Application Proof of

Fujian Lemo IoT Technology Co., Ltd*
福建樂摩物聯科技股份有限公司

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

(the "Company")

WARNING

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Fujian Lemo IoT Technology Co., Ltd*

福建樂摩物聯科技股份有限公司

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

***Joint Sponsors,* [REDACTED], [REDACTED], [REDACTED] *and* [REDACTED]**

中信建投國際 CHINA SECURITIES INTERNATIONAL

申萬宏源香港 SHENWAN HONGYUAN

The **[REDACTED]** is expected to be determined by agreement between us and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) on or about **[REDACTED]** and, in any event, not later than 12:00 noon on **[REDACTED]**. The **[REDACTED]** will be not more than HK$**[REDACTED]** per H Share and is currently expected to be not less than HK$**[REDACTED]** per H Share, unless otherwise announced. Investors applying for the **[REDACTED]** may be required to pay, on application (subject to application channel), the maximum **[REDACTED]** of HK$**[REDACTED]** per H Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the **[REDACTED]** is lower than HK$**[REDACTED]** per H Share. If, for any reason, the **[REDACTED]** is not agreed between us and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) on or before 12:00 noon on **[REDACTED]** (Hong Kong time), the **[REDACTED]** (including the **[REDACTED]**) will not proceed and will lapse.

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

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[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

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

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

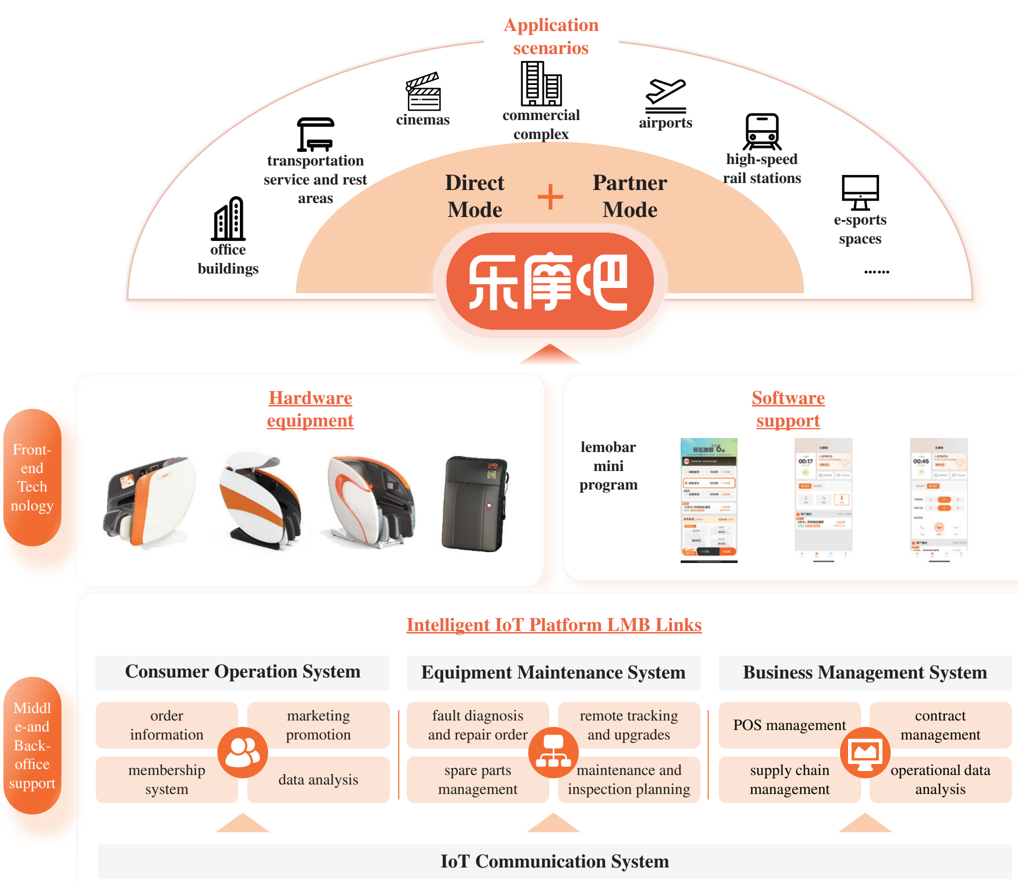
OVERVIEW

We are the leader of intelligent massage service provider in China. According to Frost & Sullivan, we ranked first among all intelligent massage service[1] providers in the PRC in terms of transaction value for three consecutive years from 2021 to 2023, representing a market share of 29.4%, 33.9%, and 37.3% in the corresponding year, respectively, as a dominant player in the market. We launched our "lemobar" (樂摩吧) brand in 2016, integrating innovative intelligent massage devices and digitalized customized services with traditional massage equipment. This combination enables consumers to enjoy more relaxing, convenient, and professional intelligent massage services in various consumption scenarios, including commercial complexes, cinemas and traffic hubs (including airports and high-speed rail stations). As at the Latest Practicable Date, we had established a network of more than 45,000 POS for our intelligent massage service, placing more than 500,000 intelligent massage equipment across 31 provincial-level administrative division and 339 cities in China. We expanded our POS network from 21,727 POS as at 31 December 2022 to 32,141 POS as at 31 December 2023, representing a growth of approximately 47.9% and further expanded to over 45,000 as at the Latest Practicable Date. We have a strong market presence in terms of consumers reach, with a cumulative total of over 150 million identifiable service consumers and more than 28 million registered members as at the Latest Practicable Date.

We pioneered the concept of "Intelligent Massage Space", transforming traditional equipment-based massage into intelligent massage spaces. General equipment-based massage service relies on massage equipment and offers consumers only standardized and fragmented rest experiences. However, according to Frost & Sullivan, with increasing health awareness and higher living standards, there is a growing trend toward customized health management. In response to such market demand, at the beginning of 2024, we implemented a comprehensive strategic upgrade, and introduced the concept of intelligent massage spaces. The intelligent massage space is a multi-dimensional intelligent massage zone designed to cater to different consumption scenarios, integrating advanced intelligent massage equipment, customized massage services, and relaxation and leisure experiences. By applying innovative technologies and designing multi-dimensional spaces, it provides consumers with a more relaxing, convenient, and professional intelligent massage service experience. In terms of innovative technology application: our intelligent massage space is remotely connected to our digital platform, LMB Links, via third-party cloud services, enabling remote and digital monitoring of the network's operations. Meanwhile, the space will be equipped with intelligent massage equipment according to different consumer needs. In terms of multi-dimensional space design, we use our brand color, orange, and our IP "lele Cat" as foundational design elements. By combining the characteristics of different consumption scenarios and local cultural customs, we aim to create a multidimensional intelligent massage service space that integrates privacy and design aesthetics offering consumers a tranquil escape from the busy external environment, blending familiarity with sophistication to create an engaging space for relaxation.

[1] Compared with traditional massage services, intelligent massage services provide massage services through automation technology and intelligent systems, which greatly saves labor costs, ensures consistent, reliable and safe service, improves service efficiency, and reduces the price of a single massage, making it a more cost-effective massage option for consumers.

Our Business System



Building on intelligent massage equipment, integrating our proprietary IoT technologies and digital infrastructure, along with the support of our professional operations and maintenance team, we provide consumers with a comprehensive health and leisure service solution, enabling them to enjoy a intelligent healthy lifestyle anytime, anywhere.

Adopting Dual-line Operation Modes

Our operation modes are mainly categorized into Direct Mode and Partner Mode. Direct Mode is the primary operation mode for our intelligent massage service, with approximately 70% of our POS operating under the Direct Mode as at the Latest Practicable Date. Under the Direct Mode, our in-house operating team manages POS operation, which includes POS site selection, occupancy negotiation, POS site decoration and operation and maintenance of the POS. We also operate through the Partner Mode, whereby we collaborate with Local Partners who leverage their local resources and connection. Under the Partner Mode, our Local Partners are responsible for POS operation, while we provide a comprehensive intelligent massage service solution that includes: (i) the establishment and upgrading of the LMB Links; (ii) the development of the "lemobar" brand; (iii) providing comprehensive guidance on POS operation and maintenance; (iv) supplying intelligent massage equipment and related spare parts; (v) granting access to the LMB Links for necessary operation of the equipment; and (vi) offering customer service assistance to handle consumer complaints. As at the Latest Practicable Date, approximately 30% of our POS were operated under the Partner Mode. Through clear division of responsibilities, collaboration and empowerment, our Local Partners are closely aligned with our business objectives, creating mutually beneficial growth opportunities. As at the Latest Practicable Date, we have established stable partnerships with approximately 80% of our Local Partners for more than 5 years. We believe that our systematic dual-line model of "Direct operation + Local Partner affiliation" is our key differentiation from our competitors, which allows us to efficiently expand our nationwide business coverage while continuously optimizing and improving operational efficiency.

Extensive Scenario Coverage and Continuously Expanding POS Network

We have implemented effective business expansion strategies to systematically grow our POS network nationwide. As of the Latest Practicable Date, we have established over 45,000 POS, covering 31 provincial-level administrative regions and 339 cities, with a leading POS network coverage in the industry. Our POS network spans a variety of high-footfall, high-visibility consumption scenarios, including commercial complexes, cinemas, transportation hubs and other scenarios. In commercial complex scenarios, we typically place intelligent massage equipment in public areas such as atriums and corridors. In cinema scenarios, we typically install intelligent massage pads on the backs of seats inside the theater halls, or place intelligent massage equipment in the movie-waiting areas or ticketing halls within the cinema. For traffic hub scenarios, we typically place intelligent massage equipment in airport terminals or waiting halls. According to F&S Report, as at the Latest Practicable Date, in terms of scenario development, we have achieved the following milestones: (i) 4,757 commercial complexes with a GFA of over 30,000 square meters, accounting for approximately 70% of commercial complexes with GFA of over 30,000 square meters in China; (ii) 1,281 cinemas with an annual box office exceeding RMB five million, accounting for over 50% of cinemas in China with an annual box office exceeding RMB five million; and (iii) 20 airports with an annual passenger throughput exceeding 10 million, accounting for over 50% of airports in China with an annual passenger throughput exceeding 10 million.

Our Digital Operation Platform: LMB Links

Our nationwide operations are supported by industry-leading digital capabilities. Since the launch of the lemobar brand in 2016, we have consistently invested in our digital operation platform, LMB Links. Leveraging LMB Links' powerful digital capabilities, we have successfully built an operational management platform that connects our nationwide POS network. LMB Links covers all aspects of our business operations, including POS network establishment, pricing and income reconciliation, operation and maintenance, marketing and promotion, supply chain management, data processing and business performance analysis.

Our Achievement

150 million+
cumulative identifiable service consumers[1]

28 million+
registered members[1]

RMB909 million
yearly transaction value[2]

330+
cities[1]

45 thousand+
POS[1]

500 thousand+
placed intelligent massage equipment[1]

Note 1: As at the Latest Practicable Date
Note 2: For the year ended 31 December 2023

We have grown consistently during the Track Record Period, with our total revenue reaching RMB330.15 million, RMB586.84 million, RMB442.03 million and RMB614.78 million for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively, representing year-on-year/period-to-period growth of 77.75% and 39.08%, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following strengths facilitate us to establish our presence in the intelligent massage services market:

- We are pioneer and leader in China's intelligent massage service industry, demonstrating significant first-mover advantage
- LMB Links, built upon years of experience, serves as a robust foundation for our large-scale operation of POS and the efficient maintenance of equipment
- Meticulously develop a more relaxing, convenient and professional intelligent massage service to foster consumer preferences
- Diversified operation modes and operation including "Direct+Local Partner" and "Online+Offline", our consumers reach and stickiness has been steadily increasing
- Visionary and experienced management

OUR BUSINESS STRATEGIES

We will continue to pursue the following strategies which will drive further growth:

- Further expand our POS network
- Continue to iterate and enhance our technology, improve service quality and operational efficiency
- Enhance the awareness and exposure of our brand
- Develop the strategic cooperation and explore new business opportunities with synergistic effects

OUR POS NETWORK

We have developed an extensive network of POS for intelligent massage service in the PRC. As at the Latest Practicable Date, we had a POS network of more than 45,000 POS and over 500,000 intelligent massage equipment, covering 31 provincial-level administrative divisions and 339 cities. We carefully consider the unique characteristics of each POS including the geographical location and consumption scenario, enabling us to design and decorate each location in a way that aligns with our target consumers' preferences and enhance the consumer satisfaction across POS.

The table sets forth the breakdown of our POS coverage of our intelligent massage service by operation mode, geographic location and consumption scenario during the Track Record Period:

	As at 31 December				As at 30 September	
	2022		2023		2024	
		%		%		%
By operation mode						
Direct Mode	11,364	52.30	20,038	62.34	29,213	68.47
Partner Mode	10,363	47.70	12,103	37.66	13,455	31.53
By geographic location						
Tier one cities	2,460	11.32	3,748	11.66	5,097	11.95
New tier one cities	6,262	28.82	9,242	28.75	11,721	27.47
Tier two cities	4,474	20.59	7,030	21.87	9,449	22.15
Others	8,531	39.27	12,121	37.71	16,401	38.44
By consumption scenario						
Commercial complexes	12,434	57.23	18,266	56.83	22,851	53.56
Cinemas	5,241	24.12	9,906	30.82	16,018	37.54
Airports	197	0.91	320	1.00	366	0.86
High-speed rail stations	89	0.41	107	0.33	102	0.24
Others	3,766	17.33	3,542	11.02	3,331	7.81
Total	**21,727**	**100.00**	**32,141**	**100.00**	**42,668**	**100.00**

OUR CUSTOMERS AND SUPPLIERS

Our customers mainly comprise (i) retail consumers of our intelligent massage service at our POS under the Direct Mode; and (ii) Local Partners under the Partner Mode. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our revenue from our five largest customers amounted to RMB24.96 million, RMB34.76 million and RMB35.61 million, respectively, accounting for 7.6%, 5.9% and 5.8% of our total revenue for the same periods, respectively. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our revenue from our largest customer amounted to RMB6.28 million, RMB8.35 million and RMB8.62 million, respectively, accounting for 1.9%, 1.4% and 1.4% of our total revenue for the same periods, respectively. To the best knowledge of our Directors, six of the limited partners of Zhangchuang Gongying Platform, who in aggregate hold approximately 10% of registered capital of Zhangchuang Gongying Platform, are interested in each of our major customers respectively. Save for the aforesaid, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in our five largest customers.

Our major suppliers are manufacturers that supply massage equipment and related devices, manufacturers that supply raw materials and spare parts for massage equipment and related devices, as well as POS site providers in the PRC. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our purchases from our five largest suppliers amounted to RMB66.77 million, RMB149.48 million and RMB114.27 million, respectively, accounting for 32.6%, 35.4% and 28.0% of our total purchases for the same periods, respectively. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our purchases from our largest supplier amounted to RMB23.68 million, RMB62.73 million and RMB36.65 million, respectively, accounting for 11.6%, 14.9% and 9.0% of our total purchases for the same periods, respectively. To the best knowledge of our Directors, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in our five largest suppliers.

COMPETITION

We operate in China's intelligent massage service industry. Massage refers to the therapeutic practice of applying pressure, friction, or vibration to the body in order to relieve pain, reduce stress, improve circulation, and promote overall well-being. As part of the massage industry, intelligent massage services integrate advanced technology to enhance the massage experience. They utilize smart devices, IoT and automation to offer personalized, efficient, and highly customized massage sessions. According to Frost & Sullivan, the intelligent massage service market in China is highly concentrated, with a few leading companies dominating the majority of the market. These top players leverage their extensive distribution networks in high-traffic locations like commercial complexes, cinemas, airports, and traffic hubs allowing them to capture a substantial consumer base. According to Frost &

Sullivan, we ranked first among all intelligent massage service providers in the PRC in terms of transaction value for three consecutive years from 2021 to 2023, representing a market share of 29.4%, 33.9%, and 37.3% in the corresponding year, respectively, as a dominant player in the market.

RISK FACTORS

Our operations involve certain risks and uncertainties that are beyond our control. We have categorised our risks into: (i) risks relating to our business and industry; (ii) risks relating to doing business in the countries and regions where we operate; and (iii) risks relating to the [**REDACTED**].

Some of the key risks are summarized as follows: (i) we may not be able to find suitable sites for our POS on commercially acceptable terms, if at all; (ii) if we fail to effectively maintain, promote and enhance our brands, our business and competitive advantages may be harmed; (iii) if we are not able to effectively manage our businesses, our expansion and growth in new consumption scenarios, our business and prospects may be materially and adversely affected; (iv) our results of operation depend on the level of foot traffic and consumption and are thus subject to seasonal fluctuations; and (v) the reliability and proper operation of our LMB Links and massage equipment are crucial to the effective operation of our intelligent massage services.

These risks are not the only significant risks that may affect the value of our Shares. You should carefully consider all of the information set forth in this document and, in particular, should evaluate the specific risks set forth in "Risk Factors" of this document in deciding whether to [**REDACTED**] in our Shares.

SUMMARY OF CONSOLIDATED FINANCIAL INFORMATION

Summary of Consolidated Statements of Profit or Loss and Other Comprehensive Income

The following table sets forth selected items of our consolidated statements of profit or loss and other comprehensive income in absolute amounts for the periods indicated, which have been extracted from the Accountants' Report as set out in Appendix I:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Revenue	330,154	586,836	442,034	614,783
Cost of sales	(244,819)	(341,591)	(238,284)	(369,509)
Gross profit	85,335	245,245	203,750	245,274
Other net income/(loss)	200	(14,489)	(7,692)	(465)
Selling and distribution expenses	(42,749)	(77,114)	(51,007)	(84,670)
Administrative expenses	(18,377)	(29,222)	(21,286)	(28,133)
Research and development expenses	(8,330)	(16,191)	(10,663)	(16,209)
Profit from operations	16,079	108,229	113,102	115,797
Finance costs	(1,329)	(2,008)	(1,212)	(2,543)
Changes in the carrying amount of the redemption liability	(4,985)	(3,007)	(2,756)	(164)
Profit before taxation	9,765	103,214	109,134	113,090
Income tax	(3,284)	(15,874)	(16,400)	(19,980)
Profit and total comprehensive income for the year/period	6,481	87,340	92,734	93,110
Attributable to:				
Equity shareholders of the Company	6,481	87,340	92,734	93,110
Profit and total comprehensive income for the year/period	6,481	87,340	92,734	93,110
Earnings per share				
Basic and diluted (RMB)	0.12	1.69	1.77	1.86

Provision of intelligent massage services has been the main focus of our business operation. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, revenue generated from intelligent massage services amounted to RMB316.13 million, RMB567.71 million, RMB427.65 million and RMB603.85 million, respectively, representing 95.75%, 96.74%, 96.75% and 98.22% of our total revenue in the same periods, respectively. The increase was mainly due to: (i) growth of our accessible consumer base as a result of additional POS and massage equipment supported by our continuous expansion of POS; (ii) growth in the number of transactions, taking into account the steady increase in both number of new consumers and repeated consumers; (iii) growth in the transaction value per transaction order as more consumers ordered intelligent massage services of higher caliber and/or longer duration as a result of the increased stickiness of our consumers and their greater habituation to using intelligent massage services.

Our gross profit was RMB85.34 million, RMB245.25 million, RMB203.75 million and RMB245.27 million during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively. The increase in gross profit from RMB85.34 million for the year ended 31 December 2022 to RMB245.25 million for the year ended 31 December 2023 was mainly attributable to the increase in our revenue due to expansion of the POS network, especially under Direct Mode and revival of consumption activities in the PRC in general for the year ended 31 December 2023 subsequent to the public health incident. The increase in gross profit from RMB203.75 million for the nine months ended 30 September 2023 to RMB245.27 million for the nine months ended 30 September 2024 was mainly attributable to our POS expansion and the growth in terms of number of consumers and transaction orders for our intelligent massage services.

