officers must prioritise the interests of the corporation over their own personal interests. This includes avoiding conflicts of interest and not engaging in self-dealing.

To maintain transparency and accountability, California law requires corporations to hold annual meetings of shareholders and directors. These meetings provide a forum for discussing important issues, such as electing directors and officers, approving major transactions, and reviewing the company's financial performance. Minutes of these meetings must be recorded and retained as part of the corporate records. Alternatively, under Sections 307 and 603 of the California Corporations Code, shareholders and directors of a corporation may choose to have those actions required or permitted to be taken by the board or those actions that may be taken at any annual or special meeting of shareholders also be taken without a meeting in the form of written consents.

In terms of recordkeeping, California law mandates that corporations keep accurate and complete books and records of accounts. This includes maintaining financial statements, board meeting minutes, and shareholder records. Failure to comply with corporate governance requirements can expose directors and officers to personal liability for breaches of fiduciary duty.

Piercing the corporate veil

One of the primary reasons for incorporating a business is to protect shareholders from personal liability for the company's debts and obligations. However, under certain circumstances, courts may "pierce the corporate veil," meaning they will hold shareholders personally liable for the company's actions.

In California, courts may pierce the corporate veil if they find that:

- The corporation was used to perpetrate fraud or was grossly undercapitalised.

- The corporation failed to follow corporate formalities, such as holding regular meetings or maintaining proper records.

- There was a commingling of personal and corporate assets.

By adhering to the governance requirements outlined in the California Corporations Code, businesses can reduce the risk of veil piercing and protect the personal assets of shareholders.

Tax law (federal and California law)

Taxation is one of the most significant regulatory areas for businesses, with obligations arising at both the federal and state levels. In the U.S., businesses are subject to income taxes, payroll taxes, and other taxes depending on the structure and location of the business.

Federal taxation (internal revenue code)

At the federal level, business taxation is governed by the Internal Revenue Code (IRC). The taxation system depends on the legal structure of the business, with different rules applying to C-Corporations, S-Corporations, LLCs, and partnerships.

C-Corporations are subject to "double taxation," meaning the corporation pays taxes on its income at a corporate rate, and shareholders are taxed again on dividends. The corporate tax rate was reduced to a flat 21% following the passage of the Tax Cuts and Jobs Act (TCJA) in 2017. In addition to corporate income taxes, C-Corporations must file annual returns using Form 1120.

Pass-through entities such as S-Corporations, LLCs, and partnerships do not pay income taxes at the corporate level. Instead, the profits and losses of the business "pass through" to the owners, who report the income on their personal tax returns. The IRS taxes these individuals at their personal income tax rates, and they must file forms like Form 1065 (for partnerships) or Form 1120S (for S-Corporations) to report their business activity.

There are certain limitations as to the identity and residential status of the shareholders of a corporation that determine if it may elect to file as a S-Corporation. For example, a corporation generally would not be allowed to elect a S-Corp status if any of its shareholders were foreign residents or C-Corporations.

In addition to income taxes, businesses are subject to a variety of federal payroll taxes, including:

- **Social Security and Medicare Taxes (FICA)**: Employers must withhold these taxes from employee wages and contribute an equal amount on behalf of the employee.

- **Federal Unemployment Tax (FUTA)**: Employers must also pay FUTA tax, which funds unemployment benefits for workers who lose their jobs.

Federal payroll taxes are reported on forms such as Form 941 (Employer's Quarterly Federal Tax Return) and Form 940 (Annual FUTA Return).

California state taxation

In addition to federal taxes, businesses operating in California are subject to state taxes administered by the Franchise Tax Board (FTB). The primary taxes include corporate income tax, franchise tax, and LLC fees.

Corporate Income Tax: California imposes an 8.84% corporate income tax on the net income of C-Corporations. This tax applies to corporations operating within the state, even if they are incorporated elsewhere. Corporations must file Form 100 (California Corporation Franchise or Income Tax Return) annually.

Franchise Tax: All corporations, including S-Corporations and LLCs taxed as corporations, must pay a minimum annual franchise tax of $800, regardless of whether they are profitable. This tax is intended to cover the privilege of doing business in California.

LLC Fees: In addition to the franchise tax, LLCs are subject to an additional fee based on their total income from all sources derived from or attributable to California. The fee ranges from $900 to $11,790, depending on the LLC's gross receipts.

California also imposes various other taxes, such as sales and use tax, which applies to all retail sales of goods and merchandise except those sales specifically exempted by law. The use tax generally applies to the storage, use, or other consumption in California of goods purchased from retailers in transactions not subject to the sales tax. Use tax may also apply to purchases shipped to a California consumer from another state, including purchases made by mail order, telephone, or Internet. The sales and use tax rate in a specific California location has three parts: the state tax rate, the local tax rate, and any district tax rate that may be in effect.

Payroll taxes

In addition to federal payroll taxes, California employers are responsible for paying state payroll taxes, which fund various state programmes. These taxes include:

- **State Disability Insurance (SDI)**: SDI is a state-mandated programme that provides short-term disability benefits to workers who are unable to work due to non-work-related injuries or illnesses. Employers are required to withhold SDI contributions from employee wages.

- **Unemployment Insurance (UI)**: California's Unemployment Insurance programme provides temporary financial assistance to workers who lose their jobs. Employers must pay UI taxes based on a percentage of each employee's wages, up to a certain limit.

- **Employment Training Tax (ETT)**: The **Employment Training Tax** is used to fund job training programmes in California. It is paid by employers at a very low rate and is included in the overall payroll tax calculations.

Employers in California report these payroll taxes on forms such as DE-9 (Quarterly Contribution Return and Report of Wages) and DE-9C (Quarterly Contribution Return and Report of Wages – Continuation), which are filed with the Employment Development Department (EDD).

Labour and employment law (California law)

California is known for having some of the most employee-friendly labour and employment laws in the country. These laws are designed to protect workers' rights and regulate the employer-employee relationship, covering everything from wage and hour rules to workplace safety.

At-will employment

California operates under an at-will employment system, codified in *California Labour Code* § 2922. This means that an employer can terminate an employee at any time, for any reason, or for no reason, as long as it is not an illegal reason. Similarly, employees are free to quit their jobs at any time without notice.

However, there are exceptions to the at-will doctrine. Employers cannot terminate employees for reasons that violate state or federal anti-discrimination laws, or for engaging in protected activities such as whistleblowing, taking family or medical leave, or reporting unsafe working conditions.

Wage and hour laws

California's wage and hour laws are designed to protect workers from unfair pay practices. These laws are governed by the California Labuor Code and the Industrial Welfare Commission (IWC) Wage Orders, which cover specific industries and occupations.

Key wage and hour rules include:

- **Minimum wage**: As of 2024, California's state minimum wage is $16 per hour for most employees. Some local jurisdictions, such as San Francisco and Los Angeles, have enacted higher minimum wages.

- **Overtime pay**: California's overtime law requires employers to pay non-exempt employees 1.5 times their regular rate of pay for any hours worked beyond 8 hours in a day or 40 hours in a week. Employers must pay double time for any hours worked beyond 12 hours in a day.

- **Meal and rest breaks**: California mandates that non-exempt employees be provided with a 30-minute unpaid meal break for every 5 hours worked, and a 10-minute paid rest break for every 4 hours worked. Failure to provide these breaks entitles employees to an additional hour of pay for each day a break is missed.

Workers' compensation

All California employers are required to carry workers' compensation insurance to cover medical expenses and lost wages for employees who are injured on the job. The workers' compensation system is a no-fault system, meaning employees do not need to prove employer negligence to receive benefits.

The California Workers' Compensation Act outlines the types of benefits available to injured workers, including:

- **Medical care**: Workers' compensation covers the all reasonable and necessary costs of medical treatment related to the injury.

- **Temporary disability benefits**: These benefits provide partial wage replacement for workers who are temporarily unable to perform their jobs due to an injury.

- **Permanent disability benefits**: If a worker suffers a permanent disability that impairs their ability to work, they may be eligible for permanent disability benefits.

- **Death benefits**: If an employee dies as a result of a work-related injury, their dependents may be entitled to death benefits.

Failure to carry workers' compensation insurance can result in severe penalties, including fines and potential criminal charges.

Anti-discrimination laws

Both federal and state laws prohibit discrimination in the workplace. At the federal level, anti-discrimination laws include:

- **Title VII of the Civil Rights Act of 1964**: Prohibits discrimination based on race, colour, religion, sex, or national origin.

- **Americans with Disabilities Act (ADA)**: Prohibits discrimination against individuals with disabilities and requires employers to provide reasonable accommodations.

- **Age Discrimination in Employment Act (ADEA) of 1967**: protects certain applicants and employees 40 years of age and older from discrimination on the basis of age in hiring, promotion, discharge, compensation, or terms, conditions or privileges of employment

In California, the primary anti-discrimination law is the Fair Employment and Housing Act (FEHA), which provides broader protections than federal law. FEHA prohibits discrimination based on additional protected characteristics, including sexual orientation, gender identity, marital status, and medical condition (cancer and genetic characteristics). It also applies to smaller employers, covering those with five or more employees, compared to the 15-employee threshold under federal law.

FEHA also requires employers to take proactive steps to prevent harassment in the workplace. Employers with 5 or more employees are required to provide at least two hours of classroom or other effective interactive training and education regarding sexual harassment to all supervisory employees and at least one hour of classroom or other effective interactive training and education regarding sexual harassment to all nonsupervisory employees in California. Thereafter, each employer covered by this section shall provide sexual harassment training and education to each employee in California once every two years. New nonsupervisory employees shall be provided training within six months of hire. New supervisory employees shall be provided training within six months of the assumption of a supervisory position.

Employees who believe they have been discriminated against can file a complaint with the California Department of Fair Employment and Housing (DFEH), which investigates allegations and may pursue enforcement actions.

Family and medical leave

The federal Family and Medical Leave Act (FMLA) provides eligible employees with up to 12 weeks of unpaid leave per year for certain family and medical reasons, including the birth or adoption of a child, a serious health condition, or caring for an immediate family member with a serious health condition.

California has its own version of this law, the California Family Rights Act (CFRA), which mirrors the FMLA but offers additional protections. Under CFRA, employees can take leave for similar reasons as FMLA but are also protected from retaliation for exercising their leave rights.

In addition, California has a Paid Family Leave (PFL) programme, which provides partial wage replacement to employees who take time off to care for a seriously ill family member, to bond with a new child, or to participate in a qualifying event because of a family member's military deployment.

Intellectual property law (Federal law)

Intellectual property (IP) law protects the rights of individuals and entities to control the use of their creations, inventions, and innovations. In the U.S., IP law is governed primarily at the federal level, and there are several key areas of intellectual property protection, including trademarks, patents, and copyrights.

Trademark law

Trademarks are protected under the Lanham Act, the primary federal statute governing trademark registration and protection. A trademark is a word, name, symbol, or device used to identify and distinguish goods or services from those offered by others.

Key provisions of trademark law include:

- **Registration**: Trademarks can be registered with the United States Patent and Trademark Office (USPTO). While common law rights in trademarks can exist without registration, federal registration provides several benefits, including nationwide protection, the presumption of ownership, and the ability to bring an action for infringement in federal court.

- **Infringement**: Trademark infringement occurs when another party uses a mark that is confusingly similar to a registered mark in a way that causes confusion among consumers. The owner of a trademark can file a lawsuit in federal court to stop the infringement and seek damages.

- **Dilution**: Famous trademarks are also protected from dilution, which occurs when the distinctiveness of a famous mark is weakened, even in the absence of direct competition or likelihood of confusion.

- **Renewal**: Trademarks must be renewed periodically to maintain their protection. Federal trademarks must be renewed between the 5th and 6th year after registration and then every 10 years after that.

Trademark owners have the exclusive right to use their marks in connection with the goods or services for which the mark is registered. Unauthorised use of a mark can result in legal action to enforce trademark rights.

Patent law

Patent law in the U.S. is governed by the Patent Act, and patents are issued by the USPTO. Patents provide inventors with the exclusive right to make, use, sell, or import their inventions for a limited period, in exchange for public disclosure of the invention.

There are three primary types of patents:

- **Utility patents**: These are the most common type of patent and are granted for new and useful processes, machines, manufactures, or compositions of matter. Utility patents last for 20 years from the filing date.

- **Design patents**: These patents protect the ornamental design of a functional item, such as the shape of a bottle or the design of a piece of furniture. Design patents last for 15 years from the date of issuance.

- **Plant patents**: These are granted for new and distinct varieties of plants that are asexually reproduced. Plant patents last for 20 years from the filing date.

To obtain a patent, the invention must meet certain requirements, including novelty, non-obviousness, and usefulness. Once granted, the patent owner has the exclusive right to exploit the patented invention. Patent infringement occurs when another party makes, uses, or sells a patented invention without permission, and the patent owner can sue for damages and seek an injunction to stop the infringement.

Copyright law

Copyright protection is governed by the Copyright Act of 1976 and applies to original works of authorship, including literary, artistic, musical, and architectural works. Copyright protection is automatic upon the creation of a work, but registration with the U.S. Copyright Office provides additional legal benefits, including the ability to bring a lawsuit for infringement.

Copyright law grants the author of a work several exclusive rights, including:

- The right to reproduce the work.

- The right to distribute copies of the work.

- The right to create derivative works.

- The right to publicly perform or display the work.

The duration of copyright protection depends on when the work was created. For works created after 1 January 1978, copyright protection lasts for the life of the author plus 70 years. For works made for hire, the copyright lasts for 95 years from first publication or 120 years from creation, whichever is shorter.

Copyright infringement occurs when another party exercises one of the copyright owner's exclusive rights without permission. Remedies for copyright infringement can include statutory damages, compensatory damages, and injunctive relief.

Environmental and safety regulations (California and federal law)

Environmental law in the United States is a combination of federal and state regulations aimed at protecting the environment and ensuring public health and safety. Federal environmental laws are administered by the Environmental Protection Agency (EPA), while California enforces its own environmental regulations through the California Environmental Protection Agency (CalEPA) and the California Air Resources Board (CARB).

Federal environmental regulations

At the federal level, the EPA is responsible for enforcing several key environmental laws, including:

- **The Clean Air Act (CAA)**: The Clean Air Act is the primary federal law governing air pollution. It regulates emissions from stationary sources (e.g., factories) and mobile sources (e.g., cars and trucks). The CAA establishes National Ambient Air Quality Standards (NAAQS) to protect public health and welfare and requires states to develop plans for achieving and maintaining these standards.

- **The Clean Water Act (CWA)**: The Clean Water Act governs water pollution and regulates discharges of pollutants into U.S. waters. The law establishes water quality standards for surface waters and regulates activities such as the discharge of industrial pollutants and the placement of dredged or fill material in wetlands.

- **The Resource Conservation and Recovery Act (RCRA)**: RCRA governs the disposal of solid and hazardous waste. It sets standards for the generation, transportation, treatment, storage, and disposal of hazardous waste, and establishes a framework for managing non-hazardous waste.

- **The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)**: Also known as Superfund, CERCLA authorises the federal government to respond to releases or threatened releases of hazardous substances that may endanger public health or the environment. It also establishes a fund to clean up contaminated sites.

Violations of federal environmental laws can result in significant fines, penalties, and cleanup costs. The EPA has the authority to enforce these laws through administrative actions, civil lawsuits, and criminal prosecutions.

California environmental laws

California has a reputation for being a leader in environmental regulation, with many state laws that are stricter than their federal counterparts. Key California environmental laws include:

- **The California Environmental Quality Act (CEQA)**: CEQA requires state and local agencies to evaluate the environmental impact of proposed projects and to mitigate or avoid significant adverse effects on the environment. CEQA applies to both public and private projects that require government approval and ensures that decision-makers consider the environmental consequences of their actions.

- **The California Global Warming Solutions Act (AB 32)**: AB 32, passed in 2006, established a statewide goal to reduce greenhouse gas emissions to 1990 levels by 2020. The law gives CARB the authority to adopt regulations to achieve these emissions reductions and to implement a cap-and-trade programme for major emitters of greenhouse gases.

- **The California Clean Air Act**: This law gives CARB the authority to regulate air pollution in the state and to adopt emissions standards for mobile sources that are more stringent than federal standards. California is the only state with the authority to set its own vehicle emissions standards, and other states are allowed to adopt California's standards.

California businesses must comply with both federal and state environmental regulations, and failure to do so can result in penalties, enforcement actions, and civil or criminal liability.

Commercial law and contracts (California and federal law)

Commercial law governs the transactions and relationships between businesses and individuals in commercial activities. Contracts form the foundation of commercial law, and businesses must comply with both federal and state contract laws.

Uniform Commercial Code (UCC)

The UCC is a set of laws adopted by all 50 states, including California, to regulate commercial transactions. The UCC covers a wide range of transactions, including the sale of goods, leases of personal property, negotiable instruments, and secured transactions.

Key articles of the UCC include:

- **Article 2 (Sales)**: Article 2 governs the sale of goods. It establishes rules for contract formation, performance, and remedies for breach of contract. Article 2 also provides implied warranties, such as the warranty of merchantability and the warranty of fitness for a particular purpose.

- **Article 9 (Secured Transactions)**: Article 9 governs secured transactions, where a lender takes a security interest in a debtor's personal property to secure the payment of a debt. Article 9 provides rules for the creation, perfection, and enforcement of security interests.

In California, the UCC is codified in the California Commercial Code. Businesses engaged in commercial transactions must comply with the provisions of the UCC to ensure the enforceability of their contracts and the protection of their rights.

Contract law

Contract law is primarily governed by state law, and in California, contracts are regulated by the California Civil Code. A contract is a legally enforceable agreement between two or more parties, and it must meet certain elements to be valid:

- **Offer and acceptance**: One party must make an offer, and the other party must accept the offer. The acceptance must mirror the terms of the offer, and any changes to the terms constitute a counteroffer.

- **Consideration**: Each party must give something of value in exchange for the other party's promise. Consideration can take the form of money, goods, services, or a promise to do (or refrain from doing) something.

- **Capacity**: The parties must have the legal capacity to enter into a contract. This means they must be of legal age and have the mental ability to understand the terms of the contract.

- **Legality**: The contract must have a lawful purpose. Contracts for illegal activities, such as gambling or the sale of illegal drugs, are void and unenforceable.

In California, certain contracts must be in writing to be enforceable, under the Statute of Frauds. These include contracts for the sale of real estate, contracts that cannot be performed within one year, and contracts for the sale of goods over $500.

When a contract is breached, the non-breaching party can seek remedies, including damages, specific performance, or rescission. California courts will enforce valid contracts and award remedies to the injured party.

Foreign investment regulations (federal law)

The U.S. government regulates foreign investments to protect national security and prevent foreign entities from gaining control of critical industries. Key regulations governing foreign investments include the Committee on Foreign Investment in the United States (CFIUS) and the Foreign Corrupt Practices Act (FCPA).

Committee on Foreign Investment in the United States (CFIUS)

CFIUS is an interagency committee authorised to review transactions that could result in foreign control of a U.S. business. CFIUS reviews transactions to determine whether they pose a threat to national security and has the authority to block or unwind transactions that could harm U.S. interests.

Transactions subject to CFIUS review include mergers, acquisitions, and investments that give foreign entities control over U.S. businesses. While filing with CFIUS is voluntary in most cases, certain transactions involving critical technologies, infrastructure, or personal data require mandatory filing.

CFIUS has the authority to block transactions or require the parties to take mitigating measures to address national security concerns. Failure to comply with CFIUS review requirements can result in significant penalties. It is important to notice that generally, CFIUS reviews are not by "statute of limitation," meaning that CFIUS may theoretically impose penalties against non-complying foreign investment activities at any time following such investment activities.