Our gross profit margin generated from our intelligent massage services was 24.66%, 41.47%, 45.76% and 40.04% for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively. The increase in gross profit margin from 24.66% for the year ended 31 December 2022 to 41.47% for the year ended 31 December 2023 was mainly attributable to the underperformance of consumer activities for the year ended 31 December 2022 due to the impact of the public health incident during which we still incurred considerable costs such as POS and related expenses, and the recovery of consumer activities in the market in 2023 when more public venues were reopened, which led to an increase in average transaction value per POS. The decrease in gross profit margin from 45.76% for the nine months ended 30 September 2023 to 40.04% for the nine months ended 30 September 2024 was mainly attributable to increase in expenses due to (i) initial cost incurred for expansion of our business scale and extension of market penetration in terms of geographical coverage to establish more POS in cities/regions of lower tier, where our service fee is generally lower in these areas; and (ii) increased expenditure in respect of operating and maintenance personnel, resulting in a slowdown in gross profit growth.

For more discussion of our consolidated statements of profit or loss and other comprehensive income, see "Financial Information — Description of Major Components in Consolidated Statements of Profit or Loss and Other Comprehensive Income."

Non-IFRS Measures

When evaluating our business, we use non-IFRS measures, namely, adjusted net profit or loss, as additional financial measures, which are not required by, or presented in accordance with IFRS accounting standards. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit or loss may not be comparable to similarly titled financial measures presented by other companies. The use of such non-IFRS measures has limitations as analytical tools, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit (non-IFRS measures) as profit for the year/period adjusted for (i) equity-settled share-based payment expenses; and (ii) [**REDACTED**] expenses.

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Profit for the year/period	6,481	87,340	92,734	93,110
Add:				
Equity-settled share-based payment expenses	2,053	7,238	5,949	4,123
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit for the year/period (non-IFRS measures)	**8,534**	**94,578**	**98,683**	**100,200**

Selected Items of Consolidated Statements of Financial Position

The following table sets forth a summary of our liquidity and working capital as of the dates indicated:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Current assets			
Financial assets measured at fair value through profit or loss	20,519	15,751	19,778
Inventories	5,411	6,198	8,910
Trade and other receivables	46,905	63,594	71,354
Prepayments	39,457	76,228	93,597
Cash and cash equivalents	43,211	38,891	27,804
	155,503	200,662	221,443
Current liabilities			
Trade and other payables	69,752	152,184	135,920
Contract liabilities	2,676	4,244	3,571
Bank loans	18,271	42,425	48,612
Lease liabilities	4,682	8,426	6,740
Redemption liability	75,062	16,009	–
Other current liabilities	33	100	94
Current taxation	2,951	9,116	13,844
	173,427	232,504	208,781
Net current (liabilities)/assets	(17,924)	(31,842)	12,662

We had net current liabilities of RMB17.92 million as at 31 December 2022 mainly attributable to the redemption liability incurred from redemption right of an investor, namely Cornerstone Yixiang, who entered into an investment agreement with our Company in December 2017. Pursuant to the aforesaid investment agreement, Cornerstone Yixiang was entitled to require the Company to fully redeem its shares. See note 24 to the Accountants' Report as set out in the Appendix I to this document for details of redemption liability.

We had net current liabilities of RMB31.84 million as at 31 December 2023 compared to net current liabilities of RMB17.92 million as at 31 December 2022. The increase in net current liabilities position was mainly attributable to the increase in trade and other payables due to declaration of dividends of RMB23.75 million for the year ended 31 December 2023 (see note 28(b) to the Accountants' Report as set out in the Appendix I to this document for details) and increased acquisition of massage equipment and site occupancy fee for our business expansion, increase in bank loans due to increased acquisition of massage equipment and site occupancy fee for our business expansion, while the aforesaid redemption liability was partially settled in 2023.

We recorded net current assets of RMB12.66 million as at 30 September 2024 compared to the net current liabilities of RMB31.84 million as at 31 December 2023, mainly because redemption liability became nil due to the termination of redemption right by Cornerstone Yixiang in February 2024.

Selected Items from the Consolidated Cash Flow Statements

The table below sets forth our cash flows during the periods indicated:

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Net cash generated from operating activities	83,312	164,280	155,780	175,414
Net cash used in investing activities	(55,066)	(136,826)	(83,208)	(145,170)
Net cash used in financing activities	(6,418)	(31,774)	(44,381)	(41,331)
Net change in cash and cash equivalents	21,828	(4,320)	28,191	(11,087)
Cash and cash equivalents at the beginning of the year/period	21,383	43,211	43,211	38,891
Cash and cash equivalents at the end of the year/period	43,211	38,891	71,402	27,804

For details, see "Financial Information — Liquidity and Capital Resources — Cash flow"

KEY FINANCIAL RATIOS

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

	As at/Year ended 31 December		As at/Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
Net profit margin	1.96%	14.88%	20.98%	15.15%
Adjust net profit margin (non-IFRS measures)	2.58%	16.12%	22.32%	16.30%
Current ratio	0.90	0.86	N/A	1.06
Quick ratio	0.87	0.84	N/A	1.02
Gearing ratio	135.65%	58.13%	N/A	29.64%

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

OUR CONTROLLING SHAREHOLDERS

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Xie, directly and indirectly (through Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform as their general partner), will be entitled to exercise the voting rights attaching to approximately [**REDACTED**] of the issued share capital of our Company. Accordingly, upon completion of the [**REDACTED**], Mr. Xie, Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform will collectively constitute a group of Controlling Shareholders of our Company. For details in relation to our Controlling Shareholders, see "Relationship with our Controlling Shareholders."

[REDACTED] INVESTMENTS

[**REDACTED**] Investments in our Company were undertaken by each of Pan Jianzhong, Li Bin, Cornerstone Yixiang, Shanghai Qimai, Wang Zhenghua, Dai Chusheng, Fang Xin, Chen Guohai as our [**REDACTED**] Investors. For details of the background of the [**REDACTED**] Investors and the principal terms of the [**REDACTED**] Investments, see "History and Corporate Structure — [**REDACTED**] Investments."

LEGAL COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had non-compliance incidents regarding the social insurance and housing provident fund contributions. See "Business — Legal Proceedings and Regulatory Compliance" for details.

RECENT DEVELOPMENT

Since 30 September 2024 and up to the Latest Practicable Date, we continued to steadily expand our business. Our number of POS and massage equipment surpassed 45,000 and 500,000 as at the Latest Practicable Date as compared with that of 42,668 and 402,121 as at 30 September 2024, respectively. Going forward, we shall continue to expand our POS network to capture a wider consumer base and deepen the market penetration of our business operation.

No Material Adverse Change

Our Directors confirm that, as of the date of this document, there has been no material adverse change in our financial and trading positions or prospects since 30 September 2024, being the end of the period reported on in the Accountants' Report as set out in Appendix I.

DIVIDENDS

During the years ended 31 December 2023, our Company declared dividends of RMB23.75 million to its equity shareholders.

During the nine months ended 30 September 2024, our Company declared dividends of RMB20.00 million to its equity shareholders.

We do not currently have a fixed dividend policy and may declare dividends from time to time as our Board considers appropriate in compliance with our Articles of Association and the applicable laws and regulations. See "Financial Information — Dividend" for details.

[REDACTED] STATISTICS

	Based on the [REDACTED] of HK$[REDACTED] per Share	**Based on an [REDACTED] of HK$[REDACTED] per Share**
[**REDACTED**] of our Shares[1]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
[**REDACTED**] of our H Shares[2]	HK$[**REDACTED**] million	HK$[**REDACTED**] million
Unaudited [**REDACTED**] adjusted consolidated net tangible asset value per Share[3]	HK$[**REDACTED**]	HK$[**REDACTED**]

Notes:

1. The calculation of the [**REDACTED**] of our Shares is based on the assumption that [**REDACTED**] Shares will be in issue immediately upon completion of the [**REDACTED**].
2. The calculation of the [**REDACTED**] of our H Shares is based on the assumption that [**REDACTED**] H Shares will be in issue immediately upon completion of the [**REDACTED**], comprising [**REDACTED**] H Shares to be issued pursuant to the [**REDACTED**], [**REDACTED**] H shares to be converted from Unlisted Shares.
3. The unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in the section headed "Appendix II — Unaudited [**REDACTED**] Financial Information" in this document.

[**REDACTED**]

We estimate that our [**REDACTED**] will be HK$[**REDACTED**] million, representing [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]), which consists of (i) [**REDACTED**]-related expenses (including but not limited to [**REDACTED**] and fees) of HK$[**REDACTED**] million, and (ii) [**REDACTED**] expenses of HK$[**REDACTED**] million, including (a) fees and expenses of legal advisers and accountants of HK$[**REDACTED**] million, and (b) other fees and expenses of HK$[**REDACTED**] million. HK$[**REDACTED**] million of the [**REDACTED**] is directly attributable to the issue of our H Shares to the [**REDACTED**] and is expected to be recognized directly as a deduction from equity upon the [**REDACTED**], HK$[**REDACTED**] million has been expensed during the years ended 31 December 2022 and 2023 and nine months ended 30 September 2024 and the remaining amount of HK$[**REDACTED**] million of the [**REDACTED**] is expected to be expensed prior to the [**REDACTED**].

FUTURE PLANS AND [REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**], we estimate that we will receive [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million (after deducting the [**REDACTED**] and other estimated expenses paid and payable by us in relation to the [**REDACTED**]). We intend to use the [**REDACTED**] from the [**REDACTED**] for the purposes and in the amounts set forth below:

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for expanding the coverage and penetration of our POS network;
- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for the ongoing enhancement and iteration of our technology;
- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for enhancing our brand; and
- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, for supporting working capital and other general corporate purposes.

See "Future Plans and [**REDACTED**]."

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.

"2021 Share Incentive Scheme"	the share incentive scheme adopted by our Company on 1 December 2021
"2023 Share Incentive Scheme"	the share incentive scheme adopted by our Company on 8 September 2023
"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 of Hong Kong
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Beijing Momole"	Beijing Momole Film and Television Technology Co., Ltd* (北京摩魔樂影視科技有限責任公司), a limited liability company established under the laws of the PRC on 15 September 2017
"Board" or "Board of Directors"	the board of Directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public

[**REDACTED**]

"Chengdu Lemo"	Lemo IoT Technology (Chengdu) Co., Ltd.* (樂摩物聯科技(成都)有限公司), a limited liability company established under the laws of the PRC on 28 December 2022, being one of our subsidiaries

"Chengfu Lemo"	Fuzhou Jin'an Chengfu Lemo Health Technology Co., Ltd.* (福州晉安承扶樂摩健康科技有限公司), a limited liability company established under the laws of the PRC on 27 June 2023, being a subsidiary of our Company during the Track Record Period which was deregistered on 9 May 2024
"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"	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"	Fujian Lemo IoT Technology Co., Ltd* (福建樂摩物聯科技股份有限公司), a limited liability company established under the laws of the PRC on 29 May 2014, formerly known as Fujian Lemo IoT Technology Co., Ltd* (福建樂摩物聯科技有限公司) and Fuzhou Zhangchuang Information Technology Co., Ltd.* (福州掌創信息技術有限公司), and converted into a joint stock company with limited liability on 29 August 2024
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise required, refers to Mr. Xie, Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Cornerstone Yixiang"	Ma'anshan Cornerstone Yixiang Equity Investment Partnership Enterprise (LLP)* (馬鞍山基石億享股權投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 12 May 2016, our [**REDACTED**] Investor

"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	a deed of indemnity dated [●] entered into by Mr. Xie in favour of our Company (for itself and as trustee for each member of our Group), particulars of which are set out in "E. Other Information — 2. Tax and Other Indemnities" in Appendix IV to this document
"Deed of Non-competition"	a deed of non-competition dated [●] entered into by our Controlling Shareholders in favor of our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in "Relationship with Controlling Shareholders — Deed of Non-Competition" in this document
"Director(s)"	the director(s) of our Company
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below

[**REDACTED**]

"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent market research and consulting company
"Frost & Sullivan Report" or "F&S Report"	the independent industry report prepared by Frost & Sullivan as commissioned by us, a summary of which is set forth in the section headed "Industry Overview" in this document
"Fu'an Lemo"	Fu'an Lemo Health Technology Co., Ltd* (福安樂摩健康科技有限公司), a limited liability company established under the laws of the PRC on 16 March 2021, being one of our subsidiaries

"Fujian Rovos"	Fujian Rovos Fitness Co. Ltd.* (福建榮耀健康科技股份有限公司), a joint stock company with limited liability company established under the laws of the PRC on 18 December 2007, which is quoted on the NEEQ stock code: 873733.
"Fuzhou Realm"	Fuzhou Realm Information Technology Co., Ltd* (福州境界信息技術有限公司), a limited liability company established under the laws of the PRC on 29 February 2012

[**REDACTED**]

"Group", "our Group", "our", "we", or "us"	the Company and all of its subsidiaries, or any one of them as the context may require
"Guangzhou Lemo"	Lemo IoT Technology (Guangzhou) Co., Ltd* (樂摩物聯科技(廣州)有限公司), a limited liability company established under the laws of the PRC on 28 November 2022, being one of our subsidiaries
"Guide"	Guide for New Listing Applicants issued by the Hong Kong Stock Exchange on 29 November 2023 and became effective on 1 January 2024, as amended or supplemented from time to time
"H Share(s)"	overseas [**REDACTED**] foreign share(s) in our ordinary share capital with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an [**REDACTED**] has been made for [**REDACTED**] and permission to [**REDACTED**] on the Stock Exchange

[**REDACTED**]

"Hangzhou Lemo"	Lemo IoT Technology (Hangzhou) Co., Ltd. (樂摩物聯科技(杭州)有限公司), a limited liability company established under the laws of the PRC on 30 November 2022, being one of our subsidiaries
"HK$" or "HK dollar(s)"	HK dollars, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of PRC
"Hong Kong Listing Rules" or "Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time

[**REDACTED**]

"Hui Chun Tang"	Fuzhou Hui Chun Tang Health Management Service Co., Ltd* (福州惠春堂健康管理服務有限公司), a limited liability company established under the laws of the PRC on 17 April 2023
"IFRS"	IFRS Accounting Standards issued by the International Accounting Standards Board
"Independent Third Party(ies)"	person(s) or company(ies), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons

[**REDACTED**]

"Latest Practicable Date"	15 January 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
"Lemo Gongchuang Platform"	Pingtan Lemo Gongchuang Investment Partnership Enterprise (LLP)* (平潭樂摩共創投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 19 November 2021, being one of our Controlling Shareholders
"Lemo Gongying Platform"	Pingtan Lemo Gongying Investment Partnership Enterprise (LLP)* (平潭樂摩共贏投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 23 August 2023, being one of our Controlling Shareholders
"Lemo Health"	Fuzhou Lemo Health Technology Co., Ltd* (福州樂摩健康科技有限公司), a limited liability company established under the laws of the PRC on 11 July 2022, being one of our subsidiaries
"Lemo Selected"	Fuzhou Lemo Selected Life Service Technology Co., Ltd* (福州樂摩優選生活服務科技有限公司), a limited liability company established under the laws of the PRC on 24 November 2022, being one of our subsidiaries

[**REDACTED**]

"Listing Committee"	the listing committee of the Hong Kong Stock Exchange

[**REDACTED**]

"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operates in parallel with the GEM of the Hong Kong Stock Exchange
"Mr. Xie"	Mr. Xie Zhonghui (謝忠惠), being one of our Controlling Shareholders

"NEEQ"	the National Equities Exchange and Quotation (全國中小企業股份轉讓系統), a PRC over-the-counter system for trading shares for public companies

[**REDACTED**]

"PRC" or "China"	the People's Republic of China, excluding for the purposes of this document only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
"PRC Securities Law"	the Securities Law of the PRC (中華人民共和國證券法), as amended, supplemented or otherwise modified from time to time

"PRC Government"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
"PRC Law"	the laws and regulations of the PRC, without reference to the laws and regulations of Hong Kong and Macao Special Administrative Region and the relevant regulations of Taiwan region
"PRC Legal Advisor"	AllBright Law Offices, legal advisor to our Company as to PRC Law
"PRC GAAP"	the accounting principles generally accepted in the PRC

[**REDACTED**]

"Regulation S"	Regulation S under the U.S. Securities Act

"Relevant Persons"	has the meaning ascribed to it in chapter 4.4 of the Guide, which means the Company, our investors and shareholders and persons who might, directly or indirectly, be involved in permitting the [**REDACTED**], [**REDACTED**], [**REDACTED**] and [**REDACTED**] of our Shares, including the Joint Sponsors, the [**REDACTED**], the Stock Exchange, [**REDACTED**], [**REDACTED**] and the SFC
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAMR"	State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Future Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shanghai Lemo"	Lemobar (Shanghai) IoT Technology Co., Ltd. (樂摩吧(上海)物聯科技有限公司), a limited liability company established under the laws of the PRC on 9 February 2023, being one of our subsidiaries
"Shanghai Qimai"	Shanghai Qimai Consulting Management Partnership Enterprise (LLP) (上海祁脈諮詢管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 1 April 2020, our [**REDACTED**] Investor
"Share(s)"	ordinary share(s) in the capital of our Company, with a nominal value of RMB1.00 each, comprising our Unlisted Shares and our H Shares
"Shareholder(s)"	holder(s) of Share(s)

[**REDACTED**]

"STA"	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
"State Council"	the State Council of the PRC (中華人民共和國國務院)

"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholders"	has the meaning ascribed thereto under the Listing Rules
"Suzhou Lemo"	Lemo IoT Technology (Suzhou) Co., Ltd. (樂摩物聯科技(蘇州)有限公司), a limited liability company established under the laws of the PRC on 8 December 2022, being one of our subsidiaries
"Takeovers Code"	the Code on Takeovers and Mergers and Share Buybacks published by the SFC (as amended, supplemented or otherwise modified from time to time)
"Track Record Period"	the period comprising the two financial years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024

[**REDACTED**]

"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Unlisted Shares"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.0 each, which is/are not listed on any stock exchange
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended, supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

"Zhangchuang Gongying Platform"	Pingtan Zhangchuang Gongying Future Investment Partnership Enterprise (LLP)* (平潭掌創共贏未來投資合夥企業(有限合夥)), formerly known as Fuzhou City Gulou District Zhangchuang Gongying Future Investment Partnership Enterprise (LLP) 福州市鼓樓區掌創共贏未來投資合夥企業(有限合夥), a limited partnership established under the laws of the PRC on 21 April 2017, being one of our Controlling Shareholders
"%"	per cent

* *For identification purpose only*

If there is any inconsistency between the Chinese names of the laws and regulations, governmental authorities, institutions, natural persons, entities or enterprises established in the PRC mentioned in this document and their English translations, the Chinese names shall prevail. The English translations of such Chinese names are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain technical terms used in this document. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"API"	application programming interface
"CAGR"	compound annual growth rate
"Direct Mode"	the operation mode for our intelligent massage service under which we are responsible for sourcing POS sites, as well as the design, decoration, operation, and ongoing maintenance of the POS locations. See "Business — Our Business Segments — Intelligent Massage Service — Direct Mode and Partner Mode" for details
"GFA"	gross floor area
"IC"	integrated circuit
"intelligent massage service"	intelligent massage services with advanced technology integrated to enhance the massage experience, by utilization of smart devices, digitalized systems, IoT and automation to offer personalized, efficient and highly customized massage sessions
"intelligent massage space"	a multi-dimensional massage space with independent and private attributes developed based on traditional intelligent device massage, featuring brand recognition, industry leadership and application unity tailored to different consumption scenarios, which empowers consumers to enjoy intelligent healthy life services and experiences
"LMB Links"	IT platform self-developed by our Group, namely lemobar Links, which is based on cloud architecture and big data and consists of a consumer operation system, an equipment operation and maintenance system and a business management system

"IoT"	the Internet of Things, a network of physical objects or things embedded with electronics, software, sensors, and network connectivity, which enables these objects to collect and exchange data
"IT"	information technology
"Local Partner(s)"	entity(ies) who are responsible for sourcing and establishing POS in local regions under our Partner Mode
"new tier one cities"	cities specified by China Business News (《第一財經》) ([2024]) as such and for the purpose of this document, Chengdu, Chongqing, Hangzhou, Wuhan, Xi'an, Suzhou, Tianjin, Nanjing, Zhengzhou, Changsha, Dongguan, Wuxi, Qingdao, Ningbo and Hefei
"OA"	office automation
"OTA"	over-the-air
"Partner Mode"	the operation mode for our intelligent massage service under which the Local Partners are responsible for sourcing POS sites, operating the POS, and maintaining the massage equipment, while we provide a comprehensive massage solution, including provision of guidance on POS selection, design, and decoration, as well as marketing and promotional strategies, massage equipment, and software and hardware support through our LMB Links. See "Business — Our Business Segments — Intelligent Massage Service — Direct Mode and Partner Mode" for details
"POS"	point(s) of service for our intelligent massage service
"QR code"	quick response code
"R&D"	research and development

"Site Manager(s)"	the management company(ies) authorised by the owner of the sites, at where our POS are situated, to enter into the site occupancy agreement with us
"SME(s)"	small and medium-sized enterprises
"tier one cities"	cities specified by China Business News (《第一財經》) ([2024]) as such and for the purpose of this document, Beijing, Shanghai, Guangzhou and Shenzhen
"tier two cities"	cities specified by China Business News (《第一財經》) ([2024]) as such and for the purpose of this document, Foshan, Shenyang, Kunming, Fuzhou, Xiamen, Jinan, Dalian, Harbin, Wenzhou, Shijiazhuang, Quanzhou, Nanning, Changchun, Nanchang, Guiyang, Jinhua, Changzhou, Huizhou, Jiaxing, Nantong, Xuzhou, Taiyuan, Zhuhai, Zhongshan, Lanzhou, Taizhou, Shaoxing, Yantai, Baoding and Weifang

FORWARD-LOOKING STATEMENTS

This document contains certain forward-looking statements and information relating to us and our subsidiaries 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", "estimate", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. 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 risk factors as described in this document and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- our capital expenditure plans;
- our operation and business prospects;
- our financial condition;
- availability of bank loans and other forms of financing;
- our ability to control or reduce costs;
- our dividend policy;
- the actions of and developments affecting our major customers and suppliers;
- the ability to attract and retain our customers;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- the amount and nature of, and potential for, future development of our business;
- future developments, trends and conditions in the industries and markets in which we operate;

- changes to the regulatory environment, policies, operating conditions and general outlook in the industries and markets in which we operate;

- general economic, political and business conditions in the PRC; and

- certain statements included in the sections headed "Risk Factors", "Industry Overview", "Regulatory Overview", "Business", "Financial Information" and "Future Plans and [**REDACTED**]" in this document with respect to operations, margins, overall market trends, risk management and exchange rates.

By their nature, certain disclosures relating to these and other risks are only estimates and should one or more of these uncertainties or risks materialise or should underlying assumptions prove to be incorrect, our financial condition and actual results of operations may be materially and adversely affected and may vary significantly from those estimated, anticipated or projected, as well as from historical results.

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, the forward-looking statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. Moreover, the inclusion of forward-looking statements should not be regarded as representations by us that our plans and objectives will be achieved or realized. 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 any of our 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. You should carefully consider all of the information in this document, including the risks and uncertainties described below, as well as our financial statements and the related notes, and the "Financial Information" section, before deciding to* [**REDACTED**] *in our H Shares. The following is a description of what we consider to be our material risks. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In any such event, the* [**REDACTED**] *of our H Shares could decline, and you may lose all or part of your investment.*

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, and will not be updated after the date hereof, and is subject to the cautionary statements in the section headed "Forward-Looking Statements" in this document.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We may not be able to find suitable sites for our POS on commercially acceptable terms, if at all.

Our performance significantly depends on our ability to identify and secure suitable and strategic locations for our existing and new POS. The success of our business and expansion strategy relies on our capacity to find locations that meet our operational criteria and are commercially viable. When evaluating potential sites, we consider various factors, including foot traffic, consumer spending power, proximity to complementary services, and historical performance data from similar locations.

However, we cannot assure that we will consistently identify suitable sites that align with our strategic objectives on terms that are favorable to us. Although highfoot-traffic areas such as commercial complexes, cinemas, and airports are desirable, they may not always provide the necessary conditions for our business model, such as adequate space, favorable lease terms, or alignment with our operational requirements.

Fluctuations in the expenses in relation to POS including site occupancy fee in mainland China may also affect our capacity to negotiate favorable terms. We are responsible for bearing the POS and related expenses under the Direct Mode while such expenses are borne by the Local Partners under the Partner Mode. In case there is any rise in POS and related expenses could compel us to reconsider potential sites or limit our expansion plans to less desirable locations. Should there be difficulties in securing suitable locations in our target regions, our business, financial condition, and results of operations could be adversely affected. Furthermore, external factors such as compulsory acquisitions, redevelopment and renovation initiatives of the Site Managers, material changes of sites, operation adjustments of sites or other disruptions could necessitate the closure or demolition of our POS. Such occurrences would further complicate our ability to maintain a stable and effective network of POS, potentially leading to decreased revenue and operational challenges. We therefore cannot assure that we will be able to secure our existing strategic sites on terms commercially acceptable to us. If we encounter difficulties in securing suitable locations in regions that we have entered or plan to expand into, our business, financial condition, and results of operations may be adversely affected.

Our brand are integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantages may be harmed.

We believe that maintaining, promoting and enhancing our brand "lemobar" "樂摩吧", is critical to our business. The strength of our brand relies heavily on our ability to consistently provide high-quality, well-designed, reliable, and innovative intelligent massage services, which we cannot guarantee we will achieve.

As competition in the intelligent massage services market increases, the importance of brand recognition becomes even more significant. In addition to offering reliable and innovative services at competitive prices, successful promotion of our brand will depend on the effectiveness of our marketing efforts. We mainly utilize online channels to market our brand, including marketing and promotional activities on various online marketing platforms and social media. Word-of-mouth referrals from satisfied consumers and consumers also tend to play a crucial role in promoting our brand.

In the future, we plan to continue investing in these efforts. However, we cannot assure you that our selling and marketing expenditures will lead to increased revenue. Even if we do see revenue growth, it may not be sufficient to offset the expenses incurred in promoting our brand. If we fail to effectively maintain and enhance "lemobar" "樂摩吧", our competitive advantages may be compromised, negatively impacting our business and financial performance.

If we are not able to effectively manage our businesses, our expansion and growth in new consumption scenarios, our business and prospects may be materially and adversely affected.

During the Track Record Period, our Company has established a sound presence in tier one cities, new tier one cities and tier two cities with a considerable market share in high foot traffic consumption scenarios such as commercial complexes, cinemas and airports. We recorded total transaction value of RMB555.56 million, RMB909.75 million and RMB903.65 million for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024.

To capitalize on these opportunities, we plan to (i) further increase our penetration rate in the existing major consumption scenarios, including commercial complexes, cinemas and airports; (ii) expand our POS network by introducing our services in more diverse consumption scenarios; and (iii) increase our market presence in cities of different tiers. This expansion requires enhancement of our operational and management systems, as well as the successful integration of our IT infrastructure and IoT technologies. Such initiatives necessitate substantial capital investment and management resources, which we must allocate efficiently.

The economic development level and consumer preferences may differ significantly among different consumption scenarios and geographical locations. For instance, the nature of different consumption scenarios can influence consumers. According to Frost & Sullivan, in terms of intelligent massage services, Consumers in tier-one cities, new tier-one cities and tier-two cities often prioritize premium services, brand reputation, and technological innovation, while those in cities of lower tiers may place more emphasis on affordability, accessibility, and practical benefits.

Our ability to understand and adapt to different consumer behaviors will be critical to our success. If we fail to adapt our strategies to effectively address varying unique market conditions, our growth potential may be limited. Therefore, any failure to effectively manage our expansion efforts or to adapt to the complexities of the existing and new markets may have a material adverse effect on our business, financial condition and results of operation.

Our results of operation depend on the level of foot traffic and consumption and are thus subject to seasonal fluctuations.

Our financial performance is subject to seasonal fluctuations, which can significantly affect our results of operations.

The third quarter is a typical peak season for the intelligent massage services market, as various consumption scenarios such as commercial complexes and airports experience increased foot traffic due to the summer vacation. Conversely, the fourth quarter represents a typical off-peak season for the intelligent massage services market, as the heavy clothing worn in winter affects the massage experience, and some consumers would find it inconvenient to remove coats in public, which would lead to a decrease in demand for intelligent massage services.

As a result of these seasonal fluctuations, comparisons of transaction value and our results of operations between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance. Also, should there be a significant reduction in demand for our services in any particular period of any year, our business, financial condition and results of operations may be adversely affected.

The reliability and proper operation of our LMB Links and massage equipment are crucial to the effective operation of our intelligent massage services. Any interruption, failure or malfunction could significantly disrupt our business activities, harm our reputation, and reduce customer trust.

Our business relies on the secure and efficient operation of our LMB Links and intelligent massage equipment as we derive revenue primarily from the provision of intelligent massage services. During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our revenue from the provision of intelligent massage services amounted to RMB316.13 million, RMB567.71 million, and RMB603.85 million, respectively, representing 95.75%, 96.74% and 98.22% of our total revenue for the same periods, respectively.

Our LMB Links conducts POS management, real-time operations, performance monitoring, order management etc.. Each massage equipment in our POS network is connected to LMB Links and as of the Latest Practicable Date, we had more than 500,000 massage equipment within our POS network. Any disruptions in respect of LMB Links and massage equipment due to technical failures, network breakdowns, telecommunication failures, power outages, human error, and natural disasters, maintenance issues, software bugs, cyberattacks, or unforeseen adverse events can hinder the functionality of our LMB Links and massage equipment, may be affected, leading to potential disruptions to our business operations.

Investments to enhance the reliability and security of our LMB Links and technology infrastructure may incur substantial costs, potentially affecting our operating margins. There is no assurance that these investments will successfully mitigate the risks of service interruptions or enhance overall operational reliability. Failure to maintain effective technology infrastructure could lead to regulatory scrutiny and adversely affect our financial condition and growth prospects.

We cannot assure you that future failures or malfunctions in respect of our LMB Links and massage equipment will not occur. Any incidents resulting in system failures or malfunctions of our operational systems or massage equipment could negatively impact our ability to receive orders and payments, which could adversely affect our ability to carry out our business effectively and efficiently, and could materially and adversely affect our financial condition and results of operations.

We face risks relating to external service providers or platforms, including cloud service, technological infrastructure, payment service and social media platforms, which may materially and adversely affect our business, financial condition and results of operations.

We rely on external service providers for various functions in our business operation, including cloud service, technological infrastructure, payment service and social media platform etc.. If these external service providers do not perform adequately, our relationships with these external service providers were to terminate, or the services or operations of any of these external service providers are interrupted, deteriorate or become more costly, we may not be able to locate suitable alternatives on terms and conditions commercially acceptable to us in a timely manner, or at all. In such case, our corresponding business function could be adversely affected, which would have a direct impact on our business performance.

Moreover, the laws and regulations governing such external service providers, such as those in relation to payment services can be complex and constantly changing. Any actual or alleged failure by our external service providers to comply with the applicable rules and regulations may materially and adversely affect our business, financial condition and results of operations.

Any failure or perceived failure to comply with data privacy and security laws, or other concerns about our practices or policies with respect the collection, use, storage, retention, transfer, disclosure and other processing of data, could subject us to potential liabilities.

Our business operations mainly involve the collection, use and storage of data, mainly for the identification of the registered members and the provision of services for them. See "Business — Data Security and Privacy." Accordingly, our business operations are subject to various data privacy and security laws, such as the Data Security Law of the PRC (《中華人民共和國數據安全法》), revised Cybersecurity Review Measures (《網絡安全審查辦法》), the Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》), Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) the Administrative Measures on Data Security in the Field of Industry and Information Technology (for Trial Implementation) (《工業和信息化領域數據安全管理辦法(試行)》) and the Method for Identifying the Illegal Collection and Use of Personal Information by Apps (《APP違法違規收集使用個人信息行為認定方法》). See "Regulatory Overview — Regulations Relating to Data, Cyber and Information Security." We may become subject to additional regulatory requirements regarding data protection and data privacy, which may necessitate adjustments to our data framework and incur additional costs. Any failure or perceived failure to comply with data privacy and security laws, or other concerns about our practices or policies with respect to the collection, use, storage, retention, transfer, disclosure and other processing of data and cybersecurity, could subject us to potential liabilities, reputational damage, and loss of customer trust. In addition, our compliance costs and operational complexity may increase in line with our business expansion. Any failure to closely monitor the relevant regulatory evolvements could subject us to potential liabilities, further materially and adversely affecting our business, financial condition and results of operations.

Systems disruptions, Distributed Denial of Service attacks, or other hacking and phishing attacks on our systems and security breaches may delay or interrupt services to our customers, harm our reputation and subject us to significant liability, which, in turn, may adversely affect our business, results of operations, and financial results.

In the past, we were subject to the potential risk of system disruptions and Distributed Denial of Service attacks. While we have not experienced system disruptions, and have adopted a series of defense technologies, our infrastructure may be subject to such attacks and breaches in the future and we cannot assure you that any applicable recovery system, security protocol, network protection mechanisms or other defense procedures are, or will be, adequate to prevent such network or service interruptions, system failures or data losses. Additionally, our infrastructure and systems may also be breached if any vulnerabilities therein are exploited by unauthorized third parties.

Since techniques used to obtain unauthorized access change frequently and the scale of Distributed Denial of Service, hacking, and phishing attacks are increasing, we may not be able to implement sufficient preventative measures or stop the attacks while they are occurring. A Distributed Denial of Service attack, other hacking and phishing attacks or security breaches could delay or interrupt our services to our customers. Any actual or perceived attacks or security breaches may also damage our reputation and brand, expose us to risks of potential litigation and liabilities, and require us to expend significant capital and other resources to alleviate problems caused by such attacks or security breaches. Should a high-profile or highly publicized security breach occur with respect to other marketing service providers, customers may lose confidence in the security of our service, which would have a material adverse impact on our ability to retain existing customers and attract new ones.

We may fail to develop intelligent massage service techniques that cater to the preferences of all our consumers in a timely and sustained manner.

The intelligent massage services industry is constantly evolving, requiring us to design and develop innovative products that align with shifting consumer preferences. We conduct in-depth research on the specific requirements of intelligent massage service techniques usage and engage in ongoing consumer surveys to uncover core needs in various settings. This information guides our product development effort, including the planning of new features and technologies.

Even if we successfully introduce new massage service techniques, there is a risk that they may not meet consumer demands or gain market acceptance. If our products fail to resonate with consumers or if we cannot keep pace with evolving preferences in a timely and sustained manner, our revenue from intelligent massage services could decline in the short term. This could materially and adversely affect our overall business performance, financial condition, and results of operations.

The effectiveness of our quality control mechanism for our equipment and service is critical to our business success, and any failures in maintaining high standards could significantly harm our reputation and financial performance.

The quality of our intelligent massage services is fundamental to our business success and consumer satisfaction. As we expand our POS, maintaining consistent quality control is essential. This depends on the effectiveness of our quality control mechanisms, which include the design, management, and implementation of guidance for the service provision, cleanliness and functionality of our massage equipment. See "Business — Quality Control" for details.

There can be no assurance that our manufacturer's quality control mechanisms will remain effective. Factors beyond our control, such as the performance of our responsible staff, may impact the quality of the massage equipment. If we fail to uphold high standards in any of these areas, we may face consumer complaints, which could significantly damage our reputation and financial performance.

Moreover, if quality control issues arise, our management's attention and resources may be diverted from strategic initiatives to address these problems. This shift in focus can hinder our operational efficiency and growth prospects, as time and resources are consumed by rectifying quality-related concerns rather than pursuing new business opportunities. Therefore, any significant failure or deterioration of our quality control mechanisms could have a material adverse effect on our business, financial condition, and results of operations.

Our historical financial results may not be an indication of our further performance and our success depends on our ability to execute our business strategy.

We have grown consistently during the Track Record Period, with our total revenues reaching RMB330.15 million, RMB586.84 million, RMB442.03 million and RMB614.78 million for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively, representing year-on-year / period-to-period growth of 77.75% and 39.08%, respectively.

Our results of operations during the Track Record Period should not be considered indicative of our future performance. Our future growth, profitability and cash flows depend upon our ability to successfully execute our business strategies, which is dependent upon a number of factors, including our ability to:

- anticipate and respond to rapidly changing technology development, market trends and consumer preferences;
- explore, attract and cooperate with Local Partners on favorable terms;
- develop and enhance our IT system with new functionalities on a timely basis;
- expand our geographic presence to further extend our consumer reach;
- enhance and maintain favorable brand recognition for our Group and intelligent massage services;
- effectively manage our good relationships with external manufacturers and suppliers;
- maintain and expand margins through sales growth and efficiency initiatives.

There can be no assurance that we can successfully execute our business strategies in the manner or time that we expect. Our financial and operating results may not meet the expectations of [**REDACTED**] analysts or investors, which could cause the future price of our H Shares to decline. You should not rely on our historical results to predict our future financial performance.

We are subject to risks of supply shortages due to certain potential problems with external suppliers.

We rely on our suppliers to provide a stable supply of massage equipment, chips, and other essential components, which are crucial to our intelligent massage service. We cannot assure that (i) all supplies will be timely and stable and will not be subject to unanticipated interruptions; (ii) production costs will not increase significantly as a result of increases in production costs due to factors beyond our control; (iii) the products produced by such external suppliers will not involve any third party infringement or unlawful misappropriation of any third party's intellectual property rights; and (iv) despite our efforts to protect our confidential business information, these external suppliers do not reveal our procurement plans and business strategies. Our lack of control over these suppliers may lead to operational difficulties, including insufficient quality control, failure to meet supply deadlines, increased costs, and liquidity or solvency issues caused by events beyond our control, such as pandemics, natural disasters, acts of war, and social or economic disruptions.

Furthermore, we cannot guarantee that our suppliers will maintain consistent quality or have the capacity to meet our needs as we expand. If our existing suppliers are unable to deliver goods in a timely manner or at acceptable costs, we may struggle to find alternative suppliers. In addition, logistics problems such as delays in transport or increased logistics costs can further exacerbate supply chain challenges. If our suppliers experience logistical difficulties in transporting materials or finished goods, this could result in longer delivery time, which could affect our ability to meet our consumer's needs.

Any loss or deterioration of relationships with major suppliers, failure to renegotiate purchase prices, or inability to establish relationships with new suppliers would expose us to risks of shortages or unavailability of essential suppliers. Such disruptions could materially and adversely affect our business, financial condition, and results of operations.

We had net current liabilities during the Track Record Period, which may expose us to liquidity risks and affect our ability to achieve or subsequently maintain profitability in the future.

During the Track Record Period, we had recorded net current liabilities as at 31 December 2022 and 2023, respectively, which may expose us to liquidity risks and affect our ability to achieve or subsequently maintain profitability in the future.

We had net current liabilities of RMB17.92 million and RMB31.84 million as at 31 December 2022 and 31 December 2023, respectively. The net current liabilities position was mainly attributable to the redemption liability incurred from redemption right of an investor, namely Ma'anshan Cornerstone Yixiang Equity Investment Partnership Enterprise (LLP) ("Cornerstone Yixiang"), who entered into an investment agreement with our Company in December 2017. Pursuant to the aforesaid investment agreement, Cornerstone Yixiang was entitled to require the Company to fully redeem its shares. See note 24 of the Accountants' Report as set out in the Appendix I to this document for details of redemption liability. Given the redemption liability became nil as redemption right has been terminated in 2024, we recorded net current asset of RMB12.66 million as at 30 September 2024 compared to net current liabilities of RMB31.84 million as at 31 December 2023. For details, see "Financial Information — Description of Certain Key Items of Consolidated Statements of Financial Position."

In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. There is no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

We operate in a highly competitive and rapidly evolving market in mainland China and we face competition.

The significant grown of the intelligent massage services industry in recent years has attracted an increasing number of entrants seeking to capitalize on this opportunity. As a result, we are facing tremendous competitive pressure.

According to Frost & Sullivan, the market size of the intelligent massage services segment is expected to increase from approximately RMB2,764.9 million in 2024 to RMB5,081.6 million in 2028, representing a CAGR of approximately 16.4%. This rapid development is likely to lead to heightened competition as new players enter the market. At the same time, China's population has shown negative growth in 2022 and 2023, under which competition in the consumer market may also intensify.

Our competitors include established players in health wellness services sector, as well as various health wellness services providers, such as spa and massage clinics, fitness centers offering relaxation services and other retail channels. The presence of these alternatives may reduce consumer demand for intelligent massage services. Increased competition could lead to challenges in maintaining our market share and profitability, requiring greater sales and marketing efforts and capital investments in the future. If we are unable to compete effectively, it could adversely impact our business, financial condition, and results of operations.