Foreign Corrupt Practices Act (FCPA)

The FCPA prohibits U.S. companies and individuals from bribing foreign officials to obtain or retain business. The FCPA applies to U.S. companies, their officers, directors, employees, and agents, as well as foreign companies listed on U.S. stock exchanges.

The FCPA has two main provisions:

- **Anti-Bribery provisions**: These provisions make it illegal to offer, promise, or give anything of value to a foreign official to influence their decisions or actions in their official capacity.

- **Accounting provisions**: These provisions require companies to maintain accurate books and records and implement internal controls to prevent and detect bribery.

The U.S. Department of Justice (DOJ) and the Securities and Exchange Commission (SEC) enforce the FCPA, and violations can result in significant fines and criminal penalties, including imprisonment for individuals involved in the misconduct.

Consumer protection laws (federal and California law)

Consumer protection laws are designed to safeguard consumers from unfair, deceptive, and fraudulent business practices. These laws are enforced at both the federal and state levels, with key federal protections provided by the Federal Trade Commission (FTC) and state protections provided by the California Consumer Protection Act.

Federal Consumer Protection (FTC Act)

The FTC Act is the primary federal law governing consumer protection. The FTC Act prohibits "unfair or deceptive acts or practices" in commerce, and the FTC is responsible for enforcing this law.

Key consumer protection provisions of the FTC Act include:

- **Deceptive advertising**: Businesses are prohibited from making false or misleading claims about their products or services. Advertisements must be truthful, not deceptive, and based on solid evidence.

- **Unfair practices**: The FTC defines an unfair practice as one that causes substantial injury to consumers, cannot be reasonably avoided, and is not outweighed by benefits to consumers or competition.

- **Privacy and data security**: The FTC enforces privacy laws to protect consumers' personal information from unauthorised use or disclosure. The FTC has brought enforcement actions against companies for failing to protect consumer data and for violating their privacy policies.

The FTC has broad authority to investigate businesses, bring enforcement actions, and impose penalties for violations of consumer protection laws. Remedies for violations can include cease-and-desist orders, monetary penalties, and consumer redress.

California consumer protection laws

California has some of the strongest consumer protection laws in the country, including the California Consumers Legal Remedies Act (CLRA) and the Unfair Competition Law (UCL).

- The CLRA: The CLRA prohibits a wide range of deceptive and unfair business practices in the sale of goods or services to consumers. These include false advertising, bait-and-switch tactics, and misrepresentations about the quality or characteristics of a product. The CLRA gives consumers the right to sue for damages, injunctive relief, and attorney's fees.

- The UCL: The UCL prohibits "unfair competition," which includes unlawful, unfair, or fraudulent business acts or practices. The UCL is a broad statute that allows consumers, competitors, and government agencies to bring actions against businesses for violating the law. Remedies under the UCL can include restitution, injunctive relief, and civil penalties.

California also has a strong focus on protecting consumer privacy. The California Consumer Privacy Act (CCPA) gives consumers the right to know what personal information businesses collect about them, the right to have that information deleted, and the right to opt out of the sale of their information.

THAILAND

Civil and Commercial Code of Thailand

Laws governing formation and incorporation of types of Thai business entity can be found in the Civil and Commercial Code of Thailand (the "**CCC**"). A private limited company is formed through a process which leads to the registration of a Memorandum of Association and Articles of Association (By-laws), as its constitutive documents. A company is formed with the registered capital and divided into shares to be subscribed by the promoters or shareholders. The liability of the shareholders being limited to the amount unpaid on the shares respectively held by them.

Incorporation and promoters

There must be a minimum of 3 (three) promoters for a private limited company who are responsible for subscribing and registering the incorporation of the company with the DBD as it is stated in Section 1097 of the CCC that any three or more persons may promote and form a limited company by subscribing their names to a memorandum and otherwise complying with the provisions of the CCC. The promoters must be individual persons (not juristic entities). The promoters can be foreigners and/or Thai nationals. However, each promoter is required to be among the company's initial shareholders immediately upon the company's registration and is required to subscribe and hold a minimum of one share upon the company's registration. They are generally free to transfer those shares to existing shareholders or third parties, thereafter, if they wish. However, the number of shareholders in a company shall always be remaining of not less than 3 (three) shareholders (individual and/or juristic entities) as required by the CCC.

Noted that after 7 February 2023, the requirement of minimum shareholders of 3 persons are reduced to 2 persons according to Section 1097 of the CCC.

Memorandum of Association

The Memorandum of Association of the company has to be filed with the DBD and must include the name of the company that has been successfully reserved and approved by the DBD, the physical address where the company will be located in Thailand, its business objectives, the capital to be registered, and the names of the promoters.

Articles of Association

The Articles of Association are the regulations of the company concerning its internal affairs such as shares, general meetings, voting rights, director and auditor, distribution of dividends, dissolution etc. It is one of the most important corporate documents, the content of which is determined and approved by at the statutory meeting or the general meeting of shareholders with a special resolution (if later amended). A company may choose to either adopt its own Articles of Association or refer to the relevant provisions of the CCC.

Registered capital

In general, the registered amount of the capital should be respectable enough and adequate for the intended business operation. The registered capital will be divided into shares with the same par value, which must not be less than THB 5 per share. All shares must be subscribed, and at least 25% of the subscribed shares must be paid up. If the company intends to employ foreigners, the minimum registered capital requirements for applying work permit may also apply. The company must have registered capital of not less than THB 2 million with fully paid-up for each one foreign employee, or THB 4 million share capital for two foreign employees, or THB 6 million for three foreign employees respectively.

Directors

A company shall be managed by at least one individual director under the control of the general meeting of shareholders. There are currently no general restrictions on the nationality of directors who control a Thai private limited company in Thailand. Therefore, a foreigner can be a sole director of the company. By law, foreign director and Thai director are not treated differently. However, foreign director needs a work permit to work in Thailand in order to manage a company by all lawful means necessary within the scope stipulated in the Memorandum of Association, Articles of Association, the resolutions of shareholders' meetings, and applicable Thai laws. Thus, foreign directors residing abroad should pay attention and apply for a work permit to work in Thailand even if they only intend to attend a meeting or training. Under Thai law, it specifies only the requirements of director and the board of directors for companies (without having supervisor or board of supervisors). Therefore, a company in Thailand is not required to have supervisor or board of supervisors which is subject to each company's management policy and organisation chart.

Shareholders and shareholders meeting

Every company is required to hold the annual general meeting (the "**AGM**") annually. The extra-general meeting shall be held upon being called by the directors or one-fifth of the shareholders.

Notice of every general meeting of shareholders shall be published at least once in a local paper and be sent to every shareholder of the company by receipt acknowledge registered mail at least seven days before the date of meeting unless, in case of the general meeting which has to provide a special resolution, the notice shall be published in a local newspaper and be sent to every shareholder of the company at least 14 days before the date of the meeting.

Shareholders representing not less than 25% of the capital of the company must present at the shareholders' meeting to constitute a quorum. A resolution shall be made by a majority vote; in the case of a tied vote, the Chairman of the meeting shall be entitled to a casting vote.

According to the CCC, a supermajority vote of 75% of total shares is required for passing a special resolution as required by law, i.e. amendment to the memorandum of association and articles of association, increase or decrease of registered capital, dissolution, conversion to a public company and subscription shares by payment in kind.

In addition, pursuant to Section 1171 of the CCC, the AGM shall be held within 6 months after the registration and subsequently be held every 12 months.

Share transfer

Under the CCC, the transfer of shares must be made in writing and signed by the transferor and transferee whose signatures are certified by at least one witness (the "**Share Transfer Instrument**"); otherwise, such transfer shall be void. The Share Transfer Instrument must contain at least (i) the names of the transferor and transferee, and (ii) the numbers of the transferred shares. The transfer of shares will become valid against the company and/or any third party only upon its registration in the share register book specifying the details of the transfer and the name and address of the transferee.

Share registered book

A company is required to prepare and keep a share registered book recording the history of change of shareholders. It is important to note that any share transfers shall be invalid against a company and third parties until such transfer is recorded in the share registered book. Share registered book is presumed to be correct evidence of any matters directed or authorised by the laws.

Under the CCC, in case a company fails to keep a share registered book in accordance with Section 1138 and fails to have the share registered book opened for inspection by shareholders upon their request in accordance with Section 1139, the Target Company shall be liable to a fine not exceeding THB 20,000 under Section 10 and 11 of the Corporate Criminal Act.

Share certificate

Share certificates shall be issued and delivered by a limited company to each shareholder for the share held by him. Share certificates shall be signed by at least one of the directors and affixed to the limited company's seal; moreover, the share certificate must contain a name of the company, share number(s), the value of each share and if the shares have not been fully paid up, the paid amount of each share shall be indicated therein.

Failure to provide share certificates for the shareholders containing the particulars as specified in Section 1127 and Section 1128 would result in a fine not exceeding THB 10,000 pursuant to Section 8 of the Corporate Criminal Act.

Foreign Business Act

Thai law imposes restrictions on foreigners engaging in certain business activities. The principal law with respect to foreign participation in various business activities is the Foreign Business Act (the "**FBA**"). The FBA defines the definition of "foreigner" as (i) a non-Thai natural person, (ii) a legal entity not incorporated in Thailand, (iii) a juristic entity incorporated in Thailand with at least 50% (fifty percent) of share capital is owned by foreign individuals or entities, and (iv) a limited partnership or a registered ordinary partnership that having the managing partner or manager is a non-Thai natural person. Based on the aforesaid definition, a private limited company which is owned by majority Thai nationals and/or entities with at least more than half of the share capital shall be considered as a Thai private limited company and is not subject to the FBA. Foreigners therefore are generally allowed to participate and own less than 50% of shares capital unless otherwise particularly prescribed in specific law, in case the Company intends to engage in any restricted businesses.

BOI Act

The Thailand Board of Investment (the "**BOI**") was set up under the Investment Promotion Act (the "**Investment Act**") for purpose of encouraging investment in Thailand through several eligible business activities under the BOI promotion. Under the Investment Act, the Thai government has granted full foreign ownership rights to foreign nationals who promised to make major investments and transfer technology to Thailand. Generally, the BOI privileges are granted for manufacturing activities as well as certain non-manufacturing activities of such activities fall within the eligible activities as listed by the BOI. However, to qualify for the BOI privileges, the foreign nationals are obligated to transfer into Thailand the specified capital, technology and equipment technology within the period as set forth in its investment promotion certificate, and strictly comply with the specific condition as set forth in the investment promotion certificate.

Land Code

The Land Code stipulates that foreigners may acquire land by virtue of the provisions of a treaty giving the right to own immovable property, subject to the provisions of the Land Code and, subject to the limitation on rights over land for religious purposes, foreigners may acquire land for residence, commerce, industry, agriculture, burial, public charity or religion under the conditions and procedures prescribed in ministerial regulations and with the permission of the minister.

Social Security Act

The Social Security Act of B.E. 2533 (1990) (the "**Social Security Act**") in Thailand, and its amendments, established the Social Security Fund (the "**Fund**") with the objective of providing coverage for fund members under certain conditions.

The stipulations of the Social Security Act apply to every company having one or more employees. Persons insured under the provisions of the Fund include all employees from the age of 15 years up through those not over 60 years.

A company having one or more employees must register with the Social Security Office for the Fund within 30 days after hiring the first employee. If the company increases the number of employees, it must submit a new employee registration form for each new employee.

Workmen Compensation Fund

The Workmen's Compensation Fund was established under the Workmen's Compensation Act, B.E. 2537 (1994) to ensure that adequate compensation is paid when workers are injured, become ill, or die as a result of their work, or as a result of illnesses arising out of the nature or conditions of the work, or as the Department of the Interior may prescribe. This objective will be achieved by requiring employers to register with and contribute to the Workers' Compensation Fund and by having the Department of Labour Protection and Social Welfare pay the above compensation that employers are required to pay under the Occupational Safety and Health Act instead of employees. The contribution rate should be 0.2%–1%.

Labour Protection Act

The Thailand Labour Protection Act is a comprehensive law that sets out the rights and obligations of employers and employees in the workplace. It aims to protect the welfare of workers and ensure fair treatment.

Under section 108 of the Labour Protection Act, B.E. 2535 (1992), the Target Company shall procure the work rules in Thai language upon the date the employer employed more than ten (10) employees and shall disclose such work rules at the working place of the employee. As from 4 April 2017, the work rules are not required to submit to the Labour Department in accordance with the Order of the Head of the National Council for Peace and Order No. 21/2017 dated 4 April 2017 Governing Amendment of Laws for Ease of Doing Business.

Foreigners' Working Management Emergency Decree

Pursuant to Section 8 of the Foreigners' Working Management Emergency Decree B.E. 2560 (2017), a foreigner shall not carry out any work prescribed in the Notification issued under section 7 paragraph one or carry out any work without a work permit.

The Revenue Code

The principal law with respect to tax implication in Thailand is the Revenue Code of Thailand (the "**RC**") under governed by the Revenue Department.

Corporate Income Tax ("CIT")

According to the RC, in general, a company is subject to the CIT rate of 20 % on net profit. In addition, with respect to small medium enterprises which a company that having its paid-up registered capital at the end of the accounting period of not exceeding THB 5 million and having annual revenue income from business operation not exceeding THB 30 million per annum shall be entitled to reduction of CIT in which it will be exempted from CIT for the net profit not over THB 300,000, and it will be subject to 15% CIT on net profit range between THB 300,001 – 3,000,000, and 20% CIT on net profit exceeding THB 3,000,000.

Value Added Tax ("VAT")

VAT is an indirect consumption tax levied on the supply of goods and provision of services by a VAT operator and on the import of goods or services. Any person (individual or juristic entity) who conducts business in Thailand and its annual turnover exceeds THB 1.8 million is required to register to be a VAT operator. A VAT operator is required to comply with VAT requirements per the Revenue Code. Only a registered VAT operator is entitled to claim for prepaid VAT credit or VAT refund.

There are also other applicable taxes, for example, the excise tax, withholding tax, special business tax, land and building tax and stamp duty, etc. A company is required to file tax returns to the Revenue Department on a regular basis, including monthly, annual and semi-annual reports.

INDONESIA

Company Laws pursuant to Law No. 40 of 2007 concerning limited liability (the "Company Law")

Company Law governing formation and incorporation of a limited liability company (in Indonesia namely as "**Perseroan Terbatas, hereinafter referred to as PT**"). Establishment of a PT shall be managed by a public notary and such establishment must be submitted to the Ministry of Laws and Human Rights ("**MoLHR**") to obtain ratification, upon its ratification the PT will be recorded as a legitimate legal entity then have a legitimate rights to engage with third parties. PT is allowed to be established for a limited period or unlimited period based on the business types following the prevailing laws and regulations.

PT as a legal entity are managed by three different structure, which are general meeting of shareholders ("**GMS**"), board of directors, board of commissioners, each of them have a different rights and obligations based on the Company Law and their constitutive documents in form of Articles of Association. PT is formed with a registered capital and divided into shares to be subscribed by the shareholders. The shareholders of a Company are not personally liable over contracts made on behalf of the Company and are not liable over the losses of the Company exceeding the shares they own.

Shareholders

There must be a minimum of 2 (two) or more shareholders to establish a PT by subscribing a sum of capital which will be divided into authorised capital, issued and paid up capital. These capital will be divided into shares and each shares will have a nominal as determined by the Company.

The establishment of PT is made by executing a deed of establishment made before by the public notary. The shareholders can be in a form of individual or a PT, either foreigners or Indonesian nationals, subject to the investment arrangement based on the relevant regulations which will be further described below.

The Shareholders shall have the authorities which not vested in the Board of Directors or the Board of Commissioners, within the limits set out under the Company Law and/or the Articles of Association. The transfer of shares among the Shareholders are specified in the Articles of Association and shall align with the Company Law.

For further information, Company Law has protected each Shareholders to be offered for any additional new shares issued in a PT, meanwhile the Articles of Association may arrange that prior to transfer the existing shares to the third parties, each Shareholders must offer the shares to the others existing Shareholders.

Deed of establishment and articles of association

Deed of establishment

The Deed of Establishment has to be made by Indonesian Public Notary and shall be submitted to the MoLHR for ratification matters. The Deed of Establishment must be made pursuant to the Company Law, however the Company Law is grants the Shareholders a rights to modify the rules and provisions specified on the Company Law, provided that such modification will have higher requirements as specified on the Company Law. Pursuant to the Company Law, the Deed of Establishment shall contain Articles of Association and others information regarding the establishment matters.

Articles of association

Pursuant to Company Law, the Articles of Association apply as highest laws which shall be obligated by the Shareholders, Board of Directors and Board of Commissioner on managing and operating prior to conduct and take any legal action towards the Company.

The Articles of Association shall consist of:

(i) the name and place of domicile of the Company;

(ii) the purposes and objectives, as well as business activities of the Company;

(iii) the duration of establishment of the Company;

(iv) the amount of authorised capital, issued capital and paid-up capital;

(v) the amount of shares, the classification of shares, if any, including the amount of shares for each classification;

(vi) the rights attached to each shares, and the par value of each shares;

(vii) the name of position and number of members of the Board of Directors and the Board of Commissioners;

(viii) the stipulation of a place and procedures for holding a EGMS;

(ix) the procedures for the appointment, replacement and dismissal of members of the Board of Directors and the Board of Commissioners;

(x) the procedures for the appropriation of profit and distribution of dividends and shall not contain;

(xi) provisions on the receipt of fixed interest rate on shares; or

(xii) provisions on the granting of personal benefits to the founder(s) or other parties.

Amendments to articles of association

The Articles of Association can be amended from time to time through held GMS or Circular Resolution and shall be submitted to the MoLHR. There are three (3) types of approval will be issued by the MoLHR depends on the amended articles on the Articles of Association. The following are the change shall to obtain approval from the MoLHR:

(i) the name and/or place of domicile of the Company;

(ii) the purposes and objectives, as well as business activities of the Company;

(iii) the duration of establishment of the Company; d. the amount of authorised capital;

(iv) the reduction in issued and paid-up capital; and/or

(v) the status of a private Company into a Publicly-Traded Company or vice versa.

Meanwhile, the amendments of Articles of Association other than the above mentioned is only requires to be notified to the MoLHR.

Required capital

In theory, the capital of the Company shall be adequate and suffice to fund the business activities and operation. By law, the authorised capital shall at least IDR50Million and 25% of such authorised capital shall fully issued and paid up by the Shareholders to the Company no later than 60 (sixty) calendar days since the ratification obtained from the MoLHR.

In this case, Company is foreign PT and the issued and paid-up shall at least IDR10Billion. In addition, aside from minimum issued and paid-up capital, there also requirements for the foreign limited company to comply with minimum investment value in nominal more than IDR10Billion excluding land and building for each business licences.

Board of directors

A company shall be managed by at least 1 (one) individual director appointed and terminated by the GMS along with the rights, obligations and limitations. In the event of members of the Board of Directors consists of more than 1 (one) person, then every member of the Board of Directors shall be authorised to represent the PT, unless stipulated otherwise under the Articles of Association.

There are restrictions where the foreign directors is not allowed to serve, manage, control and represent the PT for human resources matters. By law, foreign director and Indonesia director are not treated differently. However, foreign director requires a work permit to work in Indonesia.

The Board of Directors is responsible for the management of the PT and shall be carried out in good faith and full responsibility. Each member of the Board of Directors shall be fullyand personally responsible for the losses of the PT if the person concerned is at fault or negligent in carrying out his/her duties.

Board of commissioners

The Board of Commissioners is appointed and terminated by the GMS along with the rights, obligations and limitations. The Board of Commissioners shall supervise toward Board of Directors policies, performance of management in general, both in respect of the PT and the business of the PT, and provide advice to the Board of Directors.

A Board of Commissioners consisting of more than 1 (one) member shall constitute a council and every member of the Board of Commissioners cannot act on individually, but only based on a resolution of the Board of Commissioners.

Shareholders and GMS

The GMS are consist of annual general meeting of shareholders ("**AGMS**") that hold within maximum period of 6 (six) months after the end of the fiscal year and the GMS shall be held at any time based on the needs for the interest of the PT, such as changes to the composition of the Board of Directors and Board of Commissioners, changes to the Company's name, Company's domicile, duration of establishment and etc.

The GMS is held at the Company's domicile or at the place where the Company carries out its main business activities as determined in the Company's Articles of Association. The GMS may be conducted via teleconference, video teleconference or other electronic media. The meeting invitation is made by letter or newspaper. However, there is another method of shareholder meeting, namely the circular resolution, which all of the shareholders agree of the meeting minutes.

The Board of Directors is required to issue a summons for a GMS within a maximum period of 15 (fifteen) days from the date the request for holding a GMS is received. However, if the Board of Directors does not issue a summons for a GMS, the Board of Commissioners may issue a summons for a GMS itself within a maximum period of 15 (fifteen) days from the date the request for holding a GMS is received. If the Board of Directors or the Board of Commissioners does not issue a summons for a GMS, shareholders may submit a request for a GMS to the Head of the District Court.

A GMS may be held if more than 1/2 (one half) of the total number of shares with voting rights are present or represented unless otherwise stipulated in the articles of association. However, if the quorum is not achieved, then a summons for a Second GMS must be made and in the Second GMS, at least 1/3 (one third) of the shareholders with voting rights are present/represented.

If, in the Second GMS, the quorum is not met, then an application may be made to the district court whose jurisdiction covers the Company's domicile at the Company's request to determine the quorum for the Third GMS.

The Second and Third GMS shall be held within a period of at least 10 (ten) days and at the latest 21 (twenty one) days after the previous GMS was held.

In Indonesia, private companies must have at least 2 (two) shareholders. Shareholders, either individually or represented by a power of attorney, are entitled to attend the GMS and exercise their voting rights in accordance with the number of shares they own. In voting, the votes cast by shareholders apply to all shares they own and shareholders are not entitled to grant power of attorney to more than one proxy for a portion of the number of shares they own with different votes. In voting, members of the Board of Directors, members of the Board of Commissioners, and employees of the Company concerned are prohibited from acting as proxies for shareholders.

Share transfer

Under the Company Law, the share transfer shall be made in writing, sign by the transferor and transferee and drawn up in a deed of transfer. In the Articles of Association, PT may further arrange additional requirement such as: i) obligation to first offer them to holders of certain classification of shares or other shareholders, ii) obligation to first secure approval from GMS, Board of Directors and Board of Commissioner, iii) obligation to first secure approval from the authorised institutions in accordance with laws and regulations.

Shareholders registry

Directors shall create and maintain a shareholders registry which should at least contain: i) the name and address of shareholders, ii) the amounts, numbers, and dates of acquisition of the shares owned by shareholders and its classifications, in the event of more than one classification of shares is issued; iii) the amount which is paid up for each share; iv) the name and address of individuals or legal entities having pledge rights over shares or being the beneficiaries of fiduciary security over the shares and the date of acquisition of the pledge rights or the date of registration of the fiduciary security in question; and v) information on the payment of shares in other forms.

Share certificate

In Indonesia, a share certificate is a document that serves as proof of ownership of shares in a company. This certificate is issued by the company that issues the shares and acts as a receipt for the purchase of shares.

The share certificate has several important functions, including:

(i) Proof of share ownership.

(ii) Protection of shareholder rights.

(iii) Facilitation of share ownership transfer.

(iv) Assistance for the company in tracking legitimate shareholders.

(v) Compliance with the Limited Liability Company Law (UUPT).

(vi) Promotion of transparency in corporate governance.

A share certificate typically contains essential information such as:

(i) The number of shares owned.

(ii) The purchase date.

(iii) The identification number of the shareholder.

(iv) The company number.

(v) The signature of an authorised party.

Foreign business regulations

Indonesian law imposes limitations on foreign investment in certain business activities as stipulated in Presidential Regulation No. 49 of 2021 concerning Amendment To Regulation Of The President Number 10 Of 2021 On Investment Business Fields ("**Perpres 49/21**").

Investment is consist of individual and business entity engaging in either domestic or foreign investment. Perpres 49/21 classifies business sectors into several categories, namely:

(i) Business Sectors open for investment, which include priority sectors, sectors allocated for partnerships with cooperatives and micro-middle scale, sectors with specific requirements limiting foreign investment, and sectors fully open to foreign investment;

(ii) Business Sectors closed to investment; and

(iii) Activities that can only be conducted by the central government.

Indonesia investment authorities

The Ministry of Investment/ Indonesia Investment Coordinating Board (BKPM) is tasked with assisting the President in managing government affairs related to investment, as well as coordinating the implementation of policies and providing services in the field of investment in accordance with the prevailing laws and regulations.

The Ministry has the authority to formulate and establish investment policies, coordinate and synchronise the implementation of investment policies, develop regional investment potential, and conduct investment promotion and cooperation.

Additionally, the Ministry is responsible for supervising the investment sector, assessing and planning national investment, setting norms, standards, procedures, and criteria for services, as well as managing state assets. The Ministry also oversees the implementation of tasks within its scope and facilitates foreign investors, including the handling of licences and tax incentives, through a one-stop integrated service and investment facilities.

Land law

In Indonesia, land ownership rights are regulated under Law No. 5 of 1960 on Basic Agrarian Principles ("**Law 5/60**"). UU 5/60 establishes several types of land rights, including right of ownership (*hak milik*), right of cultivation (*hak guna-usaha*), right to building (*hak guna-bangunan*), right to usage (*hak pakai*), and right to lease (*hak sewa*). Foreign nationals are only permitted to obtain land rights in the form of right to use (*hak pakai*) and right to lease (*hak sewa*) for building purposes. To acquire other land rights, foreign nationals are required to establish an Indonesian legal entity domiciled in Indonesia.

Social security and employment security

Law No. 24 of 2011 on the Social Security Agency ("**UU 24/11**") regulates social security as a form of social protection to ensure that all citizens can meet their basic needs for a decent life. In Indonesia, the agency responsible for administering social security as social security agency ("**BPJS**").

BPJS in Indonesia consists of two forms of social security: BPJS Health and BPJS Employment. BPJS Health administers health insurance programmes, while BPJS Employment manages programmes for work accident insurance, old-age benefits, pension benefits, death benefits, and unemployment insurance.

Participation in the BPJS programmes is mandatory for everyone, including foreign nationals working in Indonesia for at least 6 (six) months. Every company is also required to register itself and its employees as participants in the relevant BPJS social security programmes. If a company fails to register its employees, it will face administrative sanctions in the form of written warnings, fines, and/or loss of access to certain public services.

Employment law

Indonesia has employment regulations governed by Law No. 13 of 2003 on Manpower in conjunction with Law No. 6 of 2023 on the Enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law (hereinafter referred to as the "**Employment Law**"). Under the Employment Law, employment agreements are categorised into two types: Fixed-Term Employment Agreements ("**PKWT**") and Indefinite-Term Employment Agreements ("**PKWTT**"). PKWT is designated for temporary work, including seasonal work or daily labour, while PKWTT covers permanent employment.

Companies employing a minimum of 10 workers are required to establish either a Company Regulation or a Collective Labour Agreement, which must be approved by the Minister of Manpower. To facilitate this process, the approval of Company Regulations or Collective Labour Agreements can be conducted online through the official website of the Ministry of Manpower.

Additionally, companies are obligated to submit annual employment reports to the Minister of Manpower. Failure to comply with this reporting requirement may result in criminal sanctions in accordance with applicable regulations.

Foreign workers

In Indonesia, the employment of foreign workers (TKA) is strictly regulated by applicable legal provisions. Any company wishing to employ foreign workers must obtain a Foreign Worker Utilisation Plan (RPTKA) and process a notification for approval to employ foreign workers issued by the Director General of Employment Placement and Expansion of Job Opportunities. Additionally, companies are also required to secure a work visa and process a temporary stay permit for the foreign workers concerned.

If foreign workers operate in Indonesia without a temporary stay permit with work status, they may face administrative and/or criminal sanctions. These sanctions can include fines, imprisonment, or even deportation from Indonesia

Business licence

In Indonesia, business operators are required to possess business licences to conduct any business activities. The provisions regarding business licensing are governed by Government Regulation No. 5 of 2021 on the Implementation of Risk-Based Business Licensing ("**PP 5/21**"). Business licensing is the legal authorisation granted to business operators to start and carry out their business activities.

Business licensing is categorised based on the level of risk:

(i) Low risk, where business operators can conduct their business activities solely with a Business Identification Number (NIB);

(ii) Medium risk, which requires companies to have an NIB and a Standard Certificate; and

(iii) High risk, where companies are mandated to possess an NIB and a Business Licence.

For business activities classified as medium-high or high risk, an environmental impact analysis is required.

The revenue code

The legal basis for taxation which applicable in Indonesia is Laws No. 7 year 2021 concerning the Harmonisation of Tax Regulations.

Corporate Income Tax ("CIT")

In general, a PT in 2024 is subjected to a CIT rate of 22% of it's fiscal net profit. However, certain Taxpayers with a revenue below 4.8 billion Rupiah are entitled to use a CIT rate of 0.5% of its gross income. This rate can be used by corporate taxpayers for 3 years from its company date of registration.

Value Added Tax ("VAT")

VAT is an indirect consumption tax levied on the supply of goods (tangible and intangible), services and import by a taxable employer.

Taxpayer both an individual or entity who conducts business in Indonesia in which its annual revenue exceeds 4,8 Billion (Four Billion Eight Hundred Million Rupiahs) is required to register to become a taxable employer. As of 2024, a taxable employer is required to collect VAT at a rate of 11% of its tax base.

Only a registered taxable employer is entitled to claim for prepaid VAT credit and VAT refund. There are also other applicable taxes, for example, the excise tax, withholding tax, land and building tax, stamp duty and etc. A company is required to file the tax returns to Indonesia's Tax Office (ITO) on a monthly and annual basis.

This Appendix contains a summary of the principal provisions of the Company's Articles of Association. The major objective of this Appendix is to provide potential **[REDACTED]** *with an overview of the Company's Articles of Association, and therefore it may not contain all the information that may be important to potential* **[REDACTED]**.

SHARES AND REGISTERED CAPITAL

Shares of the Company shall take the form of share certificates.

The shares of the Company shall be issued in accordance with the principles of open, fairness and justice. Each share of the same class shall carry the same rights.

Shares of the same class and the same issuance shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the Shares it/he/she subscribes for.

INCREASE, REDUCTION, REPURCHASE AND TRANSFER OF SHARES

Increase and Reduction of Shares

Based on its operation and development needs, in accordance with the relevant laws and regulations, and subject to the separate resolutions of the shareholders' meeting, the Company may increase its capital by any of the following ways:

(i) public issuance of shares;

(ii) non-public issuance of shares;

(iii) allocate shares to existing Shareholders;

(iv) distribution of bonus shares to existing Shareholders;

(v) conversion of capital reserve into share capital;

(vi) other means permitted by applicable laws, administrative regulations, the Listing Rules and approved by related securities regulatory agencies.

The Company may reduce its registered capital. The reduction of registered capital shall comply with the procedures stipulated in the PRC Company Law, the Listing Rules and other relevant regulations as well as the Articles of Association.

Repurchase of Shares

The Company shall buy back its shares in accordance with the provisions of laws, administrative regulations, departmental rules, the Listing Rules and the Articles of Association under the following circumstances:

(i) reduction of the Company's registered capital;

(ii) mergers with another company holding shares of the Company;

(iii) use of shares for employee shareholding scheme or equity incentives;

(iv) Shareholders who object to resolutions of the general meeting on merger or division of the Company requesting the Company to purchase their shares;

(v) use of shares for conversion of corporate bonds issued by the Company which are convertible into shares;

(vi) where it is necessary for the Company to preserve its value and Shareholders' interest;

(vii) other situations where the company can buy back its shares in accordance with laws, administrative regulations, departmental rules, normative documents, the Listing Rules, and other securities regulatory rules of the place where the shares of the Company are listed.

The Company shall not buy back its shares, except in one of the above circumstances.

Where the Company purchases its shares under the circumstances set forth in items (i) and (ii) above, it shall be resolved at a shareholder's meeting. Where the Company purchases its shares under the circumstances set forth in items (iii), (v) and (vi) above, subject to compliance with the securities regulatory rules of the place where the shares of the Company are listed, a resolution thereon may, be resolved at a Board meeting that is attended by more than two-thirds of the Directors according to the authorisation of the shareholders' meeting.

Upon the purchase of its shares by the Company pursuant to the above provisions, under the circumstance set forth in item (i), such shares shall be cancelled within 10 days from the day of purchase; under the circumstances set forth in items (ii) and (iv), such shares shall be transferred or cancelled within six months; under the circumstances set forth in items (iii), (v) and (vi), the total number of shares held by the Company shall not exceed 10% of the total issued shares of the Company, and shall be transferred or cancelled within three years.

With respect to overseas listed shares, if laws, administrative regulations or the securities regulatory authority where the company's shares are listed have other provisions on matters related to the repurchase of shares, such provisions shall prevail.

The Company may purchase its own shares by the centralised trading or by any other means recognised by the laws, administrative regulations, the CSRC and the stock exchange(s) of the place where the shares of the Company are listed, and shall comply with the applicable laws, administrative regulations, departmental regulations and securities regulatory rules of the place where the company's shares are listed.

Transfer of Shares

Shares of the Company held by the promoters shall not be transferred within one year from the date of the establishment of the Company. Shares of the Company that were issued prior to a public issue shall not be transferred within one year from the date on which shares of the Company are listed and traded on the stock exchange.

Directors, Supervisors and senior management of the Company shall report to the Company their holdings of shares of the Company and the changes thereof. During their term of office, the shares transferred by any of them each year shall not exceed 25% of the total shares of the Company held by them. The above personnel shall not transfer the shares of the Company held by them within 6 months after the expiry of their term of office. If the above personnel leave their posts before the expiration of their terms, they shall continue to comply with the aforementioned restrictive provisions during the term confirmed when they took office and within six months after the expiration of their terms. The shares of the Company held by the aforesaid persons shall not be transferred within one year from the date on which the shares of the Company are listed and traded. If the securities regulatory authority where the company's shares are listed have other provisions on matters related to the restrictions on the transfer, such provisions shall prevail.

Where Directors, Supervisors, senior management and Shareholders holding 5% or above shares of the Company sell the shares of the Company or other securities with an equity nature within 6 months after purchasing the same, or purchase the shares of the Company or other securities with an equity nature as held within 6 months after selling the same, the earnings arising therefrom shall belong to the Company, and the Board of the Company shall recover such earnings. However, the restriction shall not be applicable to a securities company holding 5% or above of the shares of the Company as a result of its purchase of the remaining unsold shares underwritten by it and other circumstances stipulated by the CSRC.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders

The Company shall establish a register of members with the evidence provided by the securities registration authority. The register of members shall be sufficient evidence of the holding of the shares of the Company by the Shareholders. Shareholders shall enjoy the rights and assume the obligations according to the class of the shares they hold. Shareholders holding the same class of shares shall enjoy the same rights and assume the same obligations.

Shareholders of the Company shall enjoy the following rights:

(i) to speak and vote at the shareholders' meeting, unless it is required by the Listing Rules to waive voting rights on individual matters;

(ii) to receive dividends and other distributions in proportion to the shares they hold;

(iii) to request, convene, hold, attend or appoint a proxy to attend general meetings and exercise the corresponding voting rights in accordance with laws;

(iv) to supervise, present suggestions on or make inquiries about the operations of the Company;

(v) to transfer, gift or pledge the shares it holds in accordance with laws, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association;

(vi) to inspect the Articles of Association, register of members, record of bondholders, minutes of general meetings, resolutions of Board meetings, resolutions of meetings of the Supervisory Committee and the publicised financial reports;

(vii) in the event of termination or liquidation of the Company, to participate in the distribution of the remaining property of the Company in proportion with the number of shares held by them;

(viii) to require the Company to purchase their shares in the event of objection to the resolutions of the general meeting on merger or division of the Company;

(ix) to enjoy other rights stipulated by laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

If the procedure for convening a shareholders' meeting or a Board meeting, or the voting method used in such a meeting, violates any law, administrative regulations or the Articles of Association, or if any resolution adopted includes content that violates the Articles of Association, shareholders may, within 60 days from the date of adopting the resolution, request the people's court to annul it, except in cases where there are only minor defects in the procedure for convening the meeting or the voting method used in the meeting, which had no material impact on the resolution.

Shareholders that were not notified to attend a shareholders' meeting may request the people's court to annul a resolution adopted at the meeting within 60 days from the date when they became aware or should have been aware of the adoption of the resolution; if the right to annul is not exercised within one year from the date of adopting the resolution, the right to annul shall be extinguished.

Shareholders of the Company shall assume the following obligations:

(i) to abide by the laws, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association;

(ii) to pay capital contribution as per the shares subscribed for and the method of subscription;

(iii) not to return shares unless prescribed otherwise in laws, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association;

(iv) not to abuse shareholders' rights to impair the interests of the Company or other shareholders; not to abuse the independent status of legal person or shareholders' limited liabilities to impair the interests of the creditors of the Company;

(v) to assume other obligations prescribed by the laws, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

Shareholders of the Company who abuse their shareholders' rights and thereby cause loss on the Company or other Shareholders shall be liable for loss compensation according to the laws. Where Shareholders of the Company abuse the Company's position as an independent legal person and the limited liabilities of shareholders for the purposes of evading repayment of debts, thereby materially impairing the interests of the creditors of the Company, such Shareholders shall be jointly and severally liable for the debts owed by the Company.

General Provisions for Shareholders' Meeting

The shareholders' meeting is the organ of authority of the Company and shall exercise the following duties and powers in accordance with laws:

(i) to elect and replace Directors or Supervisors and to determine matters relating to the remuneration of the Directors or Supervisors;

(ii) to consider and approve the reports of the Board;

(iii) to consider and approve the reports of the Supervisory Committee;

(iv) to consider and approve the profit distribution plan and loss recovery plans of the Company;

(v) to resolve on the increase or reduction of the registered capital of the Company;

(vi) to resolve on the issue of corporate bonds;

(vii) to resolve on the merger, division, dissolution, liquidation or change in corporate form of the Company;

(viii) to amend the Articles of Association;

(ix) to resolve on the appointment and dismissal of accounting firms by the Company;

(x) to consider and approve the transaction specified in Article 39 of the Articles of Association;

(xi) to consider and approve the guarantee matters specified in Article 40 of the Articles of Association;

(xii) to consider matters relating to the purchase and sale by the Company within 12 months of material assets valued at more than 30% of the audited total assets of the Company as at the most recent period;

(xiii) to consider transactions between the Company and its related parties that are required to be submitted to the shareholders' meeting for approval according to the Listing Rules;

(xiv) to consider and approve matters relating to changes in the use of proceeds;

(xv) to consider share incentive scheme;

(xvi) to consider other matters to be resolved by the shareholders' meeting as required by laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

Transactions that occur in the Company (excluding financial assistance, providing guarantees or cash assets donated to the Company, obtaining debt relief, and other transactions that do not involve payment of consideration and do not carry any obligations), and meet the following standards according to the definition and relevant calculation methods stipulated in the Listing Rules, shall not only be approved by the Board, but also submitted to the shareholders' meeting for review:

1. Main transactions;

2. Significant sales events;

3. Very significant acquisition matters;

4. Anti takeover actions.

The calculation method for the transaction amount involved in this provision shall be based on the relevant provisions of Chapter 14 of the Listing Rules.