Our performance may be adversely affected by litigation or disputes.

From time to time, we may be involved in disputes with other stakeholders during the ordinary course of our business for various reasons, including but not limited to contract disputes and labor disputes. The handling of contractual disputes and litigation proceedings can be costly and time consuming. Should such disputes arise, our Directors' and members of senior management's attention, together with other internal resources may be significantly diverted to the handling of such matters. Moreover, our relationship with the relevant Local partner, customer, supplier or employee may be adversely affected as a result of the legal proceedings and would ultimately affect our business operation, financial results and profitability. Any claim against us could require us to pay for substantial damages and, whether or not successful, may be costly and time-consuming to defend. Such claims, whether successful or not, could generate significant adverse publicity and negatively impact our reputation. This, in turn, could undermine consumer's trust in our intelligent massage services and adversely affect our business, financial condition and results of operations.

Our success depends on our talented personnel. Any failure to attract and retain necessary talents may materially and adversely affect our business, prospects, financial condition and results of operation.

Our continued success depends on our ability to attract, motivate and retain talented personnel. We rely on the expertise and experiences of our employees throughout our business operations from service delivery, maintenance, consumer relations and operational management as well as maintaining relationships with our suppliers and customers. Any loss of our key personnel could materially and adversely affect our ability to sustain and develop our business. We cannot assure that we will be able to recruit or retain a sufficient number of qualified employees for our business. Subject to failure to keep up with market average employee salary levels and other factors, any material increases in employee turnover rates and any failure to recruit and retain sufficient personnel may make our growth strategy difficult to implement. Any of the above would materially and adversely affect our business and results of operations.

If we fail to maintain the existing scale of our Partner Mode or retain our existing Local Partners or attract new Local Partners, or if our Local Partners decrease their scale of business or terminate our collaboration, our POS network expansion plan may be disrupted and their revenue contribution will decrease, and thus our business, financial condition and results of operation may be materially and adversely affected.

Our extensive network of POS is fundamental to our business model. Our revenue is significantly influenced by the number and geographic coverage of our POS, and our future growth depends on our ability to establish new POS and expand our POS network. During the Track Record Period, we engaged Local Partners in sourcing and establishing POS, particularly in regions where penetration is relatively low.

The success of our expansion into these new POS relies on maintaining stable relationships with our existing Local Partners to a certain extent and effectively attracting new ones. We collaborate with Local Partners who operate within designated regions to manage and maintain our intelligent massage service. The effectiveness of our Local Partners is crucial to maintaining service quality and operational efficiency. If any Local Partners face financial difficulties or fail to execute their responsibilities effectively, it could result in decreased revenue and service disruptions. Such challenges may also lead to a negative impact on consumer satisfaction and brand reputation.

Furthermore, while we provide essential and comprehensive support and resources to our Local Partners, including the output of intelligence massage services solution, access to our LMB Links and certain intelligent massage equipment, we cannot ensure consistent performance across all partnerships. Should a POS partner's performance decline, we may need to allocate additional resources for oversight and management, which can affect our operational costs and margins. In instances where Local Partners do not meet the expected operational standards, we may consider establishing direct operations in those regions, creating potential overlaps and increased competition within our business framework. This transition could also necessitate additional investment and management focus, diverting resources from other strategic initiatives. Therefore, the risks associated with our Partner Mode, including the operational performance and financial stability of our Local Partners, could materially and adversely impact our business, financial condition and results of operations.

If we fail to retain our existing Local Partners or attract new ones, we may not be able to sustain or expand our network of POS. Additionally, if our Local Partners reduce their business scale, our expansion plans could be disrupted, leading to a decline in their revenue contributions. This could materially and adversely affect our overall business performance, financial condition and operational results.

We face risks related to consumers improperly occupying massage equipment positions without payment.

There exists a risk that consumers may improperly occupy massage equipment positions without making the required payment, for example, occupying positions without payment for a long time, or causing hygiene problems of massage equipment due to non-payment occupancy. Such behavior can result in revenue loss, as the improper occupancy represents a direct reduction in potential income. Furthermore, non-paying consumers who improperly occupy the massage equipment can disrupt business operations by increasing waiting time for paying consumers, ultimately leading to diminished consumers satisfaction and loyalty.

To help manage occupancy and streamline operations, our massage equipment are equipped with an auto-lift function that activates when payment is not received after a certain period. This feature is part of our ongoing efforts to minimize costs associated with non-payment. However, the prevalence of non-payment and improper occupancy may still lead to heightened maintenance costs, as massage equipment improperly occupied without payment may require more frequent cleaning and oversight. This increased operational burden can divert resources away from core business activities and hinder overall efficiency.

Considering that the issue of non-payment and improper occupancy is difficult to eradicate, in the event that we need to make further operational adjustments as a result of this matter, it may increase costs and negatively impact profitability, which could affect our business, financial condition and results of operations.

Ensuring the safety of our massage equipment is essential, and any safety-related incidents could adversely impact our business, financial condition, and results of operations.

We have adopted certain safety measures in respect of our massage equipment and sites, please refer to "Businesses — Our Business Segments — Intelligent massage service — Direct Mode and Partner Mode — Direct Mode "and "Businesses — Quality control" for details.

However, despite our rigorous safety measures, we cannot assure that all safety risks have been fully mitigated. Factors beyond our control, such as improper usage by consumers or unforeseen technical malfunctions, may still lead to incidents. Any safety-related events involving our massage equipment could result not only in potential harm to consumers but also in adverse effects on our reputation and consumers' trust. A significant safety issue could lead to negative publicity, regulatory scrutiny, and financial liabilities, ultimately impacting our business, financial performance and results of operations.

Moreover, considering that safety-related incidents are difficult to eradicate and may lead to consumer complaints, potential litigation risks, and reputational damage. These outcomes could affect our ability to attract and retain consumers. Therefore, while we are committed to upholding the highest safety standards, we cannot guarantee that all risks will be eliminated, and any safety-related incidents could adversely impact our business, financial performance, and results of operations.

Our business and results of operations could be materially and adversely impacted by any negative publicity or failure, or perceived failure, to effectively address consumers complaints or adverse publicity related to our intelligent massage service.

Our business relies heavily on market recognition and brand reputation. Any consumer complaints or negative publicity, whether stemming from news reports, social media, or online reviews concerning our services, management, employees, or business partners may harm our brand image. Issues related to consumer experience, product quality, service reliability, or data privacy, even if unfounded or insignificant, could adversely affect public perception of our Company.

Given the nature of intelligent massage services, safety and hygiene are paramount concerns of our consumers. Any reports or allegations regarding unsanitary conditions, malfunctioning equipment, or inadequate maintenance could lead to consumer reluctance to use our services. Negative media attention concerning similar services or consumer products could also contribute to reluctance among consumers to engage with our services.

Furthermore, consumer complaints can have a direct negative impact on our operations. If we receive a high volume of complaints, it may indicate underlying issues in our service delivery that need to be addressed. This could necessitate the allocation of substantial resources and time to respond to these complaints, diverting attention from core business operations and leading to increased operational costs. We may find it is challenging to manage such situations to the satisfaction of our consumers and investors, potentially resulting in loss of business and reduced consumer loyalty. If we fail to effectively address negative publicity or consumer complaints, our brand value may diminish, leading to adverse effects on our business operations, consumer retention, and overall financial performance. This could hinder our ability to attract new consumers and expand our market presence.

We may be subject to intellectual property infringement claims and piracy from third parties, which could be costly to defend and disrupt our business operations.

From time to time, we may face exposure to claims alleging that our intelligent massage services and other businesses infringe upon the intellectual property rights of others. This could include allegation of trademark, copyright, or patent infringement or piracy related to the design, functionality, or branding of our products. Such claims may arise from competitors or other entities asserting our products mimic their proprietary technologies or trademarks.

There is no assurance that our internal guidelines and procedures are sufficient to prevent such claims. If we are unable to effectively address these allegations, it could result in significant reputational harm, legal expenses, and operational disruptions. Any legal proceedings or claims related to intellectual property could divert the time and attention of our management from running our business and may result in substantial costs. Regardless of the outcome of such claims, our brand image and reputation may be negatively impacted, potentially adversely affecting our business, financial condition and results of operations.

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

We rely heavily on a combination of trademarks, patents, domain name registrations, copyrights and confidentiality agreements to protect our intellectual property rights. We also possess a significant number of know-how or trade secrets in relation to technologies, which we believe are material to our operations and which are not covered by patents. There protections are critical for safeguarding the unique features, design, and technology of our intelligent massage equipment, which are material to our competitive advantage.

We cannot assure that our intellectual property will be fully protected against counterfeit or unauthorized use. There is a risk that counterfeit versions of our intelligent massage equipment may emerge in the market, potentially featuring imitations of our patented technologies or designs. Such counterfeits can be difficult to detect and eliminate promptly, leading to potential harm to our brand value and adversely affecting our sales and market position.

While we implement various protective measures to safeguard our proprietary information, including prudent and careful selection of our suppliers and rigorous quality control, we cannot guarantee that these measures will be sufficient to prevent unauthorized use, misappropriation, or disclosure of our trade secrets and know-how related to our intelligent massage technologies. Additionally, we may encounter challenges in enforcing our intellectual property rights or pursuing legal action against unauthorized consumers.

Any litigation aimed at protecting our intellectual property can be time-consuming and costly, potentially diverting the attention of our senior management and key personnel from our core business operations. If we fail to adequately protect our intellectual property rights from infringement or misuse, the resulting damage to our brand reputation could materially and adversely affect our business, financial condition, and results of operations.

Confidentiality agreements and non-compete covenants with employees and other third parties may not adequately prevent the disclosure of trade secrets and other proprietary information.

We have devoted substantial resources to the development of our technology and know-how. Although we enter into employment agreements with confidentiality, non-compete covenants and intellectual property ownership clauses with our employees, we cannot assure you that these agreements will not be breached, that we will have adequate remedies for any breach in time or at all, or that our proprietary technology, know-how or other intellectual property will not otherwise become known to third parties. In addition, others may independently discover trade secrets and proprietary information, limiting our ability to assert any proprietary rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive position.

We face risks associated with inappropriate actions of external stakeholders such as our Local Partners, employees, suppliers, consumers and other related personnel involved in our intelligent massage services.

Our performance and goodwill may be adversely affected by inappropriate actions of any external stakeholders such as our Local Partners, employees, suppliers, consumers or other third parties, whether individually or in collusion with one another. Such actions could result in significant reputational damage and may expose us to third-party claims and regulatory actions. We cannot assure that our internal control procedures are sufficient to prevent or address all instances of wrongdoing of external stakeholders.

Moreover, we are vulnerable to actions by third parties which are beyond our direct control. We cannot guarantee that we will be able to prevent or deter all incidents that may arise. Any such occurrences, whether related to past undetected actions or future incidents, could lead to financial losses, harm our reputation, and materially adversely affect our business operations and results of operations. If these risks materialize, they could hinder our ability to maintain consumers trust and satisfaction, ultimately impacting our financial condition and growth prospects.

Advertisements shown on our digital platforms may subject us to penalties and other administrative actions.

We derive our revenues not only from our intelligent massage services but also from digital advertising services that mainly include the display of advertisements on our official accounts on various social platforms and mini program (小程序). We would also display our own advertisements on the aforesaid platforms. However, these advertising displays may expose us to potential regulatory risks and penalties.

According to relevant PRC laws governing advertising, advertisers, advertising operators, and distributors must ensure that the content of all advertisements is fair, accurate, and compliant with applicable laws and regulations. Pursuant to the relevant PRC Law, we are required to take steps to monitor the content of advertisements displayed on our platform. Complying with the relevant laws and regulations requires considerable resources and time, and could significantly affect our business operations. We cannot assure you that all the content contained in such advertisements therein is true and accurate as required by the advertising laws and regulations, especially given that the interpretation and enforcement practices by relevant authorities which may change or may be determined based on prevailing laws and regulations at the time. See the paragraph headed "Regulatory Overview — Regulations relating to Advertising". If we are found to be in violation of applicable PRC Law, we may be subject to penalties including fines, confiscation of advertising income, orders to cease dissemination of the advertisements and orders to publish corrective information. If we become subject to any of the above penalties, our reputation may be harmed and our business, financial condition, results of operations and prospects may be materially and adversely affected.

We are exposed to the risks associated with doing business internationally.

As we plan to expand our provision of intelligent massage services to overseas markets, particularly in the Asian region, we may need to adapt our business models to meet local legal requirements and market conditions. See "Business — Our Business Strategies." This expansion could lead to increased operational costs and is subject to various risks, including heightened competition, uncertain enforcement of our intellectual property rights, and unfamiliar market dynamics. International operations may present challenges such as varying pricing environments. Additionally, we might face increased financial accounting and reporting burdens, fluctuations in currency exchange rates, and complexities related to compliance with both PRC laws and foreign laws and regulations.

Moreover, our expansion could be significantly impacted by other risks associated with international activities including, but not limited to, economic and labor conditions, increased duties, taxes and other costs and political instability. The provision of our services in overseas markets could be materially and adversely affected by international trade regulations, including duties, tariffs and other restrictions that may apply to our operations. These regulations can impact our ability to deliver our services effectively and profitably. Furthermore, we are also exposed to credit and collectability risk on our trade receivables with customers in certain international markets. There can be no assurance that we can effectively manage our credit risk or avoid potential losses as we navigate these new markets.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations.

We are subject to anti-corruption, anti-money laundering, anti-bribery and other relevant laws and regulations in the jurisdictions where we operate. We may be subject to investigations or any proceedings by governmental authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial condition and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal control policies, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines or sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

Our risk management and internal control systems may not be adequate or effective.

We have designed and implemented risk management and internal control systems comprising organizational framework policies and procedures, financial reporting processes, compliance rules and risk management measures we believe are appropriate for our business operations. While we seek to improve our risk management and internal control systems on a continuous basis, we cannot assure you that these systems are sufficiently effective in establishment and maintenance of internal control measures to ensure, among other things, accurate reporting of our financial results and the prevention, elimination and discovery of fraud. See "Business — Risk Management and Internal Control" for further information on our internal control policies. Since our risk management and internal control systems depend on implementation by our employees, and even though we provide relevant internal trainings in this regard, we cannot assure you that our employees are sufficiently or fully trained to implement these systems, or that their implementation will be free from error or mistakes. If we fail to timely update, implement, and modify, or fail to deploy sufficient human resources to maintain our risk management policies and procedures, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Failure to make adequate social insurance and housing provident fund contributions as required by the PRC laws and regulations may subject us to penalties.

During the Track Record Period and up to the Latest Practicable Date, we did not make full contributions to the social insurance and housing provident funds for our employees in the PRC.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and amended on 29 December 2018, and the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) recently amended by the State Council and effective on 24 March 2019, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer make payments or supplementary payments for the unpaid social insurance premium within a prescribed time limit together with a 0.05% late payment penalty of the unpaid social insurance premium from the due date. If the payment is not made within such time limit, the relevant administrative authorities will impose a fine ranging from one to three times the total outstanding amount.

According to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), which was promulgated on 3 April 1999 and last amended on 24 March 2019, employers are required to make contributions to housing provident funds for their employees. Any entity fails to make payment of housing provident fund within the time limit or has shortfall in payment of housing provident fund will be ordered to make the payment or makeup the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

As at the Latest Practicable Date, we have not received any notification from the relevant in mainland China authorities requiring us to pay shortfalls or the penalties with respect to social insurance and housing provident funds. There is no assurance that there will not be any employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. There is also no assurance that we will not be ordered to rectify for the outstanding amount or subject to penalties imposed by the relevant PRC authorities as a result thereof. Any such complaints, orders or penalties may have an adverse effect on our financial condition and results of operations. For details, see "Business — Legal Proceedings and Regulatory Compliance — Non-compliance — Social Insurance and Housing Provident Funds."

Defects related to certain of our properties may adversely affect our ability to use such properties.

As of the Latest Practicable Date, some of our leased properties, the lessors of such leased properties had not been able to obtain or provide us with sufficient and valid building ownership certificates for some of our leased properties. See "Business — Properties."

If our lessors are not the owners of the properties or they have not been authorised by the relevant owners of the properties for leasing such properties, our leases could be invalidated. If this occurs, we may face challenges from the legal owners of the properties or other third parties, and may be forced to vacate the relevant properties and relocate to a different site. We may incur additional expenses during the process, and our business, financial condition and results of operations may be negatively affected.

In addition, some lease agreements with landlords have not been registered with the relevant government authorities as required in mainland China by PRC Law. According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) promulgated on 1 December 2010 with effect on 1 February 2011, the parties to the house leasing shall sign a lease contract according to laws, and the lease contract shall be registered with the relevant construction or real estate authorities at the city or county level within 30 days after its signing. If the parties involved in the house leasing fail to go through the registration and filing procedures or violate the above regulations, the parties involved in the house leasing will be ordered to make corrections, and if they fail to make corrections within the time limit, they will be fined.

We are subject to strict regulatory requirements in labor-related laws and regulations of the PRC.

We have been subject to strict regulatory requirements in terms of entering into labor contracts with our employees and paying various statutory employee benefits, including pensions, housing funds, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law and its implementing rules, employers are subject to strict requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. We believe our current practice complies with the Labor Contract Law and its amendments. However, the relevant governmental authorities may take a different view and impose penalties on us. We shall also procure that our PRC subsidiaries comply with applicable labor-related laws and regulations. Failure to do so may result in fines or other penalties by government authorities.

As the interpretation and implementation of labor-related laws and regulations are still evolving, our employment practice could inadvertently violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

We have limited insurance coverage, which could expose us to significant costs and business disruption.

We purchase and maintain various insurance policies that we believe to be aligned with the customary commercial practice in our industry and as required under relevant laws and regulations to safeguard against risks and unexpected events for our employees and properties. However, we cannot assure that our insurance coverage will be sufficient or available to cover damages, liabilities or losses we may incur in the ordinary course of our business. In additional, there are certain losses for which insurance is not available on commercially practicable terms, such as losses or damages arising from any disruption in our network infrastructure or business operations, litigation or natural disasters. If we are held responsible for any losses or damages and there is insufficiency or unavailability of insurance, we could suffer significant costs and diversion of our resources, and thereby materially and adversely affect our business, financial conditions and results of operation.

We have historically received government grants, which we may not be able to receive in the future.

We have historically received government grants from local governments in the PRC specifically financial subsidies for being recognized as a high-tech enterprise. These grants have supported our research and development activities and have rewarded our contributions to regional economic development. During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, we recognized government grants as other net income/(loss) of RMB554,000, RMB317,000 and RMB27,000, respectively. See "Financial Information — Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other net income/(loss)" and Note 5 to the Accountants' Report in Appendix I to this document.

Our eligibility for government grants depends on a variety of factors, including the assessment of our technological advancements, relevant government policies, the availability of funding from different granting authorities, and the research and development progress made by other peer companies. The timing, amount and criteria of government grants are determined by the local government authorities and cannot be influenced by us or predicted with certainty before we actually receive them. Furthermore, some of the government financial incentives may be granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and successful completion of the designated projects. We cannot guarantee that we will satisfy all relevant conditions, and if we fail to satisfy any such conditions, we may be deprived of the relevant grants. Therefore, the government grants we currently receive have a non-recurring nature, and we cannot assure you of the continued availability. Any reduction or elimination of such government grants would have an adverse effect on our financial performance and results of operations.

We face risks to the new policy that governs our industry practices.

The policy regarding health wellness industry be updated from time to time. We cannot assure you that the authorities would not further regulate the industry by imposing new and stringent industrial practices and standards, which we might be subjected to to comply with. Accordingly, our business, prospects, financial condition and results of operations may be influenced to a significant degree by any new policies introduced for regulation of the industry.

We face risks related to natural disasters, epidemics and other public health emergencies.

Substantially all of our POS are situated at high foot traffic sites, including commercial complexes, airports, cinemas and high-speed rail stations in mainland China. These locations are vulnerable to various force majeure events, accidents such as floods and fires, acts of war, terrorist attacks, restrictions on utility consumption, natural disasters such as earthquakes, tsunamis, snowstorms, sandstorms, droughts and extreme and adverse bad weather conditions, widespread of public health problems such as outbreak of pandemics or epidemics, including avian influenza, swine influenza, severe acute respiratory syndrome or other health problems with similar magnitude or effects which are out of control.