The financial assistance provided by the Company (including interest or interest free loans, entrusted loans, etc.) should be submitted to the shareholders' meeting for approval under the Listing Rules. In addition to being approved by the Board, it should also be submitted to the shareholders' meeting for approval. If the funding target is a controlling subsidiary within the scope of the Company's consolidated financial statements, and the other Shareholders of the controlling subsidiary do not include the Company's controlling shareholder, actual controller, and related parties, the provisions of the preceding paragraph may be exempted.

Without the approval of the Board or the shareholders' meeting, the Company shall not provide external guarantees. The following provision of external guarantees by the Company is subject to the consideration and approval of the general meeting:

(i) the total amount of the external guarantees provided by the Company and its holding subsidiaries exceeding 50% of the latest audited net assets;

(ii) the amount of the guarantees provided by the Company within twelve consecutive months exceeding 30% of the latest audited total assets;

(iii) any guarantee provided by the Company after the total amount of external guarantees for twelve consecutive months reaches or exceeds 50% of the latest audited net assets and the total amount exceeds RMB50 million;

(iv) any guarantee to be provided to a recipient of such security whose asset to liability ratio is over 70%;

(v) any single guarantee with an amount exceeding 10% of the latest audited net assets;

(vi) the total amount of the external guarantees provided by the Company exceeding 30% of the latest audited total assets;

(vii) any guarantee provided to shareholders, controllers, and their related parties;

(viii) any guarantee required by applicable laws, regulations, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed, and internal policies to be submitted to the shareholders' meeting for approval.

External guarantees other than those mentioned above shall be reviewed and approved by the Board. When a guarantee is considered at the Board, it shall obtain the consent of more than two-thirds of the Directors present at the Board meeting and the consent of more than two-thirds of all independent directors. When the shareholders' meeting deliberates on the guarantee matters in item (ii) of the preceding paragraph, it must be approved by more than two-thirds of the voting rights held by the attending Shareholders.

The shareholders' meetings are classified into annual shareholders' meetings and interim shareholders' meetings. The annual shareholders' meetings shall be convened once a year within six months from the end of the previous fiscal year.

The Company shall convene an interim shareholders' meeting within two months from the date of occurrence of any of the following circumstances:

(i) where the number of directors is less than two thirds of the number as provided for by laws or the Articles of Association;

(ii) when the uncovered loss of the Company reaches one-third of its total share capital;

(iii) upon written request(s) by Shareholder(s) individually or collectively holding 10% or above of the shares of the Company;

(iv) when the Board deems it necessary;

(v) when the Supervisory Committee proposes such a meeting be held;

(vi) when the independent directors is less than the statutory minimum requirement;

(vii) other circumstances required by the laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association.

Summoning of Shareholders' Meetings

A shareholders' meeting shall be convened by the Board. The publication of shareholders' meeting notices (including supplementary notices) shall comply with relevant laws, regulations and securities regulatory rules of the place where the shares of the Company are listed.

The Supervisory Committee shall have the right to propose to the Board in writing to convene an interim shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations and the Articles of Association, give a written response on whether or not it agrees to convene such an interim general meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an interim general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the Supervisory Committee. If the Board does not agree to convene an interim general meeting or fails to give a response within 10 days after the receipt of the proposal, the Supervisory Committee may convene and preside over such meeting on its own.

Shareholders that hold, individually or collectively, 10% or more of the shares in the Company shall have the right to request in writing the Board to convene an interim shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations, the Listing Rules and the Articles of Association, give a written response on whether or not it agrees to convene such an interim shareholders' meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an interim general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the relevant Shareholders. If the Board does not agree to convene an interim general meeting or fails to give a response within 10 days after the receipt of the proposal, the Shareholders that hold, individually or collectively, 10% or more of the shares of the Company may propose to the Supervisory Committee to convene an interim shareholders' meeting. If the Supervisory Committee agrees to convene an interim shareholders' meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. Any changes to be made to the original request in the notice shall be subject to approval of the relevant Shareholders. If the Supervisory Committee fails to give the notice convening such meeting within the period specified herein above, it shall be deemed to have failed to convene and preside over such meeting. The Shareholders that hold, individually or collectively, 10% or more of the shares in the Company for 90 days or more consecutively may convene and preside over such meeting on their own. Before the announcement of the shareholders' meeting resolution, the total shareholding ratio of the Shareholders convening the shareholders' meeting shall not be less than 10%.

The independent directors shall have the right to propose to the Board to convene an interim shareholders' meeting. The Board shall, in accordance with relevant laws, administrative regulations, the Listing Rules and the Articles of Association, give a written response on whether or not it agrees to convene such an interim general meeting within 10 days after the receipt of the proposal. If the Board agrees to convene an interim general meeting, it shall give a notice convening such meeting within 5 days after it has so resolved. If the Board does not agree to convene the interim shareholders' meeting, it shall give the reasons and notify all Shareholders in an appropriate manner.

Where the Supervisory Committee or the Shareholder(s) convene a shareholders' meeting on its or their own, the board and the secretary to the Board shall provide assistance. The Board will provide the register of members as of the date of the share registration.

Any necessary expenses incurred in connection with the convening and holding of the shareholders' meeting by the Supervisory Committee or the shareholder(s) on its or their own shall be borne by the Company.

Proposal and Notice of Shareholders' Meetings

The content of proposals shall fall within the functions and powers of the shareholders' meeting, have clear subject for discussion and specific matters to be resolved and comply with relevant requirements of the laws, administrative regulations, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board, the Supervisory Committee or Shareholders that hold, individually or collectively, 1% or more of the shares of the Company shall have the right to propose resolutions. Shareholders that hold, individually or collectively, 1% or more of the Shares of the Company may submit ad hoc proposals in writing to the convener 10 days before the convening of the shareholders' meeting. The convener shall give a supplemental notice of the shareholders' meeting within 2 days upon receipt of the proposals and announce the contents of the ad hoc proposals.

The convener shall notify all Shareholders by announcement 21 days before the annual shareholders' meeting (excluding the day of the notice and the meeting), and the convener shall notify all Shareholders by announcement 15 days or 10 working days (whichever is longer) before the interim shareholders' meeting (excluding the day of the notice and the meeting).

A notice of a shareholders' meeting shall include the following:

(i) the time, venue and duration of the meeting;

(ii) matters and proposals submitted to the meeting for consideration;

(iii) method of convening the meeting;

(iv) if any director, supervisor, general manager, or other senior management personnel have a significant interest in the matter to be discussed, the nature and extent of their interest shall be disclosed; if the impact of the discussed matter on the director, supervisor, general manager, and other senior management as shareholders differs from its impact on other shareholders of the same category, the difference should be explained;

(v) materials necessary for shareholder voting;

(vi) a prominent written statement that all shareholders are entitled to attend shareholders' meeting and are entitled to appoint in writing a proxy to attend and vote at the meeting and that such proxy need not be a shareholder of the Company;

(vii) specify the delivery time and location of the proxy letter for voting at the meeting;

(viii) the name and telephone number of the regular contact person for the meeting;

(ix) voting time and voting procedures online or by other means;

(x) the record date of registration of shareholders entitled to attend the shareholders' meeting;

(xi) other contents stipulated by laws, regulations, normative documents, the Listing Rules and other securities regulatory rules of the place where the shares of the Company are listed.

Convening of Shareholders' Meetings

All shareholders registered on the share right registration date or their proxies shall be entitled to attend the shareholders' meetings and exercise voting rights in accordance with relevant laws, regulations, the Listing Rules and the Articles of Association. Shareholder may attend the general meeting in person, or appoint a proxy to attend or vote on behalf of such Shareholder.

Individual Shareholders attending the meeting in person shall present his or her identity card or other valid licence or certificate or stock account card that can prove his or her identity. Proxies appointed to attend the meeting shall present valid proof of their identities and the power of attorney from the appointing shareholder.

Shareholder that is a legal person shall attend the meeting by its legal representative or by proxies appointed by it. If a legal representative attends the meeting, he/she shall present a copy of the corporate shareholder's business licence (with official seal), his/her identity card, a valid certificate proving his/her qualifications as a legal representative, and a securities account card. Where the meeting is attended by proxy, he/she shall present his/her identity card and written power of attorney issued by the legal representative of the corporate shareholder unit in accordance with the law (except where the shareholder is a Recognised Clearing House (or its nominees) as defined in the relevant regulations in force from time to time under Hong Kong law or the securities regulatory rules of the place where the company's shares are listed).

Where such Shareholder is a Recognised Clearing House (or its nominees), it may authorise one or more persons or company representatives as it thinks fit to act as its representative(s) at shareholders' meeting and creditor meeting. However, if more than one person are so authorised, the power of attorney shall specify the number and class of shares in respect of which each such person is so authorised, and be signed by the person authorised by the Recognised Clearing House. The person(s) so authorised will be entitled to exercise rights on behalf of the Recognised Clearing House (or its nominees) (without being required to present share certificate, notarised authorisation and/or further evidence of formal authorisation) and must enjoy the same statutory rights as other shareholders, including the right to speak and vote, as if such person was an individual shareholder of the Company.

The power of attorney issued by a Shareholder to appoint a proxy to attend any shareholders' meeting shall contain the following:

(i) name of the proxy and the number of shares represented by the proxy;

(ii) whether there are voting rights;

(iii) instructions for voting for, against or abstaining from voting on each matter to be considered on the agenda of shareholders' meeting;

(iv) the date of issuance and term of validity of the power of attorney;

(v) the signature (or seal) of the shareholder. In the case of a corporate shareholder, the seal of the legal person shall be affixed. In the case of a partnership enterprise shareholder, the seal of the partnership enterprise shall be affixed and the executing partner shall stamp or sign.

If the Shareholder does not give specific instructions on authorising a proxy to attend the shareholders' meeting, the power of attorney shall state whether the proxy may vote as he/she thinks fit.

If the power of attorney is sign by other personnel authorised by consignor, the power of attorney for authorised signature or other authorization documents should be certified by a notary. The power of attorney or other authorisation documents upon notarized shall, together with the power of attorney for voting, be placed at the domicile of the Company or such other location as specified in the notice of the meeting. If the consignor is a legal person, its legal representative or any person authorised by resolutions of the Board or other decision-making institutions shall attend the shareholders' meeting on behalf of the consignor.

All Directors, Supervisors and secretary to the Board shall attend shareholders' meetings of the Company, and the general manager and other senior management shall attend the meeting as non-voting participants. Subject to compliance with the securities regulatory rules of the place where the shares of the Company are listed, the aforementioned persons may attend the meeting through the internet, video, telephone or other means with equivalent effect.

A shareholders' meeting shall be presided over by chairman of the Board. Where the chairman of the Board is unable or fails to perform his/her duties, the meeting shall be presided over by a Director jointly elected by more than half of the Directors. A shareholders' meeting convened by the Supervisory Committee shall be presided over by the chairman of the Supervisory Committee. Where the chairman of the Supervisory Committee is unable or fails to perform his/her duties, the meeting shall be presided over by a supervisor jointly elected by more than half of the supervisors. A shareholders' meeting convened by Shareholders shall be presided over by a representative elected by convener(s). Where the host of the meeting violates the rules of procedure and makes it impossible to continue the meeting, with the consent of more than half of the shareholders present at the meeting with voting rights, the shareholders' meeting may elect a person to serve as the host of the meeting and continue the meeting.

Voting of Shareholders' Meetings

Resolutions of a shareholders' meeting are divided into ordinary resolutions and special resolutions. Ordinary resolutions of a shareholders' meeting shall be passed by votes representing more than half of the voting rights held by Shareholders (including proxies thereof) attending the shareholders' meeting. Special resolutions of a shareholders' meeting shall be passed by votes representing more than two-thirds of voting rights held by Shareholders (including proxies thereof) attending the shareholders' meeting.

The following matters shall be passed by ordinary resolutions at a shareholders' meeting:

(i) work reports of the Board and the Supervisory Committee;

(ii) profit distribution plans and plans for recovery of losses formulated by the Board;

(iii) appointment and dismissal of members of the Board and the Supervisory Committee, their remunerations and methods of payment;

(iv) the annual budgets and final accounts of the Company;

(v) annual reports of the Company;

(vi) engagement, dismissal or non renewal of accounting firms and their remuneration;

(vii) related transactions between the Company and its related parties that are required to be submitted to shareholders' meeting for approval according to the Listing Rules;

(viii) changes in the use of proceeds;

(ix) matters other than those required by the laws, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association to be passed by special resolution.

The following matters shall be passed by special resolutions at a general meeting:

(i) increase or reduction of registered capital of the Company;

(ii) issuance of bonds by the Company;

(iii) division, spin-off, merger, dissolution and liquidation of the Company;

(iv) the amendment of the Articles of Association;

(v) the purchase and sale of material assets or amount of guarantee provided by the Company within one year valued at more than 30% of the audited total assets of the Company as at the most recent period;

(vi) share incentive scheme and employee shareholding scheme;

(vii) other matters as required by the laws, administrative regulations, administrative regulations, departmental rules, normative documents, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed or the Articles of Association, and considered by the general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the Company, shall be passed by a special resolution.

Shareholders (including proxies thereof) have the right to exercise their voting rights based on the number of voting shares they represent. Each share is entitled to one vote.

The shares of the Company held by the Company do not carry voting rights, and shall not be counted in the total number of voting shares represented by shareholders attending a shareholders' meeting.

Shareholders who purchase the voting shares of the Company in violation of the provisions of Clause 1 and Clause 2 of Article 63 of the Securities Law shall not exercise the voting right of the shares that exceed the prescribed ratio within 36 months after the purchase, and such number shall not be counted in the total number of voting shares represented by shareholders attending a general meeting. Where any shareholder is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for (or only against) any particular resolution, any votes cast by the shareholder (or his/her proxy) in contravention of such requirement or restriction shall not be counted.

When a connected transaction is considered at a shareholders' meeting, the related Shareholders shall refrain from voting and the number of voting shares that they represent shall not be counted the total number of valid voting shares. Announcement of resolutions of the shareholders' meeting shall fully disclose the voting of non-related Shareholders.

BOARD OF DIRECTORS

Directors

Directors of the Company shall be natural persons. A person may not serve as a Director of the Company in case of any of the following circumstances:

(i) the person is without civil conduct capacity or with limited civil conduct capacity;

(ii) the person who has committed an offence of corruption, bribery, conversion of property, misappropriation of property or sabotaging the market economic order of socialism and has been punished therefor; or who has been deprived of his/her political rights, in each case where less than five years have elapsed since the date of the completion of implementation of such punishment or deprivation, two years have not elapsed since the probation period was completed;

(iii) the person who is a former director, factory director or manager of a company or enterprise which is insolvent and under liquidation and he/she is personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of such insolvency and liquidation of the company or enterprise;

(iv) the person who is a former legal representative of a company or enterprise which has had its business licence revoked or been ordered to shut down due to any violation of the law, and where the person was personally responsible for the situation, and three years have not elapsed since the date of revocation of business licence or shutdown order;

(v) the person identified as a subject of enforcement for breach of trust by the people's court for failure to repay a significant amount of overdue debts;

(vi) the person has been banned by the CSRC from access to the securities market, and the term of prohibition has not expired;

(vii) other contents stipulated by laws, administrative regulations, departmental rules, the Listing Rules and other securities regulatory rules of the place where the shares of the Company are listed.

There are no provisions in the Articles of Association requiring Directors to hold any qualification shares.

Directors shall be elected or replaced at the shareholders' meeting. A Director shall serve a term of three years and may serve consecutive terms if re-elected upon the expiration of their terms. Subject to compliance with relevant laws and administrative regulations, the shareholders' meeting may depose any director whose term has not expired by ordinary resolution.

The term of office of a director shall commence from the date of taking the position until the expiry of the term of office of the current session of the Board. Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Director, such director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association until the newly elected director assumes the office.

Senior management officers may serve concurrently as Directors, provided that the total number of such Directors who concurrently serve as senior management officers and the employee representatives shall not exceed a half of the total number of the Directors of the Company.

Directors may resign prior to the expiration of their terms of office. The Directors who resign shall submit to the Board a written report in relation to their resignation. Relevant information shall be disclosed by the Board within 2 days. In the event that the resignation of any Director results in the number of members of the Board falling below the statutory minimum requirement, or the resignation of an independent director results in the number of independent directors being less than 1/3 of the Board members, or there is no accounting professional among the independent directors, the resigned Directors shall continue to perform his/her duties in accordance with laws, administrative regulations, departmental rules and the Articles of Association until the newly elected Director assumes the office.

Board of Directors

The Company has established a Board which shall be accountable to the shareholders' meetings. The Board shall comprise nine Directors, with one chairman.

The Board shall exercise the following duties and powers:

(i) to convene shareholders' meetings and report its work to the shareholders' meetings;

(ii) to implement the resolutions of the shareholders' meetings;

(iii) to formulate business operation plans and investment plans of the Company;

(iv) to formulate the profit distribution plans and plans for recovery of losses of the Company;

(v) to formulate plans of the Company regarding increase or reduction of the registered capital, issuance of bonds or other securities and listing;

(vi) to draft plans for major acquisitions of the Company, the purchase of Shares of the Company, merger, division, dissolution or change in the form of the Company;

(vii) to determine on matters such as the company's external investment, entrusted wealth management, acquisition and sale of assets, asset mortgage, external guarantee matters, and related party transactions within the scope of authority stipulated by laws, regulations, and Articles of Association, or authorised by the shareholders' meeting,;

(viii) to determine the internal management structure of the Company;

(ix) to determine the appointment or dismissal of the manager of the Company or secretary to the Board and decide on their remuneration, rewards and penalties; and based on the nomination of the manager, to determine the appointment or dismissal of the senior management including vice manager(s) and chief financial officer of the Company and determine their remuneration, rewards and penalties;

(x) to formulate the basic management system of the Company;

(xi) to formulate proposals for any amendment of the Articles of Association;

(xii) to manage the information disclosure of the Company;

(xiii) to propose to the shareholders' meeting for appointment or replacement of the accounting firms which provide audit services to the Company;

(xiv) to listen to work reports of the manager of the Company and review his/her work;

(xv) other duties as stipulated in laws, administrative regulations, departmental rules, securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Board shall have one chairman. The chairman of the Board shall be elected by more than half of all the directors. The chairman of the Board shall exercise the following duties and powers:

(i) to convene and preside over Board meetings, and to preside over shareholders' meetings;

(ii) to supervise and examine the implementation of resolutions of the Board;

(iii) to sign company shares, bonds and other securities;

(iv) to sign important documents of the Board;

(v) to exercise the powers of the legal representative, and to sign documents that should be signed by the legal representative of the Company;

(vi) to approve mortgage financing, loan guarantee and fixed assets investment within the authorisation by the Board;

(vii) in the event of an emergency such as a natural disaster or other force majeure, to exercise special disposal rights over the company's affairs in accordance with the law and the interests of the company, and report to the company's Board and shareholders' meeting afterwards;

(viii) other duties and powers granted by laws, administrative regulations, departmental regulations, the Articles of Association or resolutions of the Board.

Where the chairman of the Board is unable or fails to perform his/her duties, the duties shall be performed by a Director jointly elected by more than half of the Directors.

The Board shall hold at least four meetings per year, approximately once a quarter, which shall be convened by the chairman and all Directors and Supervisors shall be notified in writing 14 days before the meeting.

The Board shall convene at least four meetings per year, approximately once a quarter, and all Directors and Supervisors shall be notified in writing of each meeting 14 days prior to the meeting. Shareholders representing more than one-tenth of the voting rights, more than one-third of the directors or the Supervisory Committee, more than half of the independent directors may propose to convene an interim Board meeting. The chairman of the Board shall convene and preside over the interim meeting within 10 days from the receipt of the proposal. The Board shall notify all Directors and Supervisors in writing 3 days before convening the interim meeting of the Board.

The quorum of a Board meeting shall consist of more than one half of all Directors. A resolution of the Board shall be passed by more than half of all Directors. When voting on the resolutions of the Board, each Director shall have one vote.

Where a Director has any related relationship with the enterprise involved in the matter to be decided at the meeting, he/she shall not exercise his/her voting rights on the resolution, nor shall he/she exercise his/her voting rights on behalf of other Directors. Such a Board meeting may be held only if more than one half of the Directors without a related relationship are present, and the resolutions made at such a Board meeting shall require adoption by more than one half of the Directors without a related relationship. If the number of non-related Directors in presence is less than 3 persons, the matter shall be submitted to the shareholders' meeting for consideration.

Directors shall attend Board meetings in person. If any Director is unable to attend the meeting for any reason, he/she may by a written power of attorney appoint another Director to attend the meeting on his/her behalf. The power of attorney shall include the name of the proxy, the subject, scope of authorisation and validity period, which shall be signed or officially sealed by the appointing Director. Where a Director does not attend a Board meeting and does not appointed a proxy to attend the meeting on his behalf, he/she shall be deemed to have waived his/her voting right at the meeting. Independent directors cannot authorise non-independent directors to attend and vote on their behalf.

MANAGERS AND OTHER SENIOR MANAGEMENT

The Company shall have one general manager, who shall be appointed or dismissed by the Board. The Company may have deputy general managers as necessary. Deputy general managers shall be nominated by the general manager and appointed or dismissed by the Board. The Company's general manager, deputy managers, chief financial officer, secretary to the Board and other senior management designated by the Board are the senior management of the Company.

The circumstances of disqualification for Directors prescribed in Article 89 of the Articles of Association shall also be applicable to senior management.

The general manager shall serve for a term of 3 years and may serve consecutive terms if re-appointed.

The general manager shall report to the Board and exercise the following duties and powers:

(i) to take charge of the production, operation and management of the Company, organise the implementation of the Board, and report to the Board;

(ii) to organise the implementation annual business plans and investment plans of the Company;

(iii) to draft the plans for establishment of the internal management organisation of the Company;

(iv) to draft the basic management system of the Company;

(v) to formulate the rules and regulations of the Company;

(vi) to propose to the Board the appointment or dismissal of the deputy general manager and chief financial officer of the Company;

(vii) to determine the appointment or dismissal of management personnel other than those whose appointment or dismissal shall be determined by the Board;

(viii) other duties and powers as may be conferred by the Articles of Association or by the Board.

The Company shall have a secretary to the Board, who is responsible for preparing for shareholders' meeting and Board meetings, maintaining documents and managing Shareholders' information, as well as handling information disclosure matters.

SUPERVISORY COMMITTEE

Supervisors

The circumstances of disqualification for Directors prescribed in Article 89 of the Articles of Association shall be applicable to Supervisors. Directors, the general manager, other senior management and their spouses and immediate family members shall not concurrently serve as Supervisors.

Supervisors shall comply with laws, administrative regulations and the Articles of Association and shall assume the duties of honesty and due diligence towards the Company. Supervisors shall not receive brides or other illegal income in abuse of the position or authority, or embezzle the company assets.

A Supervisor shall serve for a term of 3 years and may serve consecutive terms if re-appointed upon expiry of a term.

Where a re-election fails to be carried out in a timely manner upon the expiry of the term of office of a Supervisor, or in the event that the resignation of the Supervisor during his/her term of office results in the number of members of the Supervisory Committee falling below the statutory minimum requirement, such Supervisor shall continue to perform his/her duties as a Supervisor in accordance with the laws, administrative regulations and the Articles of Association until the newly elected Supervisor assumes the office.

Supervisory Committee

The Company shall have a Supervisory Committee. The Supervisory Committee comprises three Supervisors. It shall have one chairman, who shall be elected by more than half of all the Supervisors. The chairman of the Supervisory Committee shall convene and preside over Supervisory Committee meetings. Where the chairman of the Supervisory Committee is unable or fails to perform his/her duties, the Supervisory Committee meetings shall be convened or presided over by a Supervisor jointly elected by more than half of the Supervisors.

The Supervisory Committee shall include 2 representatives of Shareholders and 1 employee representatives of the Company. The employee representatives of the Board of Supervisors shall be elected at the employee representatives' meeting, employee meeting or otherwise democratically.

The Supervisory Committee shall exercise the following duties and powers:

(i) to review the periodic reports of the Company prepared by the Board and express its written opinion;

(ii) to check the financial condition of the Company;

(iii) to monitor the performance of duties in the Company by Directors and senior management and propose dismissal of Directors and senior management who have violated laws, administrative regulations, departmental regulations, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed, the Articles of Association or the resolutions of shareholders' meetings;

(iv) to require Directors and the senior management to make corrections if their conduct has damaged the interests of the Company;

(v) to propose the convening of interim shareholders' meetings and, in the event that the Board fails to perform the obligations to convene and preside over the shareholders' meetings in accordance with PRC Company Law, to convene and preside over the shareholders' meetings;

(vi) supervise the implementation of the special committee of the Board and inspect whether the members of the special committee of the Board fulfil their duties in accordance with the rules of procedure;

(vii) to propose proposals to the general meetings;

(viii) to file lawsuit against Directors and senior management in accordance with the PRC Company Law;

(ix) in case of any irregularity identified in the operations of the Company, investigations may be conducted, and if necessary, professional institutions such as accounting firms and law firms may be engaged to assist in their work at the expense of the Company;

(x) Other authorities prescribed in laws, administrative regulations, departmental rules, the Listing Rules, other securities regulatory rules of the place where the shares of the Company are listed and the Articles of Association.

The Supervisory Committee shall convene at least one meeting every six months. Supervisors may propose to convene an interim meeting. Resolutions of the Supervisory Committee shall be passed by more than half of the Supervisors.

FINANCIAL ACCOUNTING SYSTEM, DISTRIBUTION OF PROFITS AND AUDIT

Financial Accounting System

The Company shall formulate its financial and accounting systems in accordance with laws, administrative regulations and requirements of relevant PRC authorities. The Company shall prepare a financial accounting report at the end of each fiscal year and have it audited by an accounting firm in accordance with relevant laws.

The Company shall report and disclose its annual reports and interim reports in accordance with securities regulatory rules of the place where the shares of the Company are listed.

The Company shall not keep accounts other than those provided by law. Any assets of the Company shall not be kept under any account opened in the name of any individual.

Profit distribution

When distributing after-tax profits of the year, the Company shall set aside 10% of its after-tax profits for the Company's statutory reserve fund. When the aggregate balance in the statutory reserve fund has reached 50% or more of the Company's registered capital, the Company needs not make any further allocations to that fund. Where the Company's statutory reserve fund is not enough to make up losses of the Company for the preceding year, the current year's profits shall be applied firstly to make up the losses before being allocated to the statutory reserve in accordance with the preceding provision. Subject to a resolution passed at a shareholders' meeting, after allocation has been made to the Company's statutory reserve fund from its after-tax profits, the Company may set aside funds for the discretionary reserve fund. Except for those not distributed in proportion as prescribed in the Articles of Association, the remaining after-tax profit, after recovery of losses and appropriation of statutory reserve funds, shall be distributed to Shareholders in proportion to their shareholdings. Where the shareholders' meeting distributes its profits before recovery of losses and appropriation of statutory reserve funds to the shareholders in breach of the provisions of the preceding provision, Shareholders must refund to the Company the profits distributed in violation of the provisions. No profit shall be distributed in respect of the shares of the Company which are held by the Company.

The reserve fund of the Company shall be used for making up for the loss, expansion of the operation or increase of capital of the Company. When using the reserve fund to cover its losses, any discretionary reserve fund and statutory reserve fund shall first be used to cover such losses; if there is still a shortfall, the capital reserve may be used in accordance with laws. When the statutory reserve fund is capitalised, the retained portion of the fund shall not be less than 25% of the registered capital of the Company before the capitalisation.

The Company may distribute profits in the form of cash, shares or in any other manner permitted by laws and regulations.

Internal audit

The Company implements an internal audit system, equips with dedicated audit personnel to conduct internal audits for supervision of financial income and expenditure and economic activities of the Company.

The internal audit system of the Company and the duties of audit personnel shall be implemented upon approval by the Board. The head of audit shall be accountable and report to the Board.

Appointment of an Accounting Firm

The Company shall appoint such accounting firm which has complied with the Securities Law, the Listing Rules and other securities regulatory rules of the place where the shares of the Company are listed for carrying out the audit for the accounting statements, net asset verification, and other relevant consultancy services. The term of appointment shall be 1 year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of shareholders' meetings. The Board shall not appoint accounting firm before the approval of the shareholders' meeting.

The Company guarantees that it shall provide the appointed accounting firm with true and complete accounting proofs, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The auditing fee of the accounting firm shall be determined by the shareholders' meeting.

In the event of termination of the appointment or non-renewal of appointment of an accounting firm, the Company shall notify the accounting firm 60 days in advance; when the shareholders' meeting votes on termination of appointment of an accounting firm, the accounting firm shall be allowed to make its representation.

An accounting firm proposing to resign shall state at a shareholders' meeting whether the Company has committed any improper act.

MERGER, DIVISION, CAPITAL INCREASE, CAPITAL REDUCTION, DISSOLUTION AND LIQUIDATION

Merger, Division, Capital Increase and Capital Reduction

Merger of the Company may take the form of absorption or establishment of a new company.

In case of merger by absorption, a company absorbs any other company and the absorbed company is dissolved. In case of merger by new establishment, two or more companies merge into a new one and the parties to the merger are dissolved.

If the Company is involved in a merger, the parties to the merger shall enter into a merger agreement, and shall prepare a balance sheet and a property list. The Company shall notify its creditors within 10 days as of the date of the resolution for the merger and shall make a public announcement through a newspaper of the Company's registered address or the National Enterprise Credit Information Publicity System within 30 days. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts.

When the Company is merged, the claims and debts of each party to the merger shall be succeeded to by the company surviving the merger or the new company established subsequent to the merger.

Where there is a division of the Company, its assets shall be divided accordingly.

Where there is a division of the Company, a balance sheet and property list shall be prepared. The Company shall notify its creditors within 10 days as of the date of the resolution for the division and shall make a public announcement through a newspaper of the Company's registered address or the National Enterprise Credit Information Publicity System within 30 days.

Unless a written agreement has been entered into, before the division, by the Company and its creditors in relation to the repayment of debts, debts of the Company prior to the division shall be jointly assumed by the surviving companies after the division.

Where the Company needs to reduce its registered capital, it shall prepare a balance sheet and property list.

The Company shall notify its creditors within 10 days as of the date of the resolution for the reduction of its registered capital and shall make a public announcement through a newspaper of the Company's registered address or the National Enterprise Credit Information Publicity System within 30 days. A creditor may within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice within 45 days of the date of the announcement, to demand the Company to repay its debts or provide guarantees for such debts.

The registered capital of the Company after the reduction shall not be less than the statutory minimum amount.

Where there is a merger or division of the Company, the Company shall, in accordance with the laws, apply for change in its registration with the company registration authority for any changes of its registered information caused thereby. Where the Company is dissolved, the Company shall apply for cancellation of its registration in accordance with the laws. Where a new company is established, the Company shall apply for registration of incorporation in accordance with the laws.

Where there is an increase or reduction in the registered capital, the Company shall, in accordance with the laws, apply for change in registration with the company registration authority.

Dissolution and Liquidation

The Company shall be dissolved upon the occurrence of any of the following events:

(i) the business term stipulated in the Articles of Association expires or other cause of dissolution provided in the Articles of Association;

(ii) a resolution on dissolution is passed by shareholders' meeting;

(iii) dissolution is required due to the merger or division of the Company;

(iv) the business licence of the Company is revoked or the Company is ordered to close down or dissolved in accordance with the laws;

(v) the Company suffers significant hardships in operation and management that cannot be resolved through other means, and its continuation may cause substantial loss in Shareholders' interests, Shareholders representing 10% or above of the total voting rights of the Company may plead the people's court to dissolve the Company.

With regard to the occurrence of the situation described in item (i) and (ii) above, if assets have not yet been distributed to shareholders, the Company may continue to exist by amending the Articles of Association. Amendments to the Articles of Association pursuant to the preceding paragraph shall be subject to the approval of Shareholders representing two-thirds or above of the voting rights present at the shareholders' meetings.

Where the Company is dissolved pursuant to item (i), (ii), (iv) or (v) above, it shall establish a liquidation committee within 15 days as of the dissolution circumstance arises, and the liquidation shall be thereby started. The liquidation committee shall comprise Directors or those determined by the general meeting. If the liquidation committee is not duly set up, the creditors may plead the people's court to designate related persons to form a liquidation committee to carry out the liquidation.

As of the date of its establishment, the liquidation committee shall notify the creditors within 10 days and shall make a public announcement through a newspaper of the Company's registered address or the National Enterprise Credit Information Publicity System within 60 days. Creditors shall, within 30 days as of the receipt of the notice or, in case where he/she fails to receive such notice, within 45 days as of the date of the announcement, declare their claims to the liquidation committee.

Creditors shall provide explanations and evidence for their claims upon their declarations of such claims. The liquidation committee shall record the creditors' claims.

The liquidation committee shall not pay off any debts to any creditors during period of credit declaration.

After checking the assets of the Company and preparing a balance sheet and property list, the liquidation committee shall formulate a liquidation plan for the confirmation by general meeting or the people's court. The remaining properties of the Company, after the payment for liquidation expenses, wages, social insurance premiums and statutory compensation of staffs, taxes and debts of the Company, shall be distributed to the shareholders in proportion to their shareholdings. During the liquidation period, the Company shall continue to exist but shall not carry out any business activities unrelated to liquidation. The assets of the Company shall not be distributed to the shareholders until the settlement of debts in accordance with the preceding article.

If the liquidation committee, after checking the assets of the Company and preparing a balance sheet and property list, finds that the assets of the Company are insufficient to pay off its debts, it shall immediately file an application to the people's court for bankruptcy. After the people's court accepts the bankruptcy application, the liquidation committee shall hand over liquidation affairs to the administrator designated by the people's court.

Upon completion of liquidation of the Company, the liquidation committee shall prepare a liquidation report and submit the report to the shareholders' meeting or the people's court for confirmation, and submit the report to the company registration authority to apply for de-registration of the Company and announce the termination of the Company.

Where the Company is declared bankruptcy in accordance with law, it shall implement bankruptcy liquidation in accordance with the relevant laws relating to bankruptcy of enterprise.

AMENDMENTS TO THE ARTICLE OF ASSOCIATION

The Company shall amend the Articles of Association in any of the following circumstances:

(i) after amendments are made to the PRC Company Law or other relevant laws, administrative regulations, departmental regulations, normative documents and the Listing Rules, any term contained in the Articles of Association become inconsistent with the said amendments;

(ii) if certain changes of the Company occur resulting in the inconsistency with certain terms specified in the Articles of Association;

(iii) the shareholders' meeting has resolved to amend the Articles of Association.

Where the amendments to the Articles of Association passed by resolutions of the shareholders' meetings require approval of the competent authorities, the amendments shall be submitted to the relevant authorities for approval. Where the amendments involve registration matters of the Company, the involved change shall be registered in accordance with the laws.

The Board shall amend the Articles of Association in accordance with the resolution of the shareholders' meetings on amendment to the Articles of Association and the examination and approval opinions from relevant authorities.

1. TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are resident or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current laws and practices, is subject to change and does not constitute legal or tax advice. The discussion does not deal with all possible tax consequences relating to an investment in the H Shares, nor does it take into account the specific circumstances of any particular investor, some of which may be subject to special regulation. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in the H Shares. The discussion is based upon laws and relevant interpretations in effect as of the date of this document, all of which are subject to change and may have retrospective effect.

This discussion does not address any aspects of the PRC or Hong Kong taxation other than income tax, capital tax, stamp duty and estate duty. Prospective **[REDACTED]** are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

A. The PRC Taxation

Taxation on Dividends

– *Individual Investor*

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was most recently amended on 31 August 2018 and the Implementation Provisions of the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on 18 December 2018 (hereinafter collectively referred to as the "**IIT Law**"), dividends distributed by PRC enterprises are subject to individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by relevant tax treaty.

Pursuant to the Circular on Certain Policy Questions Concerning Individual Income Tax (《關於個人所得稅若干政策問題的通知》), which was issued by the MOF and the SAT on 13 May 1994 and came into effect on the same date, the incomes gained by individual foreigners from dividends and bonuses of enterprise with foreign investment are exempt from individual income tax for the time being.

– *Enterprise Investors*

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) issued by NPC on 16 March 2007 and most recently amended on 29 December 2018 and the Implementation Regulations for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) issued by the State Council on 6 December 2007 and most recently amended on 23 April 2019, the rate of enterprise income tax shall be 25%. A non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise that issues shares in Hong Kong), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular of the SAT on Issues Relating to the Withholding and Remitting of Enterprise Income Tax by PRC Resident Enterprises on Dividends Distributed to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on 6 November 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In addition, the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》), which was issued by the SAT and came into effect on 24 July 2009, further provides that any PRC-resident enterprise whose shares are listed on overseas stock exchanges must withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to non-resident enterprises. Such tax rates may be further modified pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (hereinafter referred to as the "**Arrangement**"), which was signed on 21 August 2006, the Chinese Government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including resident individuals and resident entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by the PRC-resident enterprise. The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of

Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排第五議定書》), which came into effect on 6 December 2019, adds a criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under this Arrangement, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax law and regulation, such as the Notice of the SAT on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

– *Tax Treaties*

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the Chinese enterprise income tax imposed on the dividends received from PRC companies. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the Chinese tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the Chinese tax authorities.

Taxation on Share Transfer

– *VAT and Local Additional Tax*

According to the Interim Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993, and most recently amended on 19 November 2017, and the Detailed Rules for the Implementation of the Interim Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on 25 December 1993 and most recently amended on 28 October 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales of service, intangible assets and real estate and the importation of goods within the territory of the PRC shall pay value-added tax at the rate of 0%, 6%, 11% and 17% for the different goods it sells and different services it provides, except when specified otherwise.

According to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), which was promulgated by the MOF and the SAT on 23 March 2016 and latest amended on 1 April 2019, entities and individuals engaged in the services sale in the PRC are subject to VAT and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. It also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the third appendix of the Notice of the MOF and the SAT on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner, namely Provisions on the Transitional Policies for the Pilot Collection of Value-added Tax in Lieu of Business Tax (《營業稅改徵增值稅試點過渡政策的規定》). According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside China, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in China, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-Chinese resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

Income Tax

– *Individual Investors*

Under the IIT Law and its implementation rules, individuals are subject to individual income tax at a rate of 20% on gains realised on the sale of equity interests in PRC resident enterprises. Pursuant to the Circular on Continuing the Temporary Exemption of Individual Income Tax on Gains from Share Transfers by Individuals (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》), which was promulgated by the MOF and the SAT and became effective on 30 March 1998, from 1 January 1997, income of individuals from the transfer of shares in listed companies continues to be temporarily exempted from individual income tax. The SAT does not specify whether to continue to exempt individuals from personal income tax on the income from the transfer of shares in listed company.

– *Enterprise Investors*

In accordance with the EIT Law, a non-resident enterprise is generally subject to enterprise income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

According to the Stamp Duty Law of the PRC (《中華人民共和國印花稅法》) promulgated by the SCNPC on 10 June 2021 and became effective on 1 July 2022, the PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside China. Therefore, the purchase and disposal of H shares by non-PRC investors outside of the PRC does not apply to the relevant provisions of the Stamp Duty Law of the PRC.

Estate Duty

According to PRC law, no estate duty is currently levied in the PRC.