For instance, natural disasters can lead to temporary or permanent closures of our POS, disrupting our operations and expansion plans. Additionally, public health emergencies can reduce consumer traffic and limit access to our services, resulting in significant declines in revenue. We recognize that future outbreaks of natural disasters could create uncertainties for our operations. Such events may adversely impact overall business sentiment, potentially leading to reduced consumer demand and negatively affecting our financial condition and results of operations. We cannot predict the extent to which future public health emergencies or natural disasters may impact our business. Therefore, there is no assurance that we will be able to navigate these challenges without significant adverse effects.

RISKS RELATED TO DOING BUSINESS IN THE COUNTIRES AND REGIONS WHERE WE OPERATE

The policy and regulation on the remittance of Renminbi into and out of the PRC and governmental control of currency conversion may limit our foreign exchange transactions, including our ability to pay dividends and other obligations, and may affect the value of your investment.

Currently, the conversion and remittance of foreign currencies from Renminbi 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 management 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 licenses 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 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.

Our operations are subject to and may be affected by changes in PRC tax laws and regulations.

We are subject to periodic examinations on fulfillment of our tax obligation under the PRC tax laws and regulations by PRC tax authorities. Although we believe that in the past, we have acted in compliance with the requirements under the relevant PRC tax laws and regulations in all material aspects and established effective internal control measures in relation to accounting regularities, we cannot assure you that future examinations by PRC tax authorities would not result in fines, other penalties or action that could adversely affect our business, financial condition and results of operations, as well as our reputation. Furthermore, PRC tax laws and regulations may be adjusted. The PRC tax laws and regulations may change from time to time in the future and may also have an adverse effect on our business, financial condition and results of operations.

Gains on the sales of H Shares and dividends on the H Shares may be subject to PRC income taxes.

Under applicable PRC tax laws, both the dividends we pay to non-PRC resident individual holders of H shares ("**Non-Resident Individual Holders**"), and gains realized through the sale or transfer by other means of H shares by such shareholders, are subject to PRC individual income tax at a rate of 20%, unless reduced by applicable tax treaties or arrangements. And the dividends we pay to, and gains realized through the sale or transfer by other means of H shares by non-PRC resident enterprise holders of H shares are both subject to PRC enterprise income tax at a rate of 10%, unless reduced by applicable tax treaties or arrangements. In addition, pursuant to the Arrangements between the Mainland and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Incomes (《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》) dated 21 August 2006, any non-resident enterprise registered in Hong Kong that holds directly at least 25% of the shares of our Company shall pay enterprise income tax for the dividends declared and paid by us at a tax rate of 5%.

With respect to Non-Resident Individual Holders, income received from dividends and bonuses of a foreign-invested enterprise, as well as that from transfer of stocks of listed companies are currently exempt from individual income tax pursuant to applicable PRC regulations. On 3 February 2013, the State Council approved and promulgated the Notice of Suggestions to Deepen the Reform of System of Income Distribution (《國務院轉批發展改革委等部門關於深化收入分配制度改革若干意見的通知》). On 8 February 2013, the General Office of the State Council promulgated the Circular Concerning Allocation of Key Works to Deepen the Reform of System of Income Distribution (《國務院辦公廳關於深化收入分配制度改革重點工作分工的通知》). According to these two documents, the PRC government is planning to cancel foreign individuals' tax exemption for dividends obtained from foreign-invested enterprises, and the Ministry of Finance and the State Administration of Taxation should be responsible for making and implementing details of such plan. There is no assurance that any gains on the sales of our H Shares and the dividend thereon will not be subject to PRC income taxes in the future.

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 them in China any judgments obtained from non-PRC courts.

Most 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.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of many 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.

We are subject to national and local health and safety directives, laws and regulations.

We are subject to a number of fire control and health and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we were not fully compliant with these requirements and experienced two isolated immaterial issues relating to fire control. We cannot assure you that we will be able to comply with all regulations and obtain all the regulatory approvals required in a timely manner. As requirements imposed by such laws and regulations may change and more stringent laws or regulations adopted, we may not be able to comply with, or accurately predict any potential substantial cost of complying with, these laws and regulations. If we fail to comply with relevant laws and regulations, we may be subject to rectification orders, substantial fines, and potentially significant monetary damages. Other adverse effects could result from such liability, including reputational damage. Furthermore, we may be required to incur substantial costs to comply with current or future health and safety directive laws and regulations. These current or future laws and regulations may impair our research and development efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations and prospects.

RISKS RELATED TO THE [REDACTED]

There has been no prior [REDACTED] for our H Shares and there can be no assurance that an active market would develop, and the liquidity and [REDACTED] of our H Shares may be volatile.

Prior to the completion of the [**REDACTED**], there has been no [**REDACTED**] for our H Shares. There can be no guarantee that an active [**REDACTED**] for our H Shares will develop or be sustained after the completion of the [**REDACTED**]. The [**REDACTED**] is the result of negotiations between our Company and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), which may not be indicative of the price at which our H Shares will be traded following completion of the [**REDACTED**]. The [**REDACTED**] of our H Shares may drop below the [**REDACTED**] at any time after the completion of the [**REDACTED**].

We have applied for [**REDACTED**] of and permission to [**REDACTED**] in our H Shares on the Stock Exchange. A [**REDACTED**] on the Stock Exchange, however, does not guarantee that an active and liquid [**REDACTED**] for the H Shares will develop, or if it does develop, that it will be sustained following the [**REDACTED**], or that the [**REDACTED**] of the H Shares will not decline following the [**REDACTED**]. In addition, the [**REDACTED**] and [**REDACTED**] of the H Shares may be subject to significant volatility in response to various factors beyond our control, including the general market conditions of the securities in Hong Kong and elsewhere in the world. In particular, the business and performance and the [**REDACTED**] of the shares of other companies engaging in similar business may affect the price and [**REDACTED**] of our H Shares. In addition to market and industry factors, the price and [**REDACTED**] of our H Shares may be highly volatile for specific business reasons, such as regulatory developments affecting the relevant markets, industries and other related matters, fluctuations in our revenue, earnings, cash flows, investments and expenditures, relationships with our customers and suppliers, movements or activities of key personnel, or actions taken by competitors.

Future sales or perceived sales of substantial amounts of our H Shares in the [REDACTED] could have a material adverse effect on the price of our H Shares and our ability to raise additional capital in the future.

The [**REDACTED**] of our H Shares could decline as a result of future sales of a substantial number of our H Shares or other securities relating to our H Shares in the [**REDACTED**], or the issuance of new shares or other securities, or the perception that such sales or issuances may occur. Future sales, or anticipated sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital at a specific time and on terms favorable to us. In addition, our shareholders may experience dilution in their holdings if we issue more securities in the future. New shares or shares-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

You will incur immediate and significant dilution and raising additional capital may cause further dilution or restrict our operation.

The [**REDACTED**] of the H Shares is higher than the net tangible asset value per H Share immediately prior to the [**REDACTED**]. Therefore, purchasers of the [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in [**REDACTED**] consolidated net tangible asset value. There can be no assurance that if we were to immediately liquidate after the [**REDACTED**], any assets will be distributed to our Shareholders after the creditors' claims. If we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a shareholder. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, limitations on our ability to acquire or license intellectual property rights or declaring dividends, or other operating restrictions.

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

Our Controlling Shareholders will, through their voting power at the Shareholders' meetings and their 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 certain 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 Shares as part of a sale of our Company and may significantly reduce the price of our H Shares.

Payment of dividends is subject to restrictions under PRC law.

Under PRC law, dividends may be paid only out of distributable profit, for which the PRC laws do not specify the applicable accounting principles. Distributable profit is our profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory and other reserves that we are required to make. We may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders, including in years in which we are profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years. Please refer to "Financial Information — Dividend" for details. We may not adopt the same dividend policy as we had in the past.

In addition, we are required to comply with the dividend distribution rules prescribed by the PRC regulatory authorities when determining our dividend payout ratios. The PRC regulatory authorities may further amend the dividend distribution rules for listed companies in the future, which may significantly affect the amount of capital available to support the development and growth of our business.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

We cannot assure you that we will declare and distribute any amount of dividends in the future.

There can be no assurance that we will declare and pay dividends because the declaration, payment and amount of dividends are subject to the discretion of our Directors, depending on, among other considerations, our operations, earnings, cash flows and financial position, operating and capital expenditure requirements, our strategic plans and prospects for business development, our constitutional documents and applicable law. See "Financial Information — Dividend" for more details on dividend.

The future conversion of Unlisted Shares into H Shares upon completion of the [REDACTED] could increase the supply of H Shares in the market and may negatively impact the [REDACTED] of our H Shares.

Our Unlisted Shares are currently not [**REDACTED**] or [**REDACTED**] on any stock exchange. We have applied for the conversion of Unlisted Shares into H Shares. The conversion of Unlisted Shares into H Shares has been approved by the CSRC on [●] 2025. Upon completion of the [**REDACTED**], these Unlisted Shares will be converted into H Shares on a one-for-one basis. See "History and Corporate Structure" and "Share Capital — Conversion of Unlisted Shares into H Shares" for details. The conversion of our Unlisted Shares will increase the number of H Shares available on the market. As a result, it may negatively affect the [**REDACTED**] of our H Shares due to the increased supply in the market.

Certain facts and statistics derived from governments contained in this Document may not be reliable.

Our Directors consider that certain facts and statistics, including but not limited to, information and statistics from various publicly available publications by government authorities or independent third parties, in this Document are reliable. 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.

However, we cannot guarantee the quality or reliability of the information from official government sources. Our Directors believe that we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such information. The information from official government sources has not been independently verified by us, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**] or the [**REDACTED**] or any other party involved in the [**REDACTED**] (other than Frost & Sullivan) and no representation is given as to its accuracy. We, therefore, make no representation as to the accuracy or completeness of that information. You should not place undue reliance on them and you should consider how much weight or importance such information carry and should not place undue reliance on them.

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

This document contains certain statements and information that are forward-looking and uses forward-looking terminology such as "believe", "expect", "estimate", "predict", "aim", "intend", "will", "may", "plan", "consider", "anticipate", "seek", "should", "could", "would", "continue", and other similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to this cautionary statement.

You should read the entire document carefully and should not rely on any information contained in press articles or other media regarding us and the [REDACTED].

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the [**REDACTED**]. Prior to the publication of this document, there may have been press and media coverage regarding us, our business, our industry and the [**REDACTED**]. There may be additional media coverage regarding us, our business, our industry and the [**REDACTED**] subsequent to the date of this document but prior to the completion of the [**REDACTED**]. Such press and media coverage may include references to certain information that does not appear in this document, including certain operating and financial information and projections, valuations and other information. None of us or any other person involved in the [**REDACTED**] has authorized the disclosure of any such information in the press or media and none of us accepts any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this document, we disclaim responsibility for it and you should not rely on such information.

In preparation for the [**REDACTED**], our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 of the Listing Rules may be waived by the Stock Exchange in its discretion.

Since our Group's headquarters and our principal business operations are based, managed and conducted in the PRC, and all of our executive Directors and senior management members spend the majority of their time supervising our Group's principal business operations in the PRC and do not ordinarily reside in Hong Kong. Given that (i) our Group's principal business and operations are located, managed and conducted in the PRC through our PRC operating subsidiaries; (ii) none of our executive Directors is a Hong Kong permanent resident or is ordinarily based in Hong Kong; and (iii) our executive Directors will continue to be based in the PRC after the [**REDACTED**] to manage our business, our Company does not, and will not, in the foreseeable future, have a sufficient management presence in Hong Kong as required under Rules 8.12 and 19A.15 of the Listing Rules. As such, we do not, and in the foreseeable future will not, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has agreed to grant,] a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Listing Rules. The following arrangements have been made for maintaining regular and effective communication with the Stock Exchange:

(a) we have appointed and will continue to maintain two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two appointed authorized representatives are Mr. Han Daohu (韓道虎), Chairman of our Board and our non-executive Director, and Ms. Zheng Huiyu (鄭慧鈺), one of our joint company secretaries. Although Mr. Han Daohu and Ms. Zheng Huiyu reside in the PRC, they process valid travel documents to visit Hong Kong and are able to renew such travel documents when they expire. In addition, the contact details of the two authorized representatives (including the office and mobile phone numbers, email addresses, correspondence address and facsimile numbers (if available)) have been provided to the Stock Exchange. Accordingly, each of the two authorized representatives of our Company will be readily contactable by the Stock Exchange by telephone, facsimile (if applicable) and/or email to deal promptly with enquiries from the Stock Exchange and will be available to meet with the Stock Exchange within a reasonable period of time upon the request of the Stock Exchange. Our Company will also inform the Stock Exchange promptly in respect of any changes in the authorized representatives and/or their contact details. Both of our authorized representatives are authorized to communicate on our behalf with the Stock Exchange;

(b) each of the two authorized representatives of our Company has means to contact all members of the Board (including the independent non-executive Directors) promptly at all times when the Stock Exchange wishes to contact the Directors for any matters. Each of the Directors (including the independent non-executive Directors) has provided his/her contact details (including their respective office and mobile phone numbers, email addresses and facsimile numbers (if available)) to the authorized representatives and the Stock Exchange pursuant to Rule 3.20 of the Listing Rules. Our authorized representatives have means for contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors for any matters (including means to communicate with the Directors when they are travelling). Each of our Directors who is not ordinarily resident in Hong Kong either possesses, or can apply for, valid travel documents to visit Hong Kong in order to meet with the Stock Exchange within a reasonable period upon the Stock Exchange's request. In addition, the Directors will provide valid phone numbers or means of communication to the authorized representatives in the event that they expect to travel and/or be out of office, and make themselves readily contactable by the authorized representatives;

(c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Red Solar Capital Limited as our compliance adviser upon [**REDACTED**], who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the [**REDACTED**] at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the [**REDACTED**]. Our Company will inform the Stock Exchange promptly of any changes of our compliance adviser. The compliance adviser will also be available to respond to enquiries from the Stock Exchange. We will ensure that the compliance adviser has prompt access to our Company's authorized representatives and Directors who will provide the compliance adviser with such information and assistance as the compliance adviser may need or may reasonably request in connection with the performance of the compliance adviser's duties;

(d) our Company will appoint other professional advisers (including legal advisers and accountants) to advise our Company on ongoing compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the [**REDACTED**]; and

(e) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives, our compliance adviser, the company secretary, or directly with our Directors within a reasonable time frame.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

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

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

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

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

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

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(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 law and regulations including the SFO, Companies Ordinance, 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 under Rule 3.29 of the Listing Rules; and

(iv) professional qualifications in other jurisdictions.

Pursuant to Chapter 3.10, paragraphs 12 and 13 of the Guide, the Stock Exchange will consider a waiver application by an issuer in relation to Rule 3.28 and Rule 8.17 of the Listing Rules based on the specific facts and circumstances. Factors that will be considered by the Stock Exchange include:

(i) whether the issuer has principal business activities primarily outside Hong Kong;

(ii) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under Chapter 3.10 of the Guide) nor Relevant Experience (as defined under Chapter 3.10 of the Guide) as a company secretary; and

(iii) why the directors consider the individual to be suitable to act as the issuer's company secretary.

Further, pursuant to Chapter 3.10 of the Guide, such waiver, if granted, 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.

Our Company has appointed Ms. Zheng Huiyu (鄭慧鈺), as one of our joint company secretaries. Ms. Zheng has over four years of experience in legal affairs and is familiar with the internal administration procedures and our Group's day-to-day affairs but presently does not possess any of the qualifications under Rule 3.28 and Rule 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Lee Li Li (李莉莉), who is a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom, and meets the requirements stipulated under Rule 3.28 and Rule 8.17 of the Listing Rules to act as the other joint company secretary and to provide assistance to Ms. Zheng for an initial period of three years from the [**REDACTED**] to enable Ms. Zheng to acquire the "relevant experience" under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rule 3.28 and Rule 8.17 of the Listing Rules. Apart from discharging her functions in her role as one of the joint company secretaries of our Company, Ms. Lee will work closely and assist Ms. Zheng in enabling her to acquire 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. In addition, Ms. Zheng will attend relevant professional training during each financial year as required under Rule 3.29 of the Listing Rules. See "Directors, Supervisors and Senior Management" for further biographical details of Ms. Zheng and Ms. Lee.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 3.28 and Rule 8.17 of the Listing Rules. Pursuant to Chapter 3.10 of the Guide issued by the Stock Exchange, the waiver is granted on the following conditions:

(i) Ms. Zheng must be assisted by Ms. Lee, who possesses all the requisite qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary throughout the three-year waiver period. Ms. Lee will work closely with Ms. Zheng to jointly discharge duties and responsibilities as joint company secretaries and assist Ms. Zheng in acquiring the relevant experience as required under Note 2 to Rule 3.28 of the Listing Rules. In addition, we will ensure Ms. Zheng has access to relevant training and support to familiarize herself with the Listing Rules and the duties required for a company secretary of a company [**REDACTED**] on the Stock Exchange; and

(ii) the waiver will be revoked if there are material breaches of the Listing Rules by our Company.

The waiver is valid for an initial period of three years from the [**REDACTED**]. Before the end of such a three-year period, the qualifications and experience of Ms. Zheng and the need for on-going assistance of Ms. Lee will be further evaluated by our Company. We will liaise with the Stock Exchange to enable it to assess whether Ms. Zheng, having benefited from the assistance of Ms. Lee 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 Rule 3.28 and Rule 8.17 of the Listing Rules and decide whether a further waiver will be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue certain transactions which will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon the [**REDACTED**]. We have applied for, and the Stock Exchange [has granted,] waivers from strict compliance with the requirements under Chapter 14A of the Listing Rules in relation to certain continuing connected transactions between us and certain connected person. For further details, see "Connected Transactions" in this document.