B. Hong Kong taxation

Tax on dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Capital gains and profit tax

No tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes.

Trading gains from sales of the H Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.10% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of any Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to 10 times the duty payable may be imposed.

Estate duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 abolished estate duty in respect of deaths occurring on or after 11 February 2006.

2. PRINCIPAL TAXATION OF THE COMPANY IN THE PRC

Please see "Regulatory Overview" of this document.

3. TAXATION OF THE COMPANY IN HONG KONG

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) ("**IRO**") is an ordinance for the purposes of imposing taxes on property, earnings and profits in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profits (excluding profits arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession or business.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of a group entity not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

As our Group carries on certain trade and business in Hong Kong, our Group may be subject to the profits tax regime under the IRO.

4. FOREIGN EXCHANGE

Foreign Exchange

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorisation of the People's Bank of China (hereinafter referred to as "**PBOC**"), is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations. The Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》), which was promulgated by the State Council on 29 January 1996 and most recently amended on 5 August 2008, classifies all international payments and transfers into current items and capital items. Current account items are subject to the reasonable examination of the veracity of transaction documents and the consistency of the transaction documents and the foreign exchange receipts and payments by financial institutions engaging in conversion and sale of foreign currencies and supervision and inspection by the foreign exchange control authorities. For capital account items, overseas organisations and overseas individuals making direct investments in China shall, upon approval by the relevant authorities in charge, process registration formalities with the foreign exchange control authorities. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. In the event that international revenues and expenditure occur or may occur a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard and control measures on international revenues and expenditure.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was promulgated by the PBOC on 20 June 1996 and implemented on 1 July 1996, removes other restrictions on convertibility of foreign exchange under current items, while imposing existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on 21 July 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since 21 July 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the relevant laws and regulations in the PRC, PRC enterprises (including foreign investment enterprises) which need foreign exchange for current item transactions may, without the approval of the foreign exchange administrative authorities, effect payment through foreign exchange accounts opened at the designated foreign exchange bank, on the strength of valid transaction receipts and proof. Foreign investment enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as our Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting on the distribution of profits, effect payment from foreign exchange accounts at the designated foreign exchange bank, or effect exchange and payment at the designated foreign exchange bank.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on 23 October 2014, it decided to cancel the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares into RMB domestic accounts.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) issued by the SAFE and implemented on 26 December 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Notice of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which took effect on 1 June 2015 and was amended on 30 December 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was promulgated by the SAFE and implemented on 9 June 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

On 26 January 2017, Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) was issued by SAFE to further expand the scope of settlement for domestic foreign exchange loans, allow settlement for domestic foreign exchange loans with export background under goods trading, allow repatriation of funds under domestic guaranteed foreign loans for domestic utilisation, allow settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones, and adopt the model of full-coverage RMB and foreign currency overseas lending management, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

On 23 October 2019, the SAFE issued the Notice on Further Facilitating Cross-Board Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), which canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realisation of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item-by-item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was incorporated as a joint stock company with limited liability in the PRC on 23 July 2012. Our registered office is located at Kai Di Road, Li Shizhen Industrial Park, Qichun County, Hubei Province, the PRC.

Our Company has established a principal place of business in Hong Kong at Unit 2703B, 27/F, 148 Electric Road, North Point and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on [●]. Our Company has appointed Mr. Ng Chun Hoi as its authorised representative under the Companies Ordinance for the acceptance of service of process and notices in Hong Kong. The address for service of process on our Company in Hong Kong is the same as our principal place of business in Hong Kong as set out above.

As our Company is incorporated in the PRC, we are subject to relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and our Articles of Association is set out in Appendices IV and V to this document.

2. Changes in the share capital of our Company

As at the date of our incorporation, our registered capital was RMB30,000,000 consisting of 30,000,000 issued Domestic Unlisted Shares with a nominal value of RMB1.00 each, which was fully paid up by our promoters. As at the Latest Practicable Date, our registered capital was RMB204,659,509 consisting of 204,659,509 issued Domestic Unlisted Shares with a nominal value of RMB1.00 each.

Immediately following the completion of the **[REDACTED]**, assuming that the **[REDACTED]** is not exercised, our issued share capital will be increased to RMB**[REDACTED]**, divided into **[REDACTED]** Domestic Unlisted Shares and **[REDACTED]** H Shares, with a nominal value of RMB1.00 each fully paid up or credited as fully paid up, representing approximately **[REDACTED]**% and **[REDACTED]**% of our enlarged share capital, respectively.

As at the Latest Practicable Date, there had been no alteration in our share capital within two years immediately preceding the date of this document.

3. Shareholders' resolutions of our Company

Pursuant to the general meeting held on 24 September 2024, the following resolutions, among others, were duly passed by our Shareholders:

(a) the issue by our Company of H Shares of nominal value of RMB1.00 each and such H Shares be **[REDACTED]** on the Stock Exchange;

(b) the number of H Shares to be issued before the exercise of the **[REDACTED]** shall be approximately **[REDACTED]**% of the enlarged share capital of our Company upon completion of the **[REDACTED]** (in fulfillment of the lowest applicable public float requirement pursuant to the Listing Rules) and granting the **[REDACTED]** the **[REDACTED]** of no more than **[REDACTED]**% of the above number of H Shares to be issued;

(c) subject to the completion of the **[REDACTED]**, the conditional adoption of the Articles of Association, which shall become effective on the **[REDACTED]**; and

(d) authorisation of our Board and its authorised persons to handle all matters relating to, among other things, the **[REDACTED]**, the issue and **[REDACTED]** of the H Shares on the Stock Exchange.

4. Changes in the registered capital of our subsidiaries

The list of our subsidiaries is set out in Note 40 to the Accountants' Report, the text of which is set out in Appendix I to this document.

Save as disclosed in the section headed "History, Development and Corporate Structure – Corporate Development – Our Principal Subsidiaries" in this document, there has been no alteration in the share capital of any of our subsidiaries within the two years immediately preceding the date of this document.

5. Restriction on share repurchases

For details of the restrictions on share repurchases by our Company, please see "Summary of the Articles of Association" which is set out in Appendix V to this document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contract (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this document, which is or may be material:

(a) the sales and purchase agreement dated 31 August 2023 entered into between X.J. Electrics (Thailand) as purchaser and Amata City Rayong Company Limited as vendor, a company incorporated and existing under the laws of Thailand with its principal office at 2126 New Petchburi Road, Huay Kwang, Bangkok 10310, Thailand, pursuant to which X.J. Electrics (Thailand) agreed to acquire a parcel of land in Rayong, Thailand at the consideration of THB149,314,000; and

(b) the **[REDACTED]**.

2. Our material intellectual property rights

(a) Trademarks

(i) As at the Latest Practicable Date, we have registered the following trademarks which we considered to be material to our business:

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
1.		Our Company	The PRC	7 9	33698020 33710019	From 21 May 2019 to 20 May 2029
2.		Our Company	The PRC	11 21	33696118 33717925	From 28 May 2019 to 27 May 2029
3.	艾格丽	Our Company	The PRC	21	23993170	From 21 April 2018 to 20 April 2028
4.	艾格丽	Our Company	The PRC	11	23993018	From 14 September 2018 to 13 September 2028

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
5.	艾格丽	Our Company	The PRC	7	23992873	From 7 July 2018 to 6 July 2028
6.	艾格丽	Our Company	The PRC	11	14779966	From 7 July 2016 to 6 July 2026
7.	艾格丽	Our Company	The PRC	21	11348529	From 14 January 2014 to 13 January 2034
8.	Aigoli艾格利	Our Company	The PRC	11	11100055	From 7 November 2013 to 6 November 2033
9.	Aigoli	Our Company	The PRC	11	14779910	From 7 July 2015 to 6 July 2025
10.	WEIGHMAX	Our Company	The PRC	11 21	33716415 33703810	From 14 July 2020 to 13 July 2030
11.	WeighMax	Our Company	The PRC	7 11 21	24206832 24207015 24207391	From 14 May 2018 to 13 May 2028
12.	WeighMax	Our Company	The PRC	9 11	14208282 14208316	From 28 April 2015 to 27 April 2025
13.	WeighMax	Our Company	The PRC	7	14208255	From 28 May 2015 to 27 May 2025
14.	HOMEIMAGE	Our Company	The PRC	9 11	7714917 7714919	From 14 March 2021 to 13 March 2031
15.	HOMEIMAGE	Our Company	The PRC	7	7714918	From 7 December 2020 to 6 December 2030
16.	iNSPRA	Our Company	The PRC	11	5058332	From 21 November 2018 to 20 November 2028
17.	iNSPRA	Our Company	The PRC	9	5058331	From 21 March 2019 to 20 March 2029

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
18.	iNSPRA	Our Company	The PRC	7	5058330	From 28 December 2018 to 27 December 2028
19.	iNSPRA	Our Company	The PRC	11	21686955	From 14 December 2017 to 13 December 2027
20.	XJ	Our Company	The PRC	9	4905690	From 7 September 2018 to 6 September 2028
21.	XJ	X.J. Electronics	The PRC	7 11	4905688 4905691	From 7 September 2018 to 6 September 2028
22.	益诺威 YINUOWEI	Innovative (Jiangyin)	The PRC	9	4362522	From 28 May 2017 to 27 May 2027
23.	益诺威 YINUOWEI	Innovative (Jiangyin)	The PRC	20 21	4362521 4362520	From 14 January 2018 to 13 January 2028
24.	aigoli	Our Company	The U.S.	7	5037356	From 6 September 2016 to 8 September 2026
25.	AIGREN	X.J. Electronics (Shenzhen)	Australia	7 11	1609457 1609455	From 6 March 2024 to 5 March 2034
26.	E-WARE	X.J. Electronics (Shenzhen)	Australia	7	1609452	From 5 March 2024 to 4 March 2034
27.	WeighMax	X.J. Electronics (Shenzhen)	Australia	7 11	1609458 1609460	From 6 March 2024 to 5 March 2034
28.	WeighMax	X.J. Electronics (Shenzhen)	Germany	11	302014001571	From 5 March 2014 to 31 March 2034
29.	WeighMax	X.J. Electronics (Shenzhen)	United Kingdom	11	UK00003045495	From 29 February 2016 to 5 March 2034

No.	Trademark	Registered Owner	Place of Registration	Classes	Registration Number	Validity Period
30.	WeighMax	Weighmax	The U.S.	9	3062395	From 28 February 2016 to 27 February 2026
31.		X.J. Electronics (Shenzhen)	Australia	7 11	1609454 1609453	From 5 March 2024 to 4 March 2034
32.		X.J. Electronics (Shenzhen)	Germany	7 11	302014001574 302014001575	From 5 March 2024 to 31 March 2034
33.	AIGREN	MeiNuoWei Electrics	EU	7, 9, 11	018320082	From 12 October 2020 to 12 October 2030
34.	AIGREN	MeiNuoWei Electrics	The U.S.	7 9 11	6558982 6558981 6558926	From 16 November 2021 to 16 November 2027
35.	Acteck	Weighmax	The U.S.	9	5721527	From 9 April 2019 to 9 April 2029
36.	TUMIDY	Nuocheng Electronic Commerce	The U.S.	11	7137217	From 15 August 2023 to 15 August 2033
37.	TUMIDY	Our Company	EU	7, 11	018893751	From 27 June 2023 to 27 June 2033
38.	TUMIDY	Nuocheng Electronic Commerce	The U.S.	7, 11	7493543 7493565	From 3 September 2024 to 3 September 2034
39.	TUMIDY	Our Company	Japan	7,11	6772325	From 22 January 2024 to 22 January 2034
40.	NAVU	Our Company	EU	7, 11	018893778	From 27 June 2023 to 27 June 2033
41.	NAVU	Our Company	Japan	7, 11	6772324	From 22 January 2024 to 22 January 2034

(ii) As at the Latest Practicable Date, we have applied for the following trademarks which we considered to be material to our business:

No.	Trademark	Applicant	Place of Application	Classes	Application Number	Date of Application
1.		Our Company	Hong Kong	7, 11, 17, 21	306560316	23 May 2024
2.	香江	Our Company	The PRC	7	79315075	19 June 2024

(b) Patents

(i) As at the Latest Practicable Date, we have registered the following patents which we considered to be material to our business:

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
1	Pan	Our Company	US D751,334 S	Design	The U.S.	9 September 2014
2	Foldable Pan	Our Company	US 9,492,034 B2	Invention	The U.S.	12 September 2014
3	Water Tank Type Electric Steamer	Our Company	US 9,717,363 B2	Invention	The U.S.	17 September 2014
4	Scale with Detachable Protective Cover	Our Company	US 9,903,752 B2	Invention	The U.S.	21 November 2014
5	打蛋器 (XJ-14409)	Our Company	ZL201530015974.2	Design	The PRC	20 January 2015
6	鐳射燈 (XJ-15701)	Our Company	ZL201530019620.5	Design	The PRC	22 January 2015
7	攪拌機 (XJ-13409)	Our Company	ZL201530070436.3	Design	The PRC	23 March 2015
8	電動刀 (XJ-15411)	Our Company	ZL201530116874.9	Design	The PRC	27 April 2015

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
9	郵政秤 (XJ-15801)	Our Company	ZL201530116992.X	Design	The PRC	27 April 2015
10	霜淇淋機 (XJ-15402)	Our Company	ZL201530117072.X	Design	The PRC	27 April 2015
11	電子秤	Our Company	ZL201520313439.X	Utility	The PRC	14 May 2015
12	食物攪拌機	Our Company	ZL201520488146.5	Utility	The PRC	8 July 2015
13	臥式打蛋器 (XJ-15412)	Our Company	ZL201530435490.3	Design	The PRC	4 November 2015
14	旋轉鐳射燈	Our Company	ZL201530523206.8	Design	The PRC	11 December 2015
15	伸縮水管	Our Company	ZL201630022088.7	Design	The PRC	21 January 2016
16	風琴式伸縮管	Our Company	ZL201620079380.7	Utility	The PRC	27 January 2016
17	電子式乾果機 (XJ-14709)	Our Company	ZL201630079464.6	Design	The PRC	18 March 2016
18	上蓋結構以及攪拌機	Our Company	ZL201620297566.X	Utility	The PRC	11 April 2016
19	不鏽鋼廚房秤	Our Company	ZL201630139507.5	Design	The PRC	22 April 2016
20	攪拌杆	Our Company	ZL201630159456.2	Design	The PRC	4 May 2016
21	光柵鏡片固定結構和鐳射燈	Our Company	ZL201620399055.9	Utility	The PRC	5 May 2016
22	扁線燈結構、扁線燈組件及裝飾燈	Our Company	ZL201620488865.1	Utility	The PRC	26 May 2016
23	裝飾燈 (樹燈)	Our Company	ZL201630210769.6	Design	The PRC	30 May 2016
24	裝飾燈 (樹燈)	Our Company	ZL201630210774.7	Design	The PRC	30 May 2016
25	LED 燈條 (扁線燈)	Our Company	ZL201630210777.0	Design	The PRC	30 May 2016

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
26	漲拉式伸縮水管	Our Company	ZL201620755043.5	Utility	The PRC	18 July 2016
27	LED Light Bar	Our Company	US D801,568 S	Design	The U.S.	18 July 2016
28	Decorative Light	Our Company	US D810,987 S	Design	The U.S.	18 July 2016
29	Decorative Light	Our Company	US D810,988 S	Design	The U.S.	20 July 2016
30	一種白光光源裝置及燈具	Our Company	ZL201610764158.5	Invention	The PRC	30 August 2016
31	家用攪拌機及其攪拌杯的製冷結構	Our Company	ZL201621054924.0	Utility	The PRC	14 September 2016
32	水壺 (12828)	Our Company	ZL201630500464.9	Design	The PRC	12 October 2016
33	水壺 (12830)	Our Company	ZL201630500481.2	Design	The PRC	12 October 2016
34	郵政秤 (82809)	Our Company	ZL201630500485.0	Design	The PRC	12 October 2016
35	電熱水壺 (12831)	Our Company	ZL201630501567.7	Design	The PRC	13 October 2016
36	幻燈儀	Our Company	ZL201730023801.4	Design	The PRC	20 January 2017
37	鐳射燈	Our Company	ZL201730024057.X	Design	The PRC	20 January 2017
38	郵政秤 (82810)	Our Company	ZL201730068856.7	Design	The PRC	10 March 2017
39	泡茶組件及蒸茶養生壺	Our Company	ZL201710235880.4	Invention	The PRC	12 April 2017
40	泡茶組件及蒸茶養生壺	Our Company	ZL201720381941.3	Utility	The PRC	12 April 2017
41	Kettle with Filter Cup Lifting Arrangement	Our Company	US 10,251,508 B2	Invention	The U.S.	12 May 2017
42	伸縮水管 (漲拉式)	Our Company	ZL201730355987.3	Design	The PRC	7 August 2017

No.	Patent	Registered owner	Patent Number	Patent Type	Place of Registration	Date of Application
43	兩片多士爐 (22867)	Our Company	ZL201730516929.4	Design	The PRC	27 October 2017
44	多士爐 (22868 四片)	Our Company	ZL201730517218.9	Design	The PRC	27 October 2017
45	電蒸鍋 (12842 長方形)	Our Company	ZL201730517219.3	Design	The PRC	27 October 2017
46	電熱水壺 (12847 1.7L)	Our Company	ZL201730519593.7	Design	The PRC	27 October 2017
47	不鏽鋼電炸鍋 (32809A0/A1 &B0/B1)	Our Company	ZL201730519595.6	Design	The PRC	27 October 2017
48	玻璃杯攪拌機 (42866)	Our Company	ZL201730519596.0	Design	The PRC	27 October 2017
49	郵政秤 (82812)	Our Company	ZL201730519597.5	Design	The PRC	27 October 2017
50	一種激光健髮梳	Our Company	ZL201711042904.0	Invention	The PRC	30 October 2017
51	一種食物處理器	Our Company	ZL201711174339.3	Invention	The PRC	22 November 2017
52	一種可變換的刀架組件	Our Company	ZL201721580621.7	Utility	The PRC	22 November 2017
53	一種食物處理器	Our Company	ZL201721580622.1	Utility	The PRC	22 November 2017
54	一種離合器以及食物處理器	Our Company	ZL201721597490.3	Utility	The PRC	22 November 2017
55	一種刀架組件	Our Company	ZL201721597496.0	Utility	The PRC	22 November 2017
56	一種茶網可拆卸的水壺	Our Company	ZL201721648782.5	Utility	The PRC	29 November 2017
57	水管	Our Company	ZL201820232459.8	Utility	The PRC	8 February 2018
58	Water Pipe	Our Company	US 10,480,691 B2	Invention	The U.S.	8 February 2018

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59	電烤爐	Our Company	ZL201820483155.9	Utility	The PRC	2 April 2018
60	電烤爐 (可拆卸把手款)	Our Company	ZL201830142667.4	Design	The PRC	10 April 2018
61	電熱水壺	Our Company	ZL201830191419.9	Design	The PRC	2 May 2018
62	多功能早餐機	Our Company	ZL201830191457.4	Design	The PRC	2 May 2018
63	電熱水壺 (帶觸摸按鍵液晶顯示窗)	Our Company	ZL201830191503.0	Design	The PRC	2 May 2018
64	電熱水壺 (帶觸摸按鍵)	Our Company	ZL201830191569.X	Design	The PRC	2 May 2018
65	攪拌機 (42871A1)	Our Company	ZL201830191622.6	Design	The PRC	2 May 2018
66	玻璃電熱水壺 (真空電鍍玻璃)	Our Company	ZL201830390622.9	Design	The PRC	19 July 2018
67	電熱水壺(七彩真空電鍍玻璃)	Our Company	ZL201830391029.6	Design	The PRC	19 July 2018
68	電熱水壺	Our Company	ZL201821295203.8	Utility	The PRC	10 August 2018
69	具有可升降茶網的水壺	Our Company	ZL201821359123.4	Utility	The PRC	22 August 2018
70	空氣炸鍋	Our Company	ZL201830608670.0	Design	The PRC	30 October 2018
71	牛扒烤爐 (22901)	Our Company	ZL201930053455.3	Design	The PRC	30 January 2019
72	臥式打蛋器 (42846)	Our Company	ZL201930080372.3	Design	The PRC	28 February 2019
73	空氣炸鍋 (32828A-B)	Our Company	ZL201930172368.X	Design	The PRC	16 April 2019
74	烤爐 (22901D0)	Our Company	ZL201930234326.4	Design	The PRC	15 May 2019

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75	早餐機	Our Company	ZL201920785573.8	Utility	The PRC	28 May 2019
76	數碼管式空氣炸鍋 (32828D/C)	Our Company	ZL201930424099.1	Design	The PRC	6 August 2019
77	Ovens [cooking] (牛扒烤爐)	Our Company	007296298	Design	EU	26 November 2019
78	Can Opener	Our Company	US D929,831 S	Design	The U.S.	21 January 2020
79	一種激光焊接機	Our Company	ZL202010726592.0	Invention	The PRC	25 July 2020
80	一種整形裝配一體化的裝配設備	Our Company	ZL202011019206.0	Invention	The PRC	24 September 2020
81	Water Hose	Our Company	US D1,004,754 S	Design	The U.S.	2 March 2022
82	Nozzle	Our Company	US D1,010,770 S	Design	The U.S.	2 March 2022
83	Water Hose	Our Company	US D1,017,777 S	Design	The U.S.	3 March 2022
84	Three-way Connector	Our Company	US D1,017,776 S	Design	The U.S.	2 March 2022
85	Elbow Pipe Coupling	Our Company	US D1,019,909 S	Design	The U.S.	2 March 2022
86	保溫盤 (摺疊式 22953A)	Our Company	ZL202230587760.2	Design	The PRC	6 September 2022
87	脱髮治療儀 (BT76801A)	Our Company	ZL202230587662.9	Design	The PRC	6 September 2022
88	摺疊式保溫盤	Our Company	ZL202222372665.8	Utility	The PRC	6 September 2022
89	水管	Our Company	ZL202320516529.3	Utility	The PRC	16 March 2023
90	電蒸鍋 (12941A)	Our Company	ZL202330239654.X	Design	The PRC	26 April 2023
91	冰淇淋機傳動結構	Our Company	ZL202321236077.X	Utility	The PRC	18 May 2023

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92	一種電熱水壺	Our Company	ZL202321373717.1	Utility	The PRC	29 May 2023
93	一種電熱水壺的觸摸按鍵	Our Company	ZL202321373711.4	Utility	The PRC	29 May 2023
94	一種加熱控制電路及加熱設備	Our Company	ZL202321431512.4	Utility	The PRC	6 June 2023
95	一種取暖器	Our Company	ZL202321448902.2	Utility	The PRC	7 June 2023
96	Automatic cookers (自動炒菜鍋)	Our Company	015029241	Design	EU	26 July 2023
97	自動調理鍋	Our Company	1761762	Design	Japan	26 July 2023
98	一種包裝盒	Our Company	ZL202322448859.6	Utility	The PRC	7 September 2023
99	自動炒菜鍋 (22978A)	Our Company	ZL202330620918.6	Design	The PRC	22 September 2023
100	自動調理鍋	Our Company	1773721	Design	Japan	11 October 2023
101	電炸鍋 (32860A1)	Our Company	ZL202330660460.7	Design	The PRC	12 October 2023
102	電蒸鍋 (觸摸式 12959ACH)	Our Company	ZL202330721217.1	Design	The PRC	6 November 2023
103	Air Fryers (空氣炸鍋)	Our Company	015040697	Design	EU	10 November 2023
104	電烤爐 (22808D1)	Our Company	ZL202330814911.8	Design	The PRC	11 December 2023
105	一種自動炒菜鍋	Our Company	ZL202323661020.7	Utility	The PRC	28 December 2023
106	一種自動炒菜鍋	Our Company	ZL202323620977.7	Utility	The PRC	28 December 2023
107	一種自動炒菜鍋	Our Company	ZL202323661046.1	Utility	The PRC	28 December 2023

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108	一種自動炒菜平底鍋	Our Company	ZL202323622643.3	Utility	The PRC	28 December 2023
109	水管 (帶閥門)	Our Company	ZL202430036876.6	Design	The PRC	19 January 2024
110	一種多功能烹飪器具	Our Company	ZL202420252367.1	Utility	The PRC	1 February 2024
111	Postal Scale	Innovative (Jiangyin)	US D742,264 S	Design	The U.S.	13 December 2013
112	秤	Innovative (Jiangyin)	ZL201420709149.2	Utility	The PRC	21 November 2014
113	秤 (卡片秤 82821A)	Innovative (Jiangyin)	ZL202030442316.2	Design	The PRC	6 August 2020
114	智能不鏽鋼秤 (82822A)	Innovative (Jiangyin)	ZL202030471657.2	Design	The PRC	18 August 2020
115	智能脂肪人體秤 (82823A)	Innovative (Jiangyin)	ZL202030759475.5	Design	The PRC	10 December 2020
116	Weighing Scale	Innovative (Jiangyin)	US D957,975 S	Design	The U.S.	11 January 2021
117	電子秤 (82835A)	Innovative (Jiangyin)	ZL202130213515.0	Design	The PRC	15 April 2021
118	郵政秤 (82837A)	Innovative (Jiangyin)	ZL202430116838.1	Design	The PRC	8 March 2024
119	電子秤 (82827A)	MeiNuoWei Electrics	ZL202030736262.0	Design	The PRC	1 December 2020
120	電子秤 (82830A)	MeiNuoWei Electrics	ZL202030736261.6	Design	The PRC	1 December 2020
121	電子秤 (82825A)	MeiNuoWei Electrics	ZL202030762862.4	Design	The PRC	11 December 2020

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122	電子秤 (82824A)	MeiNuoWei Electrics	ZL202030762863.9	Design	The PRC	11 December 2020
123	電子秤 (82831A)	MeiNuoWei Electrics	ZL202030762873.2	Design	The PRC	11 December 2020
124	卡片秤 (82829A)	MeiNuoWei Electrics	ZL202030791404.3	Design	The PRC	22 December 2020
125	郵政秤 (82832A)	MeiNuoWei Electrics	ZL202030791403.9	Design	The PRC	22 December 2020
126	卡片秤 (82833A)	MeiNuoWei Electrics	ZL202130017768.0	Design	The PRC	12 January 2021
127	Waffle Makers (單層旋轉式華夫機)	MeiNuoWei Electrics	008429021	Design	EU	8 February 2021
128	廚房秤 (82826A 玻璃可懸掛)	MeiNuoWei Electrics	ZL202130123089.1	Design	The PRC	8 March 2021
129	煎鍋 (方形 22942A1)	MeiNuoWei Electrics	ZL202130756802.6	Design	The PRC	18 November 2021
130	電烤爐 (22956A-8人)	MeiNuoWei Electrics	ZL202230391907.0	Design	The PRC	24 June 2022
131	巧克力烹飪鍋 (22962A1)	MeiNuoWei Electrics	ZL202230590784.3	Design	The PRC	7 September 2022
132	食物處理器的傳動裝置以及食物處理器	X.J. Electrics (Shenzhen)	ZL201620897023.1	Utility	The PRC	17 August 2016
133	光柵鏡片轉動結構和鐳射燈	X.J. Electrics (Shenzhen)	ZL201621079902.X	Utility	The PRC	26 September 2016
134	光柵鏡片轉動結構和鐳射燈	X.J. Electrics (Shenzhen)	ZL201610850682.4	Invention	The PRC	26 September 2016

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135	機械式空氣炸鍋 (FW45393)	X.J. Electrics (Shenzhen)	ZL201930390125.3	Design	The PRC	22 July 2019
136	開罐器 (72840A1)	X.J. Electrics (Shenzhen)	ZL201930390244.9	Design	The PRC	22 July 2019
137	攪拌機 (42901A0A1)	X.J. Electrics (Shenzhen)	ZL201930560152.0	Design	The PRC	15 October 2019
138	空氣炸鍋 (32830A、B、C)	X.J. Electrics (Shenzhen)	ZL202030037905.2	Design	The PRC	19 January 2020
139	研磨器 (42915)	X.J. Electrics (Shenzhen)	ZL202030711571.2	Design	The PRC	23 November 2020
140	一種開罐器自動停止開罐的裝置	X.J. Electrics (Shenzhen)	ZL202023059534.1	Utility	The PRC	17 December 2020
141	Automatic Stop Method and Device for Can Opener	X.J. Electrics (Shenzhen)	US 11,827,504 B2	Invention	The U.S.	4 January 2021
142	便攜式粉碎機 (42923A)	X.J. Electrics (Shenzhen)	ZL202130213514.6	Design	The PRC	15 April 2021
143	輔食機 (42919A、42919B)	X.J. Electrics (Shenzhen)	ZL202130615207.0	Design	The PRC	16 September 2021
144	打蛋器 (便攜式 42964A)	X.J. Electrics (Shenzhen)	ZL202130615067.7	Design	The PRC	16 September 2021
145	便攜式粉碎機 (BT46802A)	X.J. Electrics (Shenzhen)	ZL202130737212.9	Design	The PRC	10 November 2021
146	便攜式電動刀	X.J. Electrics (Shenzhen)	ZL202130737260.8	Design	The PRC	10 November 2021

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147	廚房刀具收納盒	X.J. Electrics (Shenzhen)	ZL202130737269.9	Design	The PRC	10 November 2021
148	便攜式攪拌機	X.J. Electrics (Shenzhen)	ZL202221439515.8	Utility	The PRC	9 June 2022
149	開罐器 (香蕉)	X.J. Electrics (Shenzhen)	ZL202230350083.2	Design	The PRC	9 June 2022
150	攪拌機 (便攜式 42978A)	X.J. Electrics (Shenzhen)	ZL202230551787.6	Design	The PRC	23 August 2022
151	便攜式榨汁機	X.J. Electrics (Shenzhen)	ZL202222253205.3	Utility	The PRC	25 August 2022
152	榨汁機	X.J. Electrics (Shenzhen)	ZL202320756992.5	Utility	The PRC	3 April 2023
153	便攜式攪拌機 (42984A)	X.J. Electrics (Shenzhen)	ZL202330176030.8	Design	The PRC	4 April 2023
154	小型電器組裝系統	X.J. Electrics (Shenzhen)	ZL202320825289.5	Utility	The PRC	4 April 2023
155	測試裝置及小型電器生產線	X.J. Electrics (Shenzhen)	ZL202320755427.7	Utility	The PRC	4 April 2023
156	便攜式雙榨汁頭榨汁機	X.J. Electrics (Shenzhen)	ZL202320971690.X	Utility	The PRC	20 April 2023
157	攪拌機 (42980A0)	X.J. Electrics (Shenzhen)	ZL202330239648.4	Design	The PRC	26 April 2023
158	便攜式攪拌機 (46813A)	X.J. Electrics (Shenzhen)	ZL202330239621.5	Design	The PRC	26 April 2023
159	冰淇淋機 (42993A1)	X.J. Electrics (Shenzhen)	ZL202330259716.3	Design	The PRC	6 May 2023
160	一種家用無線榨汁機	X.J. Electrics (Shenzhen)	ZL202321126834.8	Utility	The PRC	11 May 2023

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161	裝飾燈及裝飾燈組	X.J. Electronics (Shenzhen)	ZL201621034476.8	Utility	The PRC	31 August 2016
162	裝飾燈及裝飾燈組	X.J. Electronics (Shenzhen)	ZL201610799129.2	Invention	The PRC	31 August 2016
163	焊接系統和裝飾燈	X.J. Electronics (Shenzhen)	ZL201621147116.9	Utility	The PRC	21 October 2016
164	油桶以及具有該油桶的電炸鍋	X.J. Electronics (Shenzhen)	3323327	Invention	EU	29 December 2016
165	華夫餅機 (FW45394)	X.J. Electronics (Shenzhen)	ZL201930371250.X	Design	The PRC	12 July 2019
166	華夫餅機 (22906雙層旋轉式)	X.J. Electronics (Shenzhen)	ZL201930417351.6	Design	The PRC	2 August 2019
167	烤爐 (22912牛扒烤爐)	X.J. Electronics (Shenzhen)	ZL201930536810.2	Design	The PRC	29 September 2019
168	水壺 (機械式不鏽鋼12893B款)	X.J. Electronics (Shenzhen)	ZL202030124261.0	Design	The PRC	16 October 2019
169	水壺 (機械式不鏽鋼12893A款)	X.J. Electronics (Shenzhen)	ZL201930562088.X	Design	The PRC	16 October 2019
170	電熱水壺 (不鏽鋼機械式12894A)	X.J. Electronics (Shenzhen)	ZL201930562098.3	Design	The PRC	16 October 2019
171	電烤爐 (22907系列)	X.J. Electronics (Shenzhen)	ZL201930562092.6	Design	The PRC	16 October 2019
172	電烤爐 (22913系列)	X.J. Electronics (Shenzhen)	ZL201930562089.4	Design	The PRC	16 October 2019
173	電熱水壺 (玻璃機械式12895)	X.J. Electronics (Shenzhen)	ZL201930562097.9	Design	The PRC	16 October 2019
174	牛扒烤爐 (22912B)	X.J. Electronics (Shenzhen)	ZL201930571871.2	Design	The PRC	21 October 2019

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175	一種負離子空氣淨化器	X.J. Electronics (Shenzhen)	ZL202020844298.5	Utility	The PRC	19 May 2020
176	乾果機 (22921)	X.J. Electronics (Shenzhen)	ZL202030330353.4	Design	The PRC	24 June 2020
177	乾果機 (22922)	X.J. Electronics (Shenzhen)	ZL202030330842.X	Design	The PRC	24 June 2020
178	一種耐磨程度檢測裝置	X.J. Electronics (Shenzhen)	ZL202021522636.X	Utility	The PRC	25 July 2020
179	一種水壺壺蓋質量檢測工裝	X.J. Electronics (Shenzhen)	ZL202021513654.1	Utility	The PRC	25 July 2020
180	養生壺 (12831D)	X.J. Electronics (Shenzhen)	ZL202030458470.9	Design	The PRC	12 August 2020
181	Air Purifiers (空氣淨化器)	X.J. Electronics (Shenzhen)	008272561	Design	EU	17 November 2020
182	多士爐 (兩片 22925A0)	X.J. Electronics (Shenzhen)	ZL202030706479.7	Design	The PRC	20 November 2020
183	煮蛋器 (12913A)	X.J. Electronics (Shenzhen)	ZL202030706478.2	Design	The PRC	20 November 2020
184	電蒸飯盒 (12910A)	X.J. Electronics (Shenzhen)	ZL202030706831.7	Design	The PRC	20 November 2020
185	電熱水壺(雙層 12918A1.7升)	X.J. Electronics (Shenzhen)	ZL202030759899.1	Design	The PRC	10 December 2020
186	華夫餅機 (22927)	X.J. Electronics (Shenzhen)	ZL202030762124.X	Design	The PRC	11 December 2020
187	蒸茶養生壺 (12846G)	X.J. Electronics (Shenzhen)	ZL202030789596.4	Design	The PRC	21 December 2020
188	蒸茶養生壺 (12846E)	X.J. Electronics (Shenzhen)	ZL202030789599.8	Design	The PRC	21 December 2020

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189	Air Purifier	X.J. Electronics (Shenzhen)	US 11,781,765 B2	Invention	The U.S.	28 January 2021
190	郵政秤 (82828A)	X.J. Electronics (Shenzhen)	ZL202130073904.8	Design	The PRC	2 February 2021
191	Electric Ovens for cooking (電烤爐)	X.J. Electronics (Shenzhen)	008491906	Design	EU	9 April 2021
192	Electric Ovens for cooking (電烤爐)	X.J. Electronics (Shenzhen)	008490627	Design	EU	9 April 2021
193	烤爐 (平板 22926A0)	X.J. Electronics (Shenzhen)	ZL202130265992.1	Design	The PRC	6 May 2021
194	奶泡機 (12923A)	X.J. Electronics (Shenzhen)	ZL202130285894.4	Design	The PRC	13 May 2021
195	水管 (62916A)	X.J. Electronics (Shenzhen)	ZL202130588386.3	Design	The PRC	7 September 2021
196	彎接頭 (兩通接頭 -62917A)	X.J. Electronics (Shenzhen)	ZL202130588380.6	Design	The PRC	7 September 2021
197	三通接頭 (62918A)	X.J. Electronics (Shenzhen)	ZL202130588377.4	Design	The PRC	7 September 2021
198	多功能鍋 (12926A0A1)	X.J. Electronics (Shenzhen)	ZL202130756804.5	Design	The PRC	18 November 2021
199	一種電動刀具套餐	X.J. Electronics (Shenzhen)	ZL202210026213.6	Invention	The PRC	11 January 2022
200	電烤爐 (22946A)	X.J. Electronics (Shenzhen)	ZL202230078957.3	Design	The PRC	18 February 2022
201	水管	X.J. Electronics (Shenzhen)	ZL202230078398.6	Design	The PRC	18 February 2022

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202	烤爐鏟子 (22946A)	X.J. Electronics (Shenzhen)	ZL202230082630.3	Design	The PRC	21 February 2022
203	帶柄餐廚用具	X.J. Electronics (Shenzhen)	ZL202220442179.6	Utility	The PRC	2 March 2022
204	空氣炸鍋 (機械式 32838A1)	X.J. Electronics (Shenzhen)	ZL202230156079.2	Design	The PRC	24 March 2022
205	華夫餅機 (22952A)	X.J. Electronics (Shenzhen)	ZL202230391897.0	Design	The PRC	24 June 2022
206	電烤爐 (22957A-4人)	X.J. Electronics (Shenzhen)	ZL202230391890.9	Design	The PRC	24 June 2022
207	掛鉤 (02839)	X.J. Electronics (Shenzhen)	ZL202230396797.7	Design	The PRC	27 June 2022
208	一種華夫機	X.J. Electronics (Shenzhen)	ZL202221673897.0	Utility	The PRC	29 June 2022
209	一種可調華夫餅厚薄的華夫機	X.J. Electronics (Shenzhen)	ZL202221658180.9	Utility	The PRC	29 June 2022
210	華夫餅機 (22950A1)	X.J. Electronics (Shenzhen)	ZL202230519214.5	Design	The PRC	10 August 2022
211	一種聯排的華夫餅機	X.J. Electronics (Shenzhen)	ZL202222105029.9	Utility	The PRC	10 August 2022
212	機械式空氣炸鍋	X.J. Electronics (Shenzhen)	ZL202230591885.2	Design	The PRC	7 September 2022
213	空氣炸鍋生產線	X.J. Electronics (Shenzhen)	ZL202320777381.9	Utility	The PRC	6 April 2023
214	華夫餅機生產線	X.J. Electronics (Shenzhen)	ZL202320781300.2	Utility	The PRC	7 April 2023
215	一種多功能電烤爐	X.J. Electronics (Shenzhen)	ZL202320959183.4	Utility	The PRC	18 April 2023