[REDACTED]

[REDACTED]

[**REDACTED**]

[REDACTED]

[**REDACTED**]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Xie Zhonghui (謝忠惠)	Unit B2305 No. 6 Baohua Zhengzhongyue Baohua Road Liwan District Guangzhou, Guangdong PRC	Chinese
Mr. Feng Baocai (封寶財)	Room 3007 Building 31, Area A Rongxin David City Cangshan District Fuzhou, Fujian PRC	Chinese
Mr. Chen Xing (陳興)	20 Dasonggang Jinhan Village Jinhan She Township Jiaocheng District Ningde, Fujian PRC	Chinese
Non-executive Directors		
Mr. Han Daohu (韓道虎)	Room 702 No. 22, Lane 118, Quyang Road Hongkou District Shanghai PRC	Chinese
Mr. Wu Jinghua (吳景華)	Unit 1201, Building 10 Dongbai Yuxi 16 Fuchun Avenue Fu'an, Fujian PRC	Chinese

Independent non-executive Directors

Mr. Lei Zhigang (雷志剛)	Room 2007 Tower C, Global Trade Center 36 North 3rd Ring East Road Dongcheng District Beijing PRC	Chinese
Ms. Dong Hui (董慧)	Room 802, Block 92 Oak Bay, Xinjiangwan City 88 Guohao Road Yangpu District Shanghai PRC	Chinese
Mr. SUEK Ka Lun Ernie (薛家麟)	Room 01, 36th Floor, Block 74 Bamboo Grove 74-86 Kennedy Road Mid-levels Hong Kong	Chinese

SUPERVISORS

Name	**Address**	**Nationality**
Ms. Yu Xiaohong (余曉洪)	Room 2409, Building A1 Qinhe Mangrove 18 Huaxi South Road Jianxin Town Cangshan District Fuzhou, Fujian PRC	Chinese
Ms. Wang Xuezhen (王雪珍)	Unit 804, Building 11 Jinhui Xincun 589 Lianjiang North Road Jin'an District Fuzhou, Fujian PRC	Chinese
Ms. Chen Xia (陳霞)	Unit 2006, Building 11 Luozhou Xincheng II 2 Hualong Branch Road Cangshan District Fuzhou, Fujian PRC	Chinese

For the biographies and other relevant information of our Directors and Supervisors, see "Directors, Supervisors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors	**China Securities (International) Corporate Finance Company Limited** 18/F, Two Exchange Square 8 Connaught Place Central Hong Kong
	Shenwan Hongyuan Capital (H.K.) Limited Level 6, Three Pacific Place 1 Queen's Road East Hong Kong

[**REDACTED**]

[**REDACTED**]

Legal Advisers to our Company	*as to Hong Kong law:* **Eric Chow & Co.** **in Association with** **Commerce & Finance Law Offices** 3401, Alexandra House, 18 Chater Road, Central Hong Kong *as to PRC law:* **AllBright Law Offices** 9/F, 11/F and 12/F, Shanghai Tower 501 Yin Cheng Middle Road Pudong New Area Shanghai PRC

Legal Advisers to the Joint Sponsors and the [REDACTED]	*as to Hong Kong law:* **Jingtian & Gongcheng LLP** Suites 3203-3207 32/F, Edinburgh Tower 15 Queen's Road Central Hong Kong *as to PRC law:* **Jingtian & Gongcheng** 34th Floor, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing PRC
Auditors and Reporting Accountants	**KPMG** *Certified Public Accountants* *Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance* 8/F, Prince's Building 10 Chater Road Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	Area C-2, 5F, Building 17 Taiwan Entrepreneurship Park Jinjing Second Road, Beicuo Town Pingtan Comprehensive Experimental Zone Fuzhou, Fujian PRC
Head Office and Principal Place of Business in PRC	21F, Building B, Wangxun Smart Center 11 Keji East Road High-Tech Zone Fuzhou, Fujian PRC
Principal Place of Business in Hong Kong	Room 1912, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Company's Website	**www.lemobar.com** *(The information on the website does not form part of this document)*
Joint Company Secretaries	Ms. Zheng Huiyu (鄭慧鈺) Room 503, Building 15 Qishan Garden 2 Gaoxin Avenue Minhou County Fuzhou, Fujian PRC Ms. Lee Li Li (李莉莉) *fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom* Room 1912, 19/F Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong

CORPORATE INFORMATION

Authorized Representatives	Mr. Han Daohu (韓道虎) Room 702, Building 22 Lane 118, Quyang Road Hongkou District Shanghai PRC Ms. Zheng Huiyu (鄭慧鈺) Room 503, Building 15 Qishan Garden 2 Gaoxin Avenue Minhou County Fuzhou, Fujian PRC
Audit Committee	Ms. Dong Hui (董慧) (Chairman) Mr. Lei Zhigang (雷志剛) Mr. Wu Jinghua (吳景華)
Nomination Committee	Mr. Han Daohu (韓道虎) (Chairman) Mr. Lei Zhigang (雷志剛) Mr. SUEK Ka Lun Ernie (薛家麟)
Remuneration Committee	Mr. SUEK Ka Lun Ernie (薛家麟) (Chairman) Mr. Xie Zhonghui (謝忠惠) Ms. Dong Hui (董慧)
Strategy Committee	Mr. Han Daohu (韓道虎) (Chairman) Mr. Xie Zhonghui (謝忠惠) Mr. SUEK Ka Lun Ernie (薛家麟)
Compliance Adviser	**Red Solar Capital Limited** Unit 402B, 4/F China Insurance Group Building No. 141 Des Voeux Road Central Central Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Principal Bank(s)	**Fujian Strait Bank Co., Ltd.** **Pingtan Branch** 1st Floor, Shops 24-33, and 2nd Floor Room 01, Shopping Mall, Building 1 West Side of Cuiyuan South Road Tancheng Town Pingtan County Fujian PRC

The information and statistics set out in this section and other sections of this document were extracted from the Frost & Sullivan Report prepared by Frost & Sullivan, 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]*. The information from official government sources has not been independently verified by us, the Joint Sponsors, the* [REDACTED]*, the* [REDACTED]*, the* [REDACTED]*, the* [REDACTED]*, the* [REDACTED]*, any of their respective directors and advisers or any other persons or parties involved in the* [REDACTED]*, and no representation is given as to its accuracy. Our Directors confirm to the best of their knowledge, and after making reasonable enquiries, that there have been no material adverse changes in the industry since the date of the Frost & Sullivan Report which would qualify, contradict or have a material impact on the information set out in this section.

ANALYSIS OF CHINA'S HEALTH AND WELLNESS MARKET

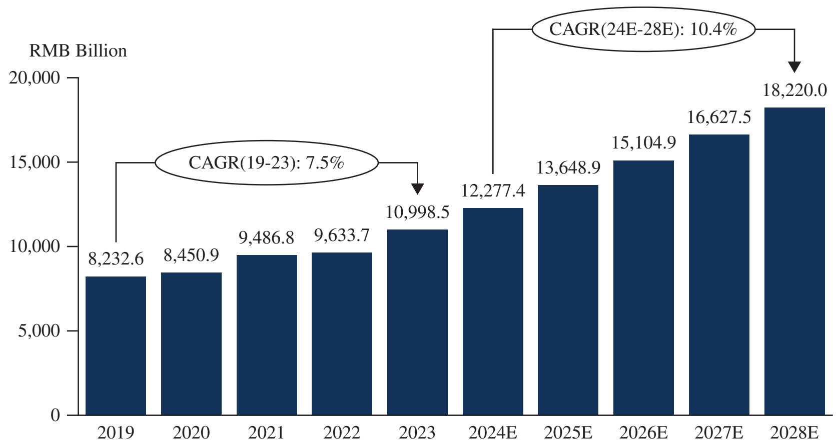
Introduction of China's Health and Wellness Market

The health and wellness market (大健康市場) refers to a comprehensive sector centered around health, encompassing segments such as healthcare, medical services, pharmaceuticals, healthy food and supplements, elderly care services, health insurance, and other health-related products and services. As people's living standards rise and health awareness increases, the health and wellness market is gradually becoming a focal point of attention, presenting significant market potential. Within the health and wellness market, the healthcare (健康保健) segment plays a critical role, especially as the rise in sub-health conditions among younger demographics. The healthcare segment focuses on maintaining and improving personal well-being through prevention, monitoring, and treatment. The healthcare market includes products and services aimed at improving overall health, reducing fatigue, and promoting relaxation. This market encompasses physical examinations, rehabilitation care, fitness programs, massage and etc. In order to fuel the demand for pursuing a high-quality and sustainable regimen, the healthcare segment can provide accessible, affordable, and effective wellness products and services, with bright prospects for future development.

Market Size of China's Health and Wellness Market

The market size of China's health and wellness market has grown from RMB8,232.6 billion in 2019 to RMB10,998.5 billion in 2023, with a CAGR of 7.5%. With strong policy support, increasing investment, and growing health awareness and consumption, China's health market is entering a new phase of rapid development. In view of greater demand, innovative and smart healthcare services and products will continue to improve, and it is predicted to reach RMB18,220.0 billion in 2028 with a CAGR of 10.4%. This will propel the market toward greater standardization, innovation, and high-quality development.

Market Size of Health and Wellness Market (by revenue), China, 2019-2028E



Source: Frost & Sullivan, IMF

Driving Factors of China's Health and Wellness Market

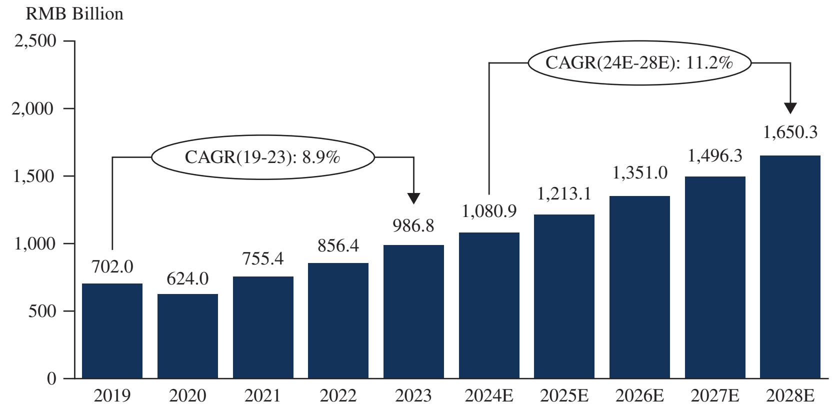
- ***Upgrade in Healthcare Consumption.*** Rising health awareness, coupled with increasing income levels, has led to significant growth in health-related consumption. More individuals are prioritizing their well-being, investing in healthcare, fitness, nutritional supplements, and others. The consumer expenditure on health and wellness market per capita in China has risen from RMB1,900 in 2019 to RMB2,500 in 2023 at a CAGR of 7.1%, and it is projected to reach RMB3,900 in the future five years at a CAGR of 9.3%. This trend of upgrading consumer habits has expanded the market for health products and services, creating strong momentum for the health and wellness market.

- ***Accelerating Aging Population and Growing Demand for Elderly Care.*** The percentage of the population aged 65+ in China has risen from 12.6% in 2019 to 15.4% in 2023, marking the country's transition into an aging society. Simultaneously, declining birth rates are intensifying the pressures of elder care. With fewer younger family members to support them, the elderly are increasingly prioritizing self-care and actively seeking solutions for their health and well-being. The health needs of the elderly have become a significant driving force behind the growth of the health and wellness market.

Market Size of China's Healthcare Segment in Health and Wellness Market

The healthcare segment plays an important role in the health and wellness market, focusing on products and services that improve overall well-being, reduce fatigue and promote relaxation, such as massage, medical check-ups, rehabilitation care and fitness, to maintain and improve people's physical and mental health. In terms of market size, the growth of China's healthcare segment is primarily driven by the prevalence of suboptimal health, the rise of customized health demand, and social media communication for health. These factors work in synergy to provide strong momentum for the industry's development, leading to market expansion and service diversification. The market size of China's healthcare segment has grown from RMB702.0 billion in 2019 to RMB986.8 billion in 2023, with a CAGR of 8.9%. With ongoing technological advancements and evolving consumer needs, the healthcare segment is poised for continued growth and new opportunities. By 2028, the market size is projected to reach RMB1,650.3 billion, with a higher CAGR of 11.2% from 2024 to 2028 than which of the health and wellness market, being 10.4%.

Market Size of Healthcare Segment (by revenue), China, 2019-2028E



Source: Frost & Sullivan, IMF

Driving Factors of China's Healthcare Segment in Health and Wellness Market

- ***Prevalence of Suboptimal Health.*** With the fast-paced modern lifestyle and increasing work pressure, an increasing number of individuals in China are experiencing suboptimal health. In 2023, over 70% of China's urban population has sub-health problems, of which about 70% of white-collar workers have neck and lumbar problems, about 70% have sleep problems, about 65% have gastrointestinal problems and other disturbances, which they believe are mainly due to sedentary behavior, lack of exercise, staying up all night, high stress and other factors. Consumers are seeking more solutions for addressing suboptimal health, such as stress relief, rehabilitation, sleep improvement, and dietary nutrition. The demand for smart health devices, health management apps, and health check-up services is rising, which fuels the growth of the overall healthcare segment.

- ***Rise in Customized Demand.*** With increasing health awareness and higher living standards, there is a growing trend toward customized health management. More consumers are seeking tailored health solutions based on their individual physical conditions, and lifestyle. Services such as customized nutritional supplements, and customized fitness plans have emerged in response to this demand. The need for customized health solutions has driven the development of healthcare, health monitoring, and smart health products, further diversifying and segmenting the healthcare segment.

ANALYSIS OF INTELLIGENT MASSAGE SERVICE MARKET IN CHINA

Definition and Classification of Massage Market

Massage refers to the therapeutic practice of applying pressure, friction, or vibration to the body in order to relieve pain, reduce stress, improve circulation, and promote overall well-being. This practice has been used for centuries across different cultures and is now integrated into modern healthcare services. The massage market can be broadly divided into two main segments: massage products and massage services. Massage products include tools and massage accessories designed for personal use, such as household massage equipment, handheld massagers, and foot massagers. These products are typically designed to provide consumers with an at-home massage experience. Massage services refer to professional massage services provided by licensed therapists or automated systems, which can be further divided into two main subcategories:

- ***Traditional Massage Services.*** They refer to manual massage techniques that do not involve advanced technology, typically performed by licensed therapists using their hands, fingers, elbows, or professional tools.

- ***Intelligent Massage Services.*** Compared with traditional massage services, intelligent massage services integrate advanced technology to enhance the massage experience. Using smart massage accessories as carriers, intelligent massage services provide smarter, more stable and customized massage services through the application of cloud services and IoT technologies.

Comparison of Different Massage Products and Services

The comparative analysis of major massage solutions reveals distinct strengths and weaknesses across different types of massage offerings. Compared with massage products that require large upfront purchase costs, the massage service market has gradually become a flexible solution for acquiring massage services with the advantages of low input cost, wide scene coverage, and convenient service acquisition. Among them, compared with traditional massage services, intelligent massage services provide massage services through automation technology and intelligent systems, which greatly saves labor costs, ensures consistent, reliable and safe service quality, improves service efficiency, and reduces the price of a single massage, making it a more cost-effective massage option for consumers. They are widely available in various consumption scenarios such as commercial complexes, cinemas and traffic hubs (including airports and high-speed rail stations) across the country, offering convenience and immediate access without the need for appointments. While interaction and communication features are currently limited, there is potential for improvement, further enhancing the consumer experience in the future.

Comparison Analysis of Different Massage Products and Services

	Massage Products	Massage Services			
		Traditional Massage Service	Intelligent Massage Service		
			Independent Massage Equipment 	Massage Cushion 	Linked Massage Equipment 
Cost Per Time	◑	◔	●		
Customization	◔	●	◑		
Standardization	●	◔	●		
Scenario Coverage	◔	◑	●		
Interaction & Communication	◔	●	◑		
Frequency of Technology Iteration	◑	N/A	●		

Notes:

(1) The moon charts represent the relative degree of advantage of different solutions under the same indicator. The more black-filled the portion, the greater the advantage.

(2) Independent massage equipment refers to a massage equipment with a separate cockpit. The equipment generally contains large and small sizes and is usually able to adjust the body position.

(3) Massage cushion refers to a small massage appliance that needs to be retrofitted on chairs, such as massage facilities in cinema viewing rooms.

(4) Linked massaged equipment refers to massage equipment that is linked and held in place in sectors such as business environment and transportation sectors. Usually there are no less than 5 equipment in a row.

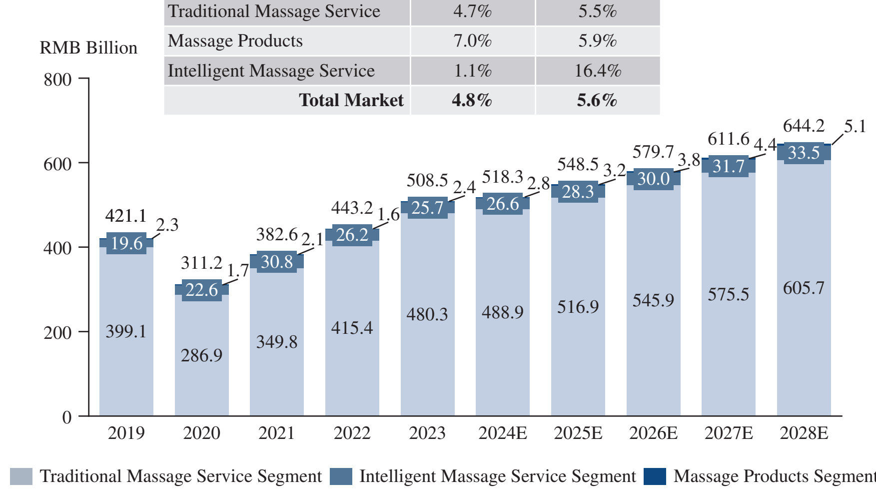
Source: Frost & Sullivan

Market Size of Total Massage Market in China

The overall massage market had a CAGR of 4.8% from 2019 to 2023 and is projected to reach RMB644.2 billion by 2028. Among these, the intelligent massage service market is expected to grow significantly, with a projected market size of RMB5.1 billion by 2028 and a notable increase in CAGR to 16.4% from 2024 to 2028. Due to the problems of high price, limited scene coverage, unstable service quality, and lack of additional functions of traditional massage services, the intelligent massage service model reduces labor costs and improves service efficiency through technological means, and provides lower single service costs while ensuring high-quality services, allowing consumers to enjoy a more cost-effective health experience, which further enhances the popularity and convenience of massage services, and forms a more flexible technology-driven emerging market.

Market Size of Massage Market (by transaction value), Breakdown by Service and Product Types, China, 2019-2028E

CAGR	19-23	24E-28E
Traditional Massage Service	4.7%	5.5%
Massage Products	7.0%	5.9%
Intelligent Massage Service	1.1%	16.4%
Total Market	**4.8%**	**5.6%**



Source: Frost & Sullivan, IMF

Technological Attributes of Intelligent Massage Services

The key distinction between intelligent massage services and traditional massage services lies in the following four critical dimensions, which allow for a higher degree of customization, automation, and efficiency in service delivery.

- ***Equipment Intelligence.*** The equipment used in intelligent massage services integrates emerging technologies such as sensors and automation to anticipate consumer needs and dynamically adjust in real time to consumer preferences and physical conditions, aiming to recreate the techniques of a professional massage guru. For example, intelligent massage equipment can detect pressure points, body posture and muscle tension and automatically adjust the intensity, type and area of the massage to provide a more customized experience. In addition, the application of intelligent technology can also provide consumers with additional services such as health testing and media interaction while massaging, continuously optimizing the consumer experience.

- ***Service Intelligence.*** In intelligent massage services, the entire consumer service experience is enhanced with technology. At the intelligent massage service provider level, based on the customer's consumption data (e.g., stress level, physical condition, etc.), the system can recommend suitable massage types or relaxation therapies to further customize the service, and also analyze and adjust the content and frequency of the massage service, so as to continuously optimize the products and services and provide a more accurate and efficient consumer experience. At the consumer level, consumers can easily book, track and rate massage services through mobile apps, enhancing the convenience and consumer experience of the service.

Application Sectors of Intelligent Massage Service

The intelligent massage services usually provide massage services in the form of QR code-scanning payment, and consumers can choose the appropriate service programs according to their needs. These services are usually widely used in various consumption scenarios, such as commercial complexes, cinemas, traffic hubs (including airports, and train stations) and so on. These places are ideal coverage places for intelligent massage services due to their high flow of people and diverse consumer groups. Through the popularization of intelligent massage equipment consumers can enjoy a convenient and comfortable massage experience anytime and anywhere while waiting or relaxing, enhancing the accessibility and flexibility of massage services.

Application Sectors of Intelligent Massage Service

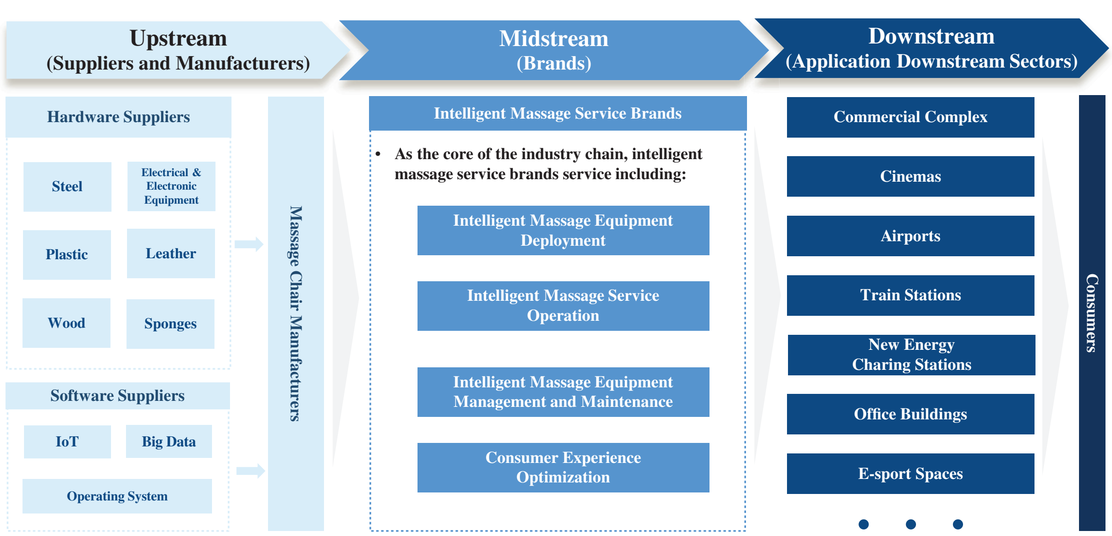
Business Environment Sectors	Current Main Stream	➢ **Commercial complex** is high-traffic, multi-purpose venues where consumers often spend extended periods. With a format of "Massage Space", intelligent massage service equipment is usually arranged in rest areas, food courts, entertainment venues near places accessible for the foot traffic, and has a certain degree of independence in terms of the space, so as to maximize the use of consumers to provide convenient and fast way to relax.
		➢ **Cinemas** usually offer intelligent massage service in two spaces: inside and outside of the screening rooms. Intelligent massage service can provide a comfortable relaxing option for moviegoers not only waiting time but also watching the movies.
	Future Potential Application (Examples)	➢ **E-sports spaces** are high-energy environments where gamers and spectators often spend long hours. There is a high demand for a quick way to relieve stress and physical strain between matches or during breaks, to ensure a comfortable gaming experience for both competitors and fans.
		➢ **Office buildings**, where employees spend extended periods working at desks. Positioned in break rooms, common areas, or near elevators, intelligent massage service equipment provide a quick and relaxing respite, enhancing employee well-being and productivity.
Transportation Sectors	Current Main Stream	➢ **Airports** are ideal for intelligent massage service due to long layovers, delays, and the general stress of travel. Passengers usually have ample waiting time and high consuming ability to seek relaxation.
		➢ **Train stations**, a high-traffic and busy scenario, where passengers often experience long waits, intelligent massage service equipment provide a perfect solution to ease travel fatigue. Positioned in waiting halls or near ticketing areas, they attract travelers looking for a way to relax during their transit experience with high utilisation.
	Future Potential Application (Examples)	➢ **Other transportation scenarios, such as new energy charging stations, highway service areas, traffic rest spaces,** are inherently well-suited for intelligent massage services. These locations often involve unavoidable waiting times, creating an ideal opportunity for travelers to relax and recharge. Additionally, the high traffic and diverse consumer base at these locations provide a consistent flow of potential consumers, making them strategic venues for expanding the presence of intelligent massage services.

Source: Frost & Sullivan

Industrial Chain of The Intelligent Massage Service Market

The industrial chain of intelligent massage service market in China involves multiple links: upstream includes suppliers and manufactures, midstream includes intelligent massage service brands, and downstream includes application sectors, such as commercial complexes, cinemas, airports, train stations, etc. Midstream plays a vital role in the development of the whole market.

Industrial Chain of Intelligent Massage Service Market in China



Source: Frost & Sullivan

Business Model of China's Intelligent Massage Service Market

Revenue sources in the intelligent massage service market mainly include two parts: first, massage service revenue, where consumers pay per use through QR codes or apps, from which brands derive profits; and second is other value-added service revenues, such as third-party platform revenue, where brands derive potential revenues by collaborating with third-party platforms for advertisement placement, short-video viewing, or other business collaborations.

The intelligent massage service market offers three main payment options: mobile payments via QR code scanning, which is popular for its convenience and is the most widely-used way in China's intelligent massage service market; bank card transactions at POS terminals for secure payments with credit or debit cards; and alternative methods like digital wallets for quick, secure payments and cash on delivery for those who prefer traditional methods. These options cater to various consumer preferences.

There are two main cooperation models: direct mode, where intelligent massage service providers sign agreements directly with site managers, maintaining full control over the deployment of equipment and profits. In addition, there is the local partner mode, for which intelligent massage service providers provide comprehensive massage solutions, while the local partners source sites and manage daily operations in designated areas according to the company's business model. Intelligent massage service providers will receive a share of the revenue as service fee, which helps enable rapid cross-regional expansion.

Key Success Factors of China's Intelligent Massage Service Market

The success of an intelligent massage service provider relies on three key factors: accurate scenario selection, efficient operational management, and comprehensive equipment management.

- ***Scenario Selection: Efficient POS Coverage of High-Traffic Locations.*** Intelligent massage service providers must prioritize deploying massage services in high-traffic areas with strong consumption potential. These POS not only provide a stable consumer base but also enable businesses to lower rental costs and enhance profitability through partnerships with site managers. Scenario selection should align with market characteristics and consumer habits. For instance, placing massage equipment in rest areas of commercial complexes offers convenience to shoppers, while positioning them near boarding gates at airports or train stations maximizes the use of travelers' fragmented time. By focusing on first-tier cities and new-first tier cities and gradually expanding into other markets, intelligent massage service providers can broaden their market coverage and achieve comprehensive scenario penetration.

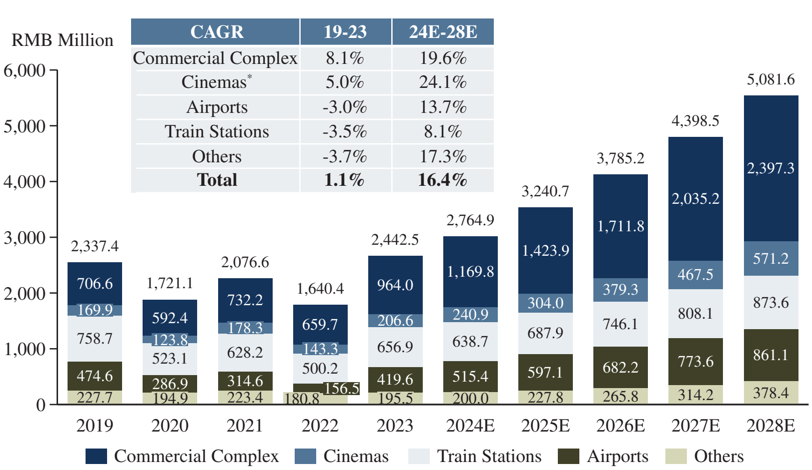
- ***Operational Efficiency: Digital Management.*** The intelligent massage service industry relies on digital management platforms for streamlined operations. Through IoT technology, intelligent massage service providers can monitor equipment performance, usage frequency, and malfunctions in real time, enabling timely maintenance and optimization. Digital backend systems provide insights into the operational performance of different POS aiding in precise market expansion and resource allocation strategies. Additionally, intelligent massage service providers can implement dynamic pricing models, adjusting service fees based on customized massage programs, geographical location, consumption scenarios and the cost involved etc. to maximize revenue. This digitalized approach reduces manual intervention costs, significantly boosts operational efficiency, and provides a competitive edge.

Market Size of China's Intelligent Massage Service Market

Against the backdrop of the rapid growth of the healthcare industry, China's intelligent massage services are entering a rapid growth phase. Currently, the main application sectors of intelligent massage services include commercial complexes, cinemas, airports and train stations. Due to the impact of the public health incidents, the overall market growth rate has been slow in the past five years, with the market size growing from RMB2,337.4 million in 2019 to RMB2,442.5 million in 2023, at a CAGR of 1.1% during the period.

Among these, the commercial complex sector is the largest market with a market size of RMB964.0 million in 2023, growing at a CAGR of 8.1% during the period. Cinema sector followed closely with a CAGR of 5.0% from 2019 to 2023. Transportation sectors, such as airports and train stations, in the past five years by the impact of public health incidents, overlapped on the policies published in relation to intelligent massage service, the market size of the field has not yet fully recovered. In the future, with the gradual recovery of the economy and penetration in other emerging sectors such as E-sports spaces, office buildings, new energy charging stations and so on, China's intelligent massage service market size is expected to grow at a CAGR of 16.4% from RMB2,764.9 million in 2024 to RMB5,081.6 million in 2028.

Market Size of Intelligent Massage Service (by transaction value), Breakdown by Application Sectors, China, 2019-2028E



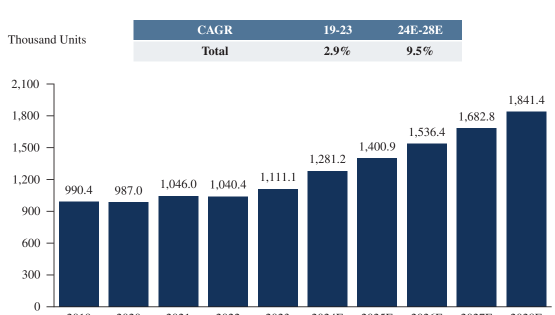
Note: The market size of the cinema sector includes only the transaction value generated within the viewing rooms.

Source: Frost & Sullivan, IMF

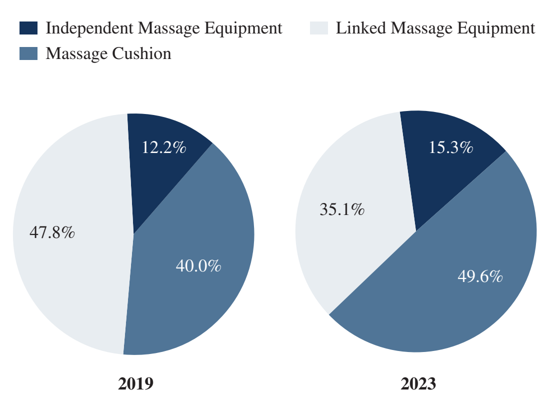
In terms of the existing volume of intelligent massage service equipment, intelligent massage service market experiencing the second stage of growth. The new generation of intelligent massage service equipment is rapidly entering the market with the technologies of big data and IoT, etc. Over the past five years, due to the impact of the epidemic, the existing volume of intelligent massage service equipment in China has shown a slow growth trend, from 990.4 thousand units in 2019 to 1,111.1 thousand units in 2023, with a CAGR of 2.9% during the period. In the future, with the further penetration of intelligent massage services into the low-end markets of third and fourth-tier cities, and the development of emerging sectors such as E-sports spaces, office buildings, new energy charging stations, etc., together with the existing mainstream sectors, such as commercial complex, cinemas, transportation sectors gradually open access to intelligent massage service layout, the volume in terms of number of intelligent massage equipment of intelligent massage services in China is expected to grow from 1,281.2 thousand units in 2024 to 1,841.4 thousand units in 2028, with a CAGR of 9.5%.

In terms of equipment type, the linked massage equipment is the predominant type of equipment in transportation sectors, such as airports and train stations, which accounted for 47.8% in 2019. Following that, the massage cushion is the most prevalent due to the inherent advantage of cinema venues offering a large number of seats. In 2019, it accounted 40.0% of the market. Due to spatial limitations, the independent massage equipment has a relatively lower quantity, accounting for 12.2% in 2019. Following the publication of the government's normative policies on massage equipment in train stations and the subsequent influx of consumer complaints regarding linked massage equipment products, the linked massage equipment market has experienced a gradual decline over the past five years, reaching 35.1% in 2023 and the downward trend is expected to continue over the next five years. Conversely, the independent massage equipment and massage cushion have seen an increase in market share in 2023, reaching 15.3% and 49.6% respectively. This is due to the comfort and versatility of these products, as well as their suitability for different settings.

Market Size of Intelligent Massage Service (by volume in terms of number of massage equipment), China, 2019-2028E



Market Structure (by volume), Breakdown by Equipment Type, China, 2019 & 2023



Source: Frost & Sullivan, IMF

Driving Factors of Intelligent Massage Service Market

- ***Increased Spending on Healthcare.*** As overall health awareness continues to grow, more consumers are investing in wellness and preventive healthcare beyond hospital treatments. This shift has led to a surge in demand for convenient, cost-effective health services like massages. Specifically, massages have become a popular form of relaxation and health maintenance, helping to relieve stress, improve circulation, and address chronic pain. With rising disposable incomes, consumers are allocating more towards health-related expenditures, making intelligent massage services an attractive, affordable alternative to traditional spa or manual massage services.

- ***Shift in Consumer Preferences.*** Consumer preferences are increasingly shifting from traditional massage services to intelligent massage services, driven by a combination of convenience, cost-effectiveness, and accessibility. Intelligent massage services provide the flexibility of on-demand services at a fraction of the price charged by traditional massage parlors, making them highly appealing to cost-conscious consumers. Furthermore, their widespread availability in diverse business environment and transportation sectors, such as commercial complexes, cinemas and airports, eliminates the hassle of appointments and ensures easy access to relaxation and wellness anytime, anywhere. This shift highlights a growing trend toward practical, affordable alternatives that seamlessly integrate into consumers' busy lifestyles.

- ***Increase in Penetration in Existing Mainstream Markets and Development of Lower-end Markets.*** Currently, the penetration rate of intelligent massage services in first- and second-tier cities is increasing to meet the growing health needs of consumers. However, the penetration rate in third- and fourth-tier cities is still relatively low compared to the first and second-tier cities, and the market for intelligent massage services in these areas is still in its infancy, with extensive development potential. At the same time, intelligent massage services are also expanding into emerging markets, such as E-sports spaces, office buildings and new energy charging stations, to further enhance its market appeal. In the future, through the dual strategy of increasing the penetration rate in first- and second-tier cities and actively developing third- and fourth-tier cities and emerging markets, the overall market size of intelligent massage services will continue to grow.

Development Trends of Intelligent Massage Service Market

The future development of China's intelligent massage service market will be characterized by intelligent product operations, increased brand integration and market consolidation, accelerated international growth, and increased demand for intelligent massage services. Enterprises must invest more in these areas in order to maintain a competitive advantage.

- ***Smart and Refined Operations.*** As technology continues to evolve, intelligent massage service is increasingly leveraging IoT, and big data to improve operational efficiency. The maturity of these technologies enables real-time monitoring of equipment, predictive maintenance, and digital decision management, leading to more services and opportunities. This shift towards intelligent and refined operations allows intelligent massage service providers to optimize service quality, reduce downtime, and better match supply with demand. Advanced analytics can also help customize consumer experiences, ensuring that services meet individual preferences and maximize consumer satisfaction.

- ***Market Consolidation.*** As the intelligent massage service industry matures, market consolidation is becoming a key trend, which refers to the increasing concentration of leading brands, driving the integration of existing service sectors, and improving the quality of services provided by scenario parties, while expanding into untapped ones. Head intelligent massage service providers are expanding their market share through mergers and acquisitions, strategic cooperation, and brand image enhancement, while smaller and less competitive players are being phased out. This consolidation creates economies of scale, reduces competition, and allows larger brands to optimize operations across current sectors, improve service quality, and simultaneously explore new application areas more effectively.

- ***Acceleration of International Expansion.*** Leading intelligent massage service providers in the intelligent massage service industry are accelerating their international expansion, particularly in regions like Southeast Asia, where economic growth is strong and the intelligent economy model is widely accepted. The traditional massage culture, combined with lower labor and operational costs, offers a strategic advantage for intelligent massage service providers entering these markets. As industry leaders, these brands are well-positioned to capitalize on the growing demand in international markets, providing new profit growth points and enhancing their global competitiveness.

- ***Increase in Intelligent Massage Service Demand.*** The emphasis on privacy and immersive experiences is pushing the market towards more enclosed, tranquil environments, enabling consumers to enjoy a more focused, uninterrupted experience. People are seeking not just quick relaxation but also holistic healthcare services that align with their pursuit of a healthier lifestyle, prompting intelligent massage service providers to integrate big data and IoT technologies to offer tailored healthcare experiences. These trends highlight the growing consumer expectation for smart, health-centric services in everyday life, setting the stage for the next wave of innovation in the intelligent massage service industry.

COMPETITIVE LANDSCAPE OF CHINA'S INTELLIGENT MASSAGE SERVICE MARKET

Competitive Landscape Overview

The intelligent massage service market in China is highly concentrated, with a few leading companies dominating the majority of the market. These top players leverage their extensive POS in high-traffic POS like commercial complexes, cinemas, airports and train stations, allowing them to capture a substantial consumer base. Their competitive advantages stem from economies of scale, superior brand recognition, and a focus on technological innovation, such as app-based payments and customized massage experiences. As a result, smaller competitors face significant barriers to entry, reinforcing the dominant position of these key players in the market.

Ranking of Major Intelligent Massage Service Companies in China

The competitive landscape of China's intelligent massage service market is highly concentrated, with leading companies holding significant advantages. Top brands dominate the market through large-scale operations, technological innovation, and enhanced consumer experiences. Each key player has distinct positioning, catering to different consumer segments and offering tailored services to differentiate themselves from competitors. From 2021 to 2023, the Company ranked the first in terms of transaction value for three consecutive years, of which in 2023, the company was the absolute dominant player with the transaction value of RMB0.9 billion, accounting for a market share of 37.3%.

Ranking of Major Intelligent Massage Service Companies, China, 2023

Ranking	Company	Transaction Value (RMB Billion)	Market Share (%)	Major Service Types
1	**The Company**	**0.9**	**37.3%**	**Provides intelligent massage service mainly with independent massage equipment and massage cushions**
2	Company A	0.4	15.5%	Provides intelligent massage service mainly with independent massage equipment and linked massage equipment
3	Company B	0.4	14.4%	Provides intelligent massage service mainly with independent massage equipment, linked massage equipment and massage cushions
4	Company C	0.3	11.3%	Provides intelligent massage service mainly with independent massage equipment and linked massage equipment
5	Company D	0.2	8.2%	Provides intelligent massage service mainly with independent massage equipment and linked massage equipment

Notes:

1. Transaction value includes only the transaction value generated by providing intelligent massage services;

2. Company A is a brand offering intelligent massage experience services, headquartered in Xiamen, China;

3. Company B, headquartered in Guangzhou and established in 1997, is a comprehensive health industry enterprise integrating R&D, testing, production, marketing, and services, recognized as a National High-Tech Enterprise;

4. Company C is a comprehensive enterprise specializing in the R&D, production, marketing, and services of intelligent massage equipment, headquartered in Hangzhou, China;

5. Company D focuses on providing holistic technological wellness solutions, serving as a supplier and service provider of massage equipment that integrates R&D, manufacturing, and marketing, headquartered in Jiaxing, China.

Source: Frost & Sullivan

Entry Barrier

- ***Brand Barrier.*** Compared to small intelligent massage service providers large brands in the intelligent massage service market typically occupy a significant number of prime POS such as high-traffic areas like Wanda commercial complex, which have already been secured by major players. These prime spots, with their high foot traffic, not only attract a large number of consumers but also boost the brand's visibility and influence, making it difficult for smaller intelligent massage service providers to find similar market opportunities. Moreover, large brands have established a strong presence in consumers' minds over time, building trust and recognition. Consumers are more likely to choose well-known brands or chain stores, as these brands are often associated with higher service quality and reliability. In contrast, small intelligent massage service providers lacking in brand recognition and market influence, struggle to gain consumer trust and loyalty. As a result, small intelligent massage service providers face significant brand barriers and entry challenges in this market, which is largely dominated by large players.

- ***Channel Barrier.*** In the intelligent massage service market, the relationship with channel partners is crucial, especially when it comes to collaborating with key consumption scenarios such as well-known commercial complexes, cinemas airports and train stations. For example, establishing a strong partnership with large commercial complex like Wanda can provide a company with stable foot traffic and high brand visibility. However, these partnerships are not easily formed, as major channel partners like Wanda typically prefer to collaborate with intelligent massage service providers that have already established a strong brand reputation and reliable services. Finding and building key channels needs significant efforts in marketing, relationship building, and continuous product improvement, which poses a considerable barrier for intelligent massage service providers aiming to enter this competitive market.

- ***Technology Barrier.*** Massage equipment is a high-tech product integrating mechanical and electronic technology, modern control technology, sensor technology, new material technology, ergonomics principle, traditional Chinese medicine massage technology and meridian acupuncture therapy. For new entrants to achieve technological breakthroughs, they need to invest a lot of R&D money and time and have a high-quality R&D team.

- ***Management and Operation Barrier.*** The management and operation of intelligent massage service requires efficient logistics distribution, professional maintenance team and mature consumer service system. New entrants need to establish a complete set of operating systems in a short period of time, which is also a big challenge.

SOURCE AND RELIABILITY OF INFORMATION

We have commissioned Frost & Sullivan, a market research and consulting company and an independent third party, to conduct an analysis of, and to report on China's intelligent massage service market. The report prepared by Frost & Sullivan for us is referred to in the document as the F&S Report, The F&S Report has been prepared by Frost & Sullivan independent of our influence. The fee payable to Frost & Sullivan for preparing the F&S Report is RMB0.5 million which we believe reflects market rates for similar services. Founded in 1961, Frost & Sullivan has over 45 global offices with more than 3,000 industry consultants, market research analysts, technology analysts and economists. Our Directors confirm, to the best of their knowledge, and after making reasonable enquiries, that there have been no adverse changes in the industry since the date of the F&S report and up to the Latest Practicable Date which may qualify, contradict or have an impact on the information set out in this section.