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216	Electric Grills (烤爐)	X.J. Electronics (Shenzhen)	015019191	Design	EU	21 April 2023
217	一種電熱水壺生產線	X.J. Electronics (Shenzhen)	ZL202320991545.8	Utility	The PRC	24 April 2023
218	空氣炸鍋	X.J. Electronics (Shenzhen)	ZL202330239008.3	Design	The PRC	26 April 2023
219	電熱水壺 (12942A)	X.J. Electronics (Shenzhen)	ZL202330239079.3	Design	The PRC	26 April 2023
220	雙炸網電子式空氣炸鍋 (32847A0)	X.J. Electronics (Shenzhen)	ZL202330447112.1	Design	The PRC	17 July 2023
221	冰淇淋機 (43007A0A1)	X.J. Electronics (Shenzhen)	ZL202330666447.2	Design	The PRC	16 October 2023
222	慢燉鍋 (機械式 22982A)	X.J. Electronics (Shenzhen)	ZL202330685238.2	Design	The PRC	23 October 2023
223	機械式慢燉鍋	X.J. Electronics (Shenzhen)	ZL202330700777.9	Design	The PRC	27 October 2023
224	機械式氣炸鍋	X.J. Electronics (Shenzhen)	ZL202330814909.0	Design	The PRC	11 December 2023
225	Air Purifier	X.J. Electronics (Shenzhen)	US D953,505 S	Design	The U.S.	17 November 2020
226	Personal Blender Assembly	Weighmax	US D801,108 S	Design	The U.S.	17 August 2015
227	Balance	Weighmax	US D850,958 S	Design	The U.S.	15 March 2017
228	Balance	Weighmax	US D830,211 S	Design	The U.S.	15 March 2017

(ii) As at the Latest Practicable Date, we have applied for the registration of the following patents which we considered to be material to our business:

No.	Patent	Applicant	Application Number	Patent Type	Place of Application	Date of Application
1.	油桶以及具有該油桶的電炸鍋	Our Company	201611050665.9	Invention	The PRC	22 November 2016
2.	鐳射燈和圖案生產方法	Our Company	201611074842.7	Invention	The PRC	29 November 2016
3.	熔蠟香薰器	Our Company	201710236951.2	Invention	The PRC	12 April 2017
4.	家用攪拌機及其攪拌杯的製冷結構	Our Company	201610823145.0	Invention	The PRC	14 September 2016
5.	一種鐳射燈及其燈光模組	Our Company	201710908368.1	Invention	The PRC	29 September 2017
6.	一種鐳射燈	Our Company	201710909957.1	Invention	The PRC	29 September 2017
7.	一種離合器以及食物處理器	Our Company	201711174426.9	Invention	The PRC	22 November 2017
8.	一種可變換的刀架元件	Our Company	201711174373.0	Invention	The PRC	22 November 2017
9.	一種刀架組件	Our Company	201711174393.8	Invention	The PRC	22 November 2017
10.	水管	Our Company	201810129728.2	Invention	The PRC	8 February 2018
11.	一種開罐器自動停止開罐的方法以及裝置	Our Company	202011497209.5	Invention	The PRC	17 December 2020
12.	Electric Cutter Assembly	Our Company	17/669, 607	Invention	The U.S.	11 February 2022
13.	Packaging Box	Our Company	18/470, 597	Invention	The U.S.	11 May 2023
14.	Storage Box	Our Company	18/316,170	Utility	The U.S.	11 May 2023
15.	Electric Pot	Our Company	18/337, 630	Invention	The U.S.	20 June 2023

No.	Patent	Applicant	Application Number	Patent Type	Place of Application	Date of Application
16.	Heating Control Circuit and Heating Equipment	Our Company	18/343, 403	Utility	The U.S.	28 June 2023
17.	Packing Box	Our Company	29/910, 652	Design	The U.S.	23 August 2023
18.	多功能空氣炸鍋 (32852A0)	Our Company	2023306405798	Design	The PRC	28 September 2023
19.	Automatic Cooking Appliances (22978A)	Our Company	30-2023-0039624	Design	Korea	11 October 2023
20.	空氣炸鍋 (32852A0)	Our Company	2024300432438	Design	The PRC	23 January 2024
21.	一種烹飪器具	Our Company	2024101455879	Invention	The PRC	1 February 2024
22.	Air Fryer	Our Company	29, 927/686	Design	The U.S.	5 February 2024
23.	水管 (62930A)	Our Company	2024302340680	Design	The PRC	24 April 2024
24.	香薰機 (52818A1)	Our Company	2024303836575	Design	The PRC	21 June 2024
25.	一種水管	Our Company	2024108664593	Invention	The PRC	28 June 2024
26.	一種水管	Our Company	2024215225632	Utility	The PRC	28 June 2024
27.	香薰機 (52816A1)	Our Company	2024304017364	Design	The PRC	28 June 2024
28.	Postal Scale	Innovative (Jiangyin)	29/943,633	Design	The U.S.	22 May 2024
29.	郵政秤 (82838A)	Innovative (Jiangyin)	2024304809486	Design	The PRC	31 July 2024
30.	廚房秤 (82840A)	Innovative (Jiangyin)	2024304857634	Design	The PRC	1 August 2024

No.	Patent	Applicant	Application Number	Patent Type	Place of Application	Date of Application
31.	電烤爐 (XJ-3K076Q0)	MeiNuoWei Electrics	2024300551352	Design	The PRC	26 January 2024
32.	水管 (不銹鋼 62929A)	MeiNuoWei Electrics	2024302340587	Design	The PRC	24 April 2024
33.	攪拌機 (48oz 玻璃電子式 43008C1)	X.J. Electrics (Shenzhen)	2024300363226	Design	The PRC	19 January 2024
34.	攪拌機 (1.5 升琴鍵式 43008A1 、43008B1)	X.J. Electrics (Shenzhen)	2024300363620	Design	The PRC	19 January 2024
35.	便攜式電動刀 (46816A)	X.J. Electrics (Shenzhen)	2024300549831	Design	The PRC	26 January 2024
36.	榨汁機 (可攜式 42988A)	X.J. Electrics (Shenzhen)	2023302120949	Design	The PRC	18 April 2023
37.	便攜式攪拌機 (43016A)	X.J. Electrics (Shenzhen)	2024302597064	Design	The PRC	6 May 2024
38.	攪拌機 (43018A0/A1)	X.J. Electrics (Shenzhen)	2024302597238	Design	The PRC	6 May 2024
39.	便攜式電動刀 (43011A)	X.J. Electrics (Shenzhen)	2024303834103	Design	The PRC	21 June 2024
40.	一種冰淇淋機的刀頭檢測結構	X.J. Electrics (Shenzhen)	2024108655132	Invention	The PRC	28 June 2024
41.	冰淇淋機的杯子升降結構	X.J. Electrics (Shenzhen)	2024218814003	Utility	The PRC	5 August 2024
42.	一種電動刀具消毒裝置	X.J. Electronics (Shenzhen)	202220065414.2	Utility	The PRC	11 January 2022
43.	Electric Cutter Assembly	X.J. Electronics (Shenzhen)	22154598.1	Invention	EU	1 February 2022

No.	Patent	Applicant	Application Number	Patent Type	Place of Application	Date of Application
44.	烤爐 (可烤披薩)	X.J. Electronics (Shenzhen)	2023302236822	Design	The PRC	21 April 2023
45.	Oven	X.J. Electronics (Shenzhen)	29/890, 205	Design	The U.S.	21 April 2023
46.	咖啡杯 (12968A、12969A)	X.J. Electronics (Shenzhen)	2024302935253	Design	The PRC	17 May 2024
47.	咖啡機 (12968A、12969A)	X.J. Electronics (Shenzhen)	2024302934960	Design	The PRC	17 May 2024

(c) Software copyrights

(i) As at the Latest Practicable Date, our Group was the registered owner of the following software copyrights in the PRC which we considered to be material to our business:

No.	Software Name	Registered Owner	Registration Number	Date of Registration
1.	X.J. Electrics (Shenzhen) LED Street Light Remote Network Control Management Software V1.0* (愛思傑LED路燈遠程網絡控制管理軟件V1.0)	X.J. Electrics (Shenzhen)	2017SR003121	4 January 2017
2.	X.J. Electrics (Shenzhen) LED Light Wireless WIFI Intelligent Control Software V1.0* (愛思傑LED燈無線WIFI智能控制軟件 V1.0)	X.J. Electrics (Shenzhen)	2017SR010962	12 January 2017
3.	X.J. Electrics (Shenzhen) LED Lighting Multi-Angle Light Control Software V1.0* (愛思傑LED燈光多角度發光控制軟件V1.0)	X.J. Electrics (Shenzhen)	2017SR010970	12 January 2017
4.	X.J. Electrics (Shenzhen) LED Laser Light Digital Modeling Energy-Saving Intelligent Control Software V1.0* (愛思傑LED鐳射燈數字建模節能智能控制軟件V1.0)	X.J. Electrics (Shenzhen)	2017SR023055	23 January 2017

No.	Software Name	Registered Owner	Registration Number	Date of Registration
5.	X.J. Electrics (Shenzhen) Laser LED Lighting 3D Virtual Design Simulation Software V1.0* (愛思傑鐳射燈LED燈光三維虛擬設計仿真軟件 V1.0)	X.J. Electrics (Shenzhen)	2017SR023061	23 January 2017
6.	X.J. Electrics (Shenzhen) LED Laser Light Dance Lighting Effect Intelligent Control Software V1.0* (愛思傑LED鐳射燈舞會燈光效果智能控制軟件 V1.0)	X.J. Electrics (Shenzhen)	2017SR023647	23 January 2017
7.	X.J. Electrics (Shenzhen) LED Laser Light Real Effect Remote Monitoring APP Platform Software V1.0* (愛思傑LED鐳射燈實景效果遠程監控APP平台軟件 V1.0)	X.J. Electrics (Shenzhen)	2017SR023658	23 January 2017
8.	X.J. Electrics (Shenzhen) LED Street Light Low Voltage DC Power Supply System Software V1.0* (愛思傑LED路燈低壓直流供電系統軟件 V1.0)	X.J. Electrics (Shenzhen)	2017SR042261	14 February 2017

(d) Domain names

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain names which we considered to be material to our business:

No.	Domain name	Registered Owner	Validity Period
1.	xjgroup.com	Shenzhen Branch	From 18 December 2001 to 19 December 2024
2.	xjgroupltd.com	X.J. Electronics (Shenzhen)	From 11 October 2010 to 13 November 2024
3.	xjgroup.cn	Our Company	From 3 December 2010 to 3 December 2024
4.	xjappliance.com	MeiNuoWei Electrics	From 5 December 2010 to 5 December 2024
5.	xjhousewares.com	Shenzhen Branch	From 28 December 2010 to 28 December 2024

No.	Domain name	Registered Owner	Validity Period
6.	xjappliances.com	X.J. Electronics (Shenzhen)	From 20 January 2017 to 20 January 2025
7.	meinuowei.cn	MeiNuoWei Electrics	From 26 November 2019 to 26 November 2024
8.	aigoli.cn	Aigrentrading	From 26 November 2019 to 26 November 2026
9.	xjscale.com	X.J. Electronics (Shenzhen)	From 29 November 2020 to 29 November 2024
10.	thsgroupltd.com	MeiNuoWei Electrics	From 6 April 2021 to 6 April 2026
11.	tumidy.com	Nuocheng Electronic Commerce	From 27 June 2023 to 27 June 2026
12.	aigoli.com	Our Company	From 20 September 2023 to 20 September 2026

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUPERVISORS

1. Particulars of Directors' and Supervisors' contracts

Each of our Directors and Supervisors has entered into a service contract with our Company. The service contracts may be renewed in accordance with the Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors or Supervisors has or is proposed to enter into a service contract with any member of our Group, other than contracts expiring or determinable by the relevant employer within one year without the payment of compensation (other than statutory compensation).

2. Remuneration of Directors and Supervisors

For details of the remuneration or benefits in kind paid to our Directors and Supervisors during the Track Record Period, please see "Directors, Supervisors and Senior Management" and Note 13 to the Accountants' Report in Appendix I to this document.

During the Track Record Period, no fees were paid by our Group to any of our Directors, Supervisors or the five highest paid individuals as an inducement to join us or as compensation for loss of office, and there has been no arrangement under which a Director or Supervisor has waived or agreed to waive any emoluments.

D. DISCLOSURE OF INTERESTS

1. Disclosure of interests of Directors, Supervisors and chief executive of our Company

Immediately following the completion of the **[REDACTED]**, the interest and/or short position (as applicable) of our Directors, Supervisors and chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, once the H Shares are listed, will be as follows:

			Shares held as at the Latest Practicable Date and immediately prior to the [REDACTED](1)		Shares held immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)(1)	
Name of Director, Supervisor or chief executive of our Company	Nature of interest	Class of Shares	Number	Approximate percentage in the total share capital of our Company	Number	Approximate percentage in the total share capital of our Company
Mr. Pan Yun	Beneficial Interest	Domestic Unlisted Shares	110,659,509(L)	54.07%	[110,659,509](L)	[40.55]%
	Interest in controlled corporation(2)	Domestic Unlisted Shares	94,000,000(L)	45.93%	[94,000,000](L)	[34.55]%

Notes:

1. The letter "L" denotes the entity/person's long position (as defined under Part XV of the SFO) in such Shares.

2. As at the Latest Practicable Date, X.J. Management (Qichun) and Qichun Hengxing were owned by Mr. Pan Yun as to 70.37% and 47.50%, respectively. Mr. Pan Yun was the sole general partner of X.J. Management (Qichun) and Qichun Hengxing. X.J. Management (Qichun) and Qichun Hengxing were interested in 54,000,000 Domestic Unlisted Shares and 40,000,000 Domestic Unlisted Shares, respectively. Accordingly, Mr. Pan Yun is deemed to be interested in the Domestic Unlisted Shares held by X.J. Management (Qichun) and Qichun Hengxing under the SFO.

2. Disclosure of interests of substantial shareholders

Save as disclosed in the section headed "Substantial Shareholders" in this document, our Directors are not aware of any person (other than our Director, Supervisor or chief executive of our Company) who will, immediately following completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

3. Disclaimers

Save as disclosed in the sections headed "Business" and "Substantial Shareholders" in this document and the paragraphs headed "C. Further Information about our Directors and Supervisors" and "D. Disclosure of Interests" in this section:

(a) none of our Directors or chief executive has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or Supervisors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;

(c) none of our Directors is interested in any business (other than the business of our Group) which competes or is likely to compete, directly or indirectly, with our business; and

(d) without taking into account any Shares which may be taken up under the **[REDACTED]**, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the **[REDACTED]**, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at shareholders' meetings of any member of our Group in the Shares or underlying Shares of our Company.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

2. Litigation

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

3. Sole Sponsor

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor has made an application on behalf of our Company to the Stock Exchange for **[REDACTED]** of, and **[REDACTED]** in the H Shares to be issued by us pursuant to the **[REDACTED]** (including any H Shares which may be issued pursuant to the exercise of the **[REDACTED]**).

Pursuant to the engagement letter entered into between our Company and the Sole Sponsor, we have agreed to pay the Sole Sponsors a fee of HK$5.5 million to act as the sponsor of our Company in connection with the proposed **[REDACTED]** on the Stock Exchange.

4. Preliminary expenses

Our Company did not incur any material preliminary expenses.

5. Promoters

The promoters of our Company are Mr. Pan Yun, Ms. Ji Ying, Ms. Li Youxiang, Mr. Xu Xiping, Mr. Yi Jie, Mr. Hu Qingfeng, Mr. Ye Huanchun, Ms. Hu Yan, Mr. Zou Chenghou, Mr. Geng Congen, Ms. Yan Li and Ms. Yi Hongliang.

Within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

6. Qualifications of experts

The qualifications of the experts, as defined under the Listing Rules, who have given opinions in this document, are as follows:

Name	Qualification
Sinolink Securities (Hong Kong) Company Limited	A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities under the SFO
Zhong Lun Law Firm	Legal advisers to our Company as to the PRC law
Law Offices of Bin Li & Associates	Legal advisers to our Company as to the U.S. law
SEA Law Firm	Legal advisers to our Company as to Indonesian law
DTL Law Office	Legal advisers to our Company as to Thailand law
Stephen Peepels	Legal advisers to our Company as to international sanctions law
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor
AVISTA Valuation Advisory Limited	Independent property valuer

7. Consents of experts

Each of the parties named above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name included herein in the form and context in which it is respectively included.

As at the Latest Practicable Date, none of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

8. Taxation of holders of H Shares

(a) Hong Kong

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are effected on the H Share register of members of our Company, including in circumstances where such transactions are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.1% of the consideration or, if higher, the fair value of the H Shares being sold or transferred.

(b) Consultation with professional advisers

Intending holders of the H Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the H Shares. It is emphasised that none of our Company, our Directors, Supervisors or the other parties involved in the **[REDACTED]** will accept responsibility for any tax effect on, or liabilities of, holders of H Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the H Shares or exercise of any rights attaching to them.

9. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this document as mentioned in Note 37 to the Accountants' Report in Appendix I to this document.

11. No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position since 30 June 2024 (being the date to which the latest audited consolidated financial statements of the Group were prepared).

12. Miscellaneous

Save as disclosed in the sections headed "History, Development and Corporate Structure", "Business", "Financial Information" and "**[REDACTED]**" in this document and the paragraph headed "A. Further Information about our Group" in this section:

(a) within the two years immediately preceding the date of this document:

(i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued or is proposed to be issued fully or partly paid either for cash or a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share of our Company or any of our subsidiaries; and

(iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debentures of our Company;

(b) there are no founder, management or deferred shares or any debentures in our Company or any of our subsidiaries;

(c) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;

(d) our Company has no outstanding convertible debt securities or debentures;

(e) there is no arrangement under which future dividends are waived or agreed to be waived;

(f) save for our H Shares to be issued in connection with the **[REDACTED]**, none of our equity and debt securities is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;

(g) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures; and

(h) all necessary arrangements have been made to enable the H Shares to be admitted into **[REDACTED]** for clearing and settlement.

13. Bilingual document

The English Language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and Chinese language version of this document, the English language version shall prevail.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, a copy of each of the written consents referred to in "E. Other Information – 7. Consents of Experts" in Appendix VII to this document, and a certified copy of each of the material contracts referred to in "B. Further Information about our Business – 1. Summary of Material Contracts" in Appendix VII to this document.

DOCUMENTS ON DISPLAY

The following documents will be published on the websites of the Stock Exchange (**www.hkexnews.hk**) and our Company (**www.xjgroup.com**) up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this document;

(c) the valuation report from AVISTA Valuation Advisory Limited, the text of which is set out in Appendix II to this document;

(d) the report from Deloitte Touche Tohmatsu in relation to unaudited **[REDACTED]** financial information of our Group, the text of which is set out in Appendix III to this document;

(e) the audited consolidated financial statements of our Group for the years ended 31 December 2021, 2022 and 2023 and for the six months ended 30 June 2024;

(f) the industry report prepared by Frost & Sullivan;

(g) the material contracts referred to in the paragraph headed "B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VII to this document;

(h) the written consents referred to in the paragraph headed "E. Other Information – 7. Consents of Experts" in Appendix VII to this document;

(i) the PRC legal opinion issued by Zhong Lun Law Firm in respect of certain aspects of our Group and the property interests of our Group in the PRC;

(j) the Indonesian legal due diligence report issued by SEA Law Firm in respect of certain aspects of our subsidiary in Indonesia;

(k) the Thai legal opinion issued by DTL Law Office in respect of certain aspects of our subsidiary in Thailand;

(l) the U.S. legal opinions issued by Law Offices of Bin Li & Associates in respect of certain aspects of our subsidiaries in the U.S.;

(m) the memorandum of advice issued by Stephen Peepels in respect of international laws and regulations relating to trade sanctions and export controls of our Group;

(n) the service contracts referred to in the paragraph headed "C. Further Information about Our Directors and Supervisors – 1. Particulars of Directors' and Supervisors' Contracts" in Appendix VII to this document; and

(o) the PRC Company Law, the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, together with their unofficial English translations.