During the preparation of the F&S Report, Frost & Sullivan collected, analyzed, assessed and validated the information and statistics using its in-house analysis models and techniques. Primary research was conducted via discussions and interviews with industry participants and industry experts. Secondary research involved analysis of market statistics obtained from several publicly available data sources, such as releases from the governments of the research countries, company reports, independent research reports and Frost & Sullivan's own internal database. The methodology applied by Frost & Sullivan is based on information and statistics gathered from multiple levels and allows such information and statistics to be cross-referenced for accuracy. The F&S Report contains a series of market projections which were produced based on the following assumptions, without limitations: (i) The social, economic and political conditions in China will remain stable during the forecast period; (ii) Government policies on the related markets in China will remain consistent during the forecast period; (iii) China's intelligent massage service market will be driven by the factors which are stated in this report.

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China. This summary does not purport to be a complete description of all the laws and regulations which are applicable to our business and operations. The following summary is based on relevant laws and regulations in force as of the date of this document, which may be subject to change.

This section sets out a summary of the most significant rules and regulations affecting our business activities in China.

REGULATIONS RELATING TO CORPORATION

According to the PRC Company Law (《中華人民共和國公司法》) promulgated on 29 December 1993, amended on 26 October 2018 and last revised on 29 December 2023 with effect on 1 July 2024, all companies established in the PRC are subject to the Company Law. The Company Law regulates the establishment, operation, corporate structure, and management of corporate entities in China and classifies companies into limited liability companies and limited companies by shares.

The main amendments of the PRC Company Law (2023 Revision) involve improving the company's establishment and exit system, optimizing the company's organizational structure, perfecting the company's capital system and strengthening the responsibilities of controlling shareholders and management personnel.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment, operation and management of our PRC companies are governed by the PRC Company Law (《中華人民共和國公司法》), which applies to all PRC companies including foreign-invested companies, except where foreign-investment related laws provide otherwise.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) approved by the National People's Congress (the "NPC") which was promulgated on 15 March 2019 and came into effect on 1 January 2020 sets out the regulatory framework for foreign investments and pursuant to which (i) foreign natural persons, enterprises or other organizations (collectively, the "foreign investors") shall not invest in any sector prohibited as specified in the negative list for access of foreign investment, (ii) for any sector restricted by the negative list, foreign investors shall conform to the investment conditions provided in the negative list, and (iii) sectors not included in the negative list shall be managed under the principle of equality in treating domestic investments and foreign investments. It, together with its implementation rules, also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information report system where foreign investors or foreign-funded enterprises shall submit investment information to the competent departments of commerce through the enterprise registration system and the enterprise credit information publicity system.

The Measures for Foreign Investment Information Reporting (《外商投資信息報告辦法》), which was promulgated on 30 December 2019 and came into effect on 1 January 2020, sets out the details of the foreign investment information report system. Since 1 January 2020, with respect to foreign investors carrying out investment activities directly or indirectly in the PRC, foreign investors or foreign-funded enterprises shall submit investment information to the commerce authorities in accordance with these measures.

According to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2024 Edition) (《外商投資准入特別管理措施(負面清單)(2024年版)》) promulgated on 6 September 2024 and brought into effect on 1 November 2024, our business does not fall under such categories where foreign investment is restricted or prohibited.

REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMER PROTECTION

According to the Product Quality Law of the PRC (《中華人民共和國產品質量法》), which took effect on 1 September 1993 and was last amended on 29 December 2018, products for sale must satisfy relevant safety standards and sellers shall adopt measures to maintain the quality of products for sale. Sellers shall not mix impurities or imitations into products, or pass counterfeit goods off as genuine ones, or defective products as good ones or substandard products as standard ones. For sellers, any violation of state or industrial standards for health and safety or other requirements may result in civil liabilities and administrative penalties, such as compensation for damages, fines, confiscation of products illegally manufactured or sold and the proceeds from the sales of such products illegally manufactured or sold, and even revoking business licenses; in addition, severe violations may subject the responsible individual or enterprise to criminal liabilities. Consumers or victims who suffer injuries or property losses due to product defects may demand compensation from either the producer or the seller. Where the liability lies with the producer, the seller shall, after settling the claim, have the right to recover such claim from the producer, and vice versa.

According to the Consumers Rights and Interests Protection Law of the PRC (《中華人民共和國消費者權益保護法》), which took effect on 1 January 1994 and was last amended on 25 October 2013, business operators should guarantee that the products and services they provide satisfy the requirements for personal or property safety, and provide consumers with authentic information about the quality, function, usage and term of validity of the products or services. Where business operators have discovered any defect in the goods or services they provided, which may endanger personal or property safety, they shall forthwith report to relevant administrative authorities and notify consumers, and adopt measures such as suspension of selling, alerts, recalls, decontamination, destruction, and suspension of manufacturing or services. In the case where recall measures are adopted, the business operator shall bear necessary expenses incurred by consumers resulting from the recall of goods. Violations of the Consumers' Rights and Interests Protection Law may result in a warning, the confiscation of illegal income, and the imposition of fines. In addition, the relevant business operator will be ordered to suspend its operations, have its business license revoked, and have criminal liability incurred in serious cases.

According to the E-Commerce Law of the People's Republic of China (《中華人民共和國電子商務法》), which took effect on 1 January 2019, e-commerce business operators shall mean natural persons, legal persons and unincorporated organizations that engage in business activities of sale of goods or provision of services through Internet and other information network, including e-commerce platform operators, business operators using the platform, and e-commerce business operators that sell goods or provide services through their own website or other network services. E-commerce business operators engaging in business activities shall adhere to the principles of voluntary participation, equality, fairness and integrity, comply with laws and business ethics, participate in market competition fairly, perform the obligations of consumer rights and interests protection, environmental protection, intellectual property protection, cybersecurity and protection of personal information, etc., undertake product and service quality responsibilities, and accept government and public supervision.

REGULATIONS RELATING TO ADVERTISING

According to the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》) effective from 29 April 2021, goods operators or service providers in China who engage in commercial advertising activities through certain media and in certain forms to directly or indirectly introduce the goods or services they promote shall comply with the law. The law also specifies the obligations of advertisers, advertising operators, publishers and advertising endorsers. Advertisements shall not contain false or misleading content and shall not deceive or mislead consumers. Advertisements shall not use expressions such as "national level", "highest level" or "best". Advertisers shall be responsible for the veracity of the content of their advertisements. If an advertisement states that the goods or services being promoted come with a gift, the type, specifications and quantity of, and the period and methods for giving the gift shall be clearly stated. Any advertiser who violates the foregoing requirements may be ordered to cease publishing the advertisement and subject to a fine less than RMB100,000. Except for advertisements for medical treatment, drugs and medical devices, no other advertisements may involve disease treatment functions, and medical terminologies or misleading terms that may cause readers to confuse the promoted products with drugs or medical devices shall not be used. Any advertiser who violates the relevant requirements may be ordered to cease publishing the advertisement and be subject to a substantial fine; in serious circumstances, the advertiser's business license may be revoked; the relevant authorities may revoke the review and approval documents and refuse to accept applications submitted by the advertiser within one year.

According to the Measures for the Administration of Internet Advertisements (《互聯網廣告管理辦法》) (Order No. 72 of the State Administration for Market Regulation) effective from 1 May 2023, publishing advertisements for medical treatment, drugs, medical devices, dietary supplements and special formula foods for medical purposes in a disguised manner such as introducing health and wellness knowledge is prohibited. When introducing health and wellness knowledge, the addresses, contact information and shopping links of the goods operators or service providers of related medical treatment, drugs, medical devices, dietary supplements and special formula foods for medical purposes shall not be displayed on the same page or at the same time. Internet advertisements should be identifiable so that consumers can recognize them as advertisements. Except in cases where laws or administrative regulations prohibit the publishing or publishing in a disguised manner of advertisements, advertisers who promote goods or services through introducing knowledge, sharing experiences, consumer review and other means and attach shopping links or other purchasing methods shall conspicuously mark "advertisement".

REGULATIONS RELATING TO LEASING

According to the Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) promulgated on 5 July 1994, last amended on 26 August 2019 with effect on 1 January 2020, when leasing a house, the lessor and lessee shall sign a written lease contract, prescribing such provisions as the leasing term, use of the house, rental and repair liabilities, and other rights and obligations of both parties; and go through registration procedures for record with the real estate administration department.

According to the PRC Civil Code (《中華人民共和國民法典》), a lessee may, upon the lessor's consent, sublease the leased object to a third person. The lease contract between the lessee and the lessor shall continue to be valid despite the sublease by the lessee, and if the third person causes loss to the leased object, the lessee shall bear the liability for compensation. Where a lessee subleases the leased object without the consent of the lessor, the lessor may rescind the contract. Where a lessee, upon consent of the lessor, subleases the leased object to a third person, if the term of the sublease exceeds the remaining term of the lessee, the sublease in the period in excess of the original term shall not be legally binding on the lessor unless otherwise agreed by the lessor and the lessee.

According to the Administrative Measures for Commodity House Leasing (《商品房屋租賃管理辦法》) promulgated on 1 December 2010 with effect on 1 February 2011, the parties to the house leasing shall sign a lease contract according to laws, and the lease contract shall be registered with the relevant construction or real estate authorities at the city or county level within 30 days after its signing. If the contents of the house lease registration and filing are changed, the lease is renewed or the lease is terminated, the parties concerned shall, within 30 days, go to the original lease registration and filing department to go through the formalities for the modification, renewal or cancelation of the house lease registration and filing. A house falling within any of the following circumstances may not be leased: (i) it is an illegally built house; (ii) it fails to conform to the mandatory standards for project construction with respect to safety and disaster prevention; (iii) the original use of the house has been changed in violation of the relevant provisions; or (iv) it falls within any other circumstance under which it is prohibited by any law or regulation from being leased. If the parties involved in the house leasing fail to go through the registration and filing procedures or violate the above regulations, the parties involved in the house leasing will be ordered to make corrections, and if they fail to make corrections within the time limit, they will be fined.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Solid Waste

According to 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 Standing Committee of the National People's Congress (the "SCNPC") on 30 October 1995, last amended on 29 April 2020 and implemented on 1 September 2020, the construction of projects involving generation, storage, utilization and disposal of solid wastes shall be subject to an environmental impact assessment. The necessary supporting facilities for the prevention and control of environmental pollution caused by solid wastes as specified in the environmental impact assessment document of a construction project are required to be designed, constructed and put into use simultaneously with the main part of the construction project.

Water Pollution

According to 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 implemented on 1 January 2018, construction, renovation and expansion projects and other upper-water facilities that directly or indirectly discharge pollutants to water are subject to environmental impact assessment. In addition, water pollution prevention facilities are required to be designed, constructed and put into operation simultaneously with the main part of the project. From 1 January 2018, water pollution prevention facilities are required to comply with the requirements in the environmental impact report approved by and filed with the competent authorities.

Noise Pollution

According to the Law of the PRC on the 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 came into effect on 5 June 2022, industrial production, construction, transportation and social activities must conform to the regulations of environmental protection.

Entities that emit industrial noise shall take effective measures to reduce vibration and noise and obtain a pollutant discharge permit or fill in a pollutant discharge registration form according to law. Entities subject to pollutant discharge licensing management shall not emit industrial noise without a pollutant discharge permit and shall prevent and control noise pollution according to the requirements of the pollutant discharge permit.

A construction project owner shall include the expenses for prevention and control of noise pollution in the project cost according to the provisions and specify the responsibility of the construction entity for prevention and control of noise pollution. The construction entity shall, according to the provisions, formulate an implementation plan for prevention and control of noise pollution and take effective measures to reduce vibration and noise. The project owner shall supervise the construction entity in implementing the implementation plan for prevention and control of noise pollution.

Pollutant Discharge Permit

According to the Regulations on the Administration of Pollutant Discharge Permits (《排污許可管理條例》) promulgated on 24 January 2021 and implemented on 1 March 2021, enterprises, institutions and other producers and operators that implement the management of pollutant discharge permits in accordance with the law shall apply for pollutant discharge permits in accordance with the provisions of these regulations; no pollutant shall be discharged without obtaining a pollutant discharge permit. According to the amount of pollutants produced, discharged and the degree of impact on the environment and other factors, the pollutant discharge permit classification management is implemented for pollutant discharge entities. Enterprises, institutions and other producers and operators with very small pollutant production, discharge and environmental impact shall fill in the pollutant discharge registration form and do not need to apply for pollutant discharge permits.

In accordance with 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》) and the Measures on the Management of Transferring Hazardous Waste (《危險廢物轉移管理辦法》), no solid wastes are allowed to be discharged to water. The PRC government implements the declaration and registration system for the production and disposal of the industrial solid wastes. Industrial solid waste producers shall provide the local environmental protection authority with the relevant information regarding the production, whereabouts, storage and disposal of the solid wastes. The open storage for slag, chemical slag, coal ash, waste minerals, mineral waste residues and other industrial solid wastes requires special facilities. Failure to comply with the requirements of declaration and registration of the industrial solid wastes or hazardous wastes will be ordered to take remedial measures in due course and fined by the environmental protection authority.

Enterprises generating hazardous wastes must register with the local environmental protection authority and must properly dispose the wastes in compliance with the relevant laws and regulations imposed by the PRC government. Any entity disposing its hazardous materials by way of burying or without complying with the relevant regulations should pay relevant hazardous waste disposal charges. All hazardous wastes listed on the "National Catalogue of Hazardous Wastes" should be collected and disposed by entities approved for handling the disposal of hazardous wastes. Any entity without the permit of hazardous waste disposal is prohibited from engaging in collection, storage, transportation, utilisation and disposal of hazardous wastes. Hazardous wastes should not be placed and handled together with non-hazardous waste.

REGULATIONS RELATING TO DATA, CYBER AND INFORMATION SECURITY

On 28 May 2020, the NPC issued the Civil Code of the PRC (《中華人民共和國民法典》) (the "Civil Code"), which took effect on 1 January 2021. According to the Civil Code, natural person's personal information shall be protected by law, and the processing of personal information shall be subject to the principle of legitimacy, rightfulness and necessity, with no excessive processing.

On 7 November 2016, the SCNPC promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (the "Cybersecurity Law"), which became effective on 1 June 2017. According to the Cybersecurity Law, network operators must comply with applicable laws and regulations and fulfill their obligations to safeguard cybersecurity in conducting business and providing services. For the construction and operation of the network or the provision of services through the network, technical and other necessary measures shall be taken as required by law and the compulsory requirements of national standards to ensure the safe and stable operation of the network, respond to cybersecurity incidents effectively, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. Network operators shall not collect personal information irrelevant to their services. In the event of any unauthorized disclosure, damage or loss of collected personal information, network operators shall take immediate remedial measures, notify the affected consumers and report the incidents to the relevant authorities in a timely manner.

The Data Security Law of the PRC (《中華人民共和國數據安全法》) was released by the SCNPC on 10 June 2021 and became effective on 1 September 2021. The PRC Data Security Law stipulates the measures to support and promote data security and development, to establish and optimize the national data security management system, and to clarify organizations' and individuals' responsibilities in data security. The PRC Data Security Law introduces a data classification and hierarchical protection system based on the materiality of data in economic and social development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or entities when such data is tampered with, destroyed, divulged, or illegally acquired or used. It also provides a security review procedure for the data processing activities which may affect national security.

On 28 December 2021, the Cyberspace Administration of China (the "CAC") and certain other PRC regulatory authorities published the Cybersecurity Review Measures (《網絡安全審查辦法》), which became effective on 15 February 2022. Pursuant to the measures, critical information infrastructure operators (the "CIIO") that purchase network products and services and network platform operators engaging in data processing activities that affect or may affect national security must be subject to the Cybersecurity Review. However, the Cybersecurity Review Measures does not define what constitutes "affect or may affect national security," and the PRC government would have broad discretion over the interpretation of this term.

The Regulations on the Administration of Cyber Data Security (《網絡數據安全管理條例》) (the "Regulations") was promulgated by the CAC on 24 September 2024 and became effective on 1 January 2025. According to the Regulations, data processors that affect or may affect national security, would be required to apply for a cybersecurity review in accordance with the relevant PRC regulations.

As of the Latest Practicable Date, we have not received any notification from any regulatory authority on the need to carry out Critical Information Infrastructure identification work or notification of being identified as a Critical Information Infrastructure Operator, and none of our network facilities or information systems have been designated as Critical Information Infrastructure. Therefore, as advised by our PRC Legal Advisor, as of the Latest Practicable Date, we do not currently constitute a Critical Information Infrastructure Operator. In addition, we intend to be [**REDACTED**]on the Hong Kong Stock Exchange this time, and the Cybersecurity Review Measures do not explicitly stipulate that [**REDACTED**] in Hong Kong belongs to the circumstances in which a declaration of cybersecurity review is mandatory; according to a telephone consultation with China Cybersecurity Review, Certification and Market Regulation Big Data Center (the "CCRC"), our proposed [**REDACTED**] in Hong Kong does not fall into the category of situations that require voluntary declaration. Last but not least, as the Latest Practicable Date, neither the Company nor any of its subsidiaries has received any notification from the regulatory authorities that its network products and services and data processing activities have been determined by the regulatory authorities as affecting or potentially affecting national security, and neither has received any notification from the regulatory authorities that we have been subject to a cybersecurity review process or has been required to conduct a cybersecurity review. Based on the foregoing, our PRC Legal Advisor is of the view that, as of the Latest Practicable Date, the likelihood that our business operations and/or the [**REDACTED**] give rise to national security risks which subject us to cybersecurity review under the Cybersecurity Review Measures and the Regulations on Cyber Data Security is relatively low.

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "PIPL") was promulgated by the SCNPC on 20 August 2021 and became effective on 1 November 2021. The PIPL stipulates the scope of personal information and the ways of processing personal information, establishes rules for processing personal information, and clarifies the individual's rights and the processor's obligations in the process of personal information processing. Personal information, as defined in PIPL, refers to information related to identified or identifiable natural persons and recorded by electronic or other means, but excluding anonymized information. The PIPL applies to (i) the processing within the territory of the PRC of natural persons' personal information; or (ii) the processing outside the territory of the PRC over personal information of natural persons within the PRC, provided that such information is processed (a) for the purpose of providing products or services to domestic natural persons, (b) to analyze or assess the conduct of domestic natural persons, or (c) under any other circumstances as prescribed by laws and administrative regulations.

The MIIT promulgated the Administrative Measures on Data Security in the Field of Industry and Information Technology (for Trial Implementation) (《工業和信息化領域數據安全管理辦法(試行)》), effect on 1 January 2023. The Measures applies to the data processing activities in the field of industry and information technology carried out within the territory of China, and sets out a series of data security protection obligations for data processors in such field, such as establishing a full life-cycle data security management system, appointing data security management personnel, and conducting filings for the important data and core data processed by the data processors.

According to Announcement of Launching Special Crackdown Against Illegal Collection and Use of Personal Information by Apps (《關於開展APP違法違規收集使用個人信息專項治理的公告》) effect on 23 January 2019 and Promulgation of the Method for Identifying the Illegal Collection and Use of Personal Information by Apps (《APP違法違規收集使用個人信息行為認定方法》) effect on 28 November 2019, the relevant competent authorities shall strengthen the regulation and punishment of actions including compulsory authorization, excessive claims of rights and excessive collection of personal information by Apps.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

Patents in the PRC are principally protected under the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated on 12 March 1984, came into effect on 1 April 1985, and was last amended on 17 October 2020 with effect from 1 June 2021, as well as the Implementation Rules for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the State Council on 15 June 2001, came into effect on 1 July 2001, and was last amended on 11 December 2023 with effect from 20 January 2024. According to the PRC Patent Law and its implementation rules, the duration of a patent right for inventions, utility models and designs shall be 20 years, 10 years and 15 years, respectively, all commencing from the application date.

Copyright

Copyright in the PRC are principally protected under The Copyright Law of the PRC (《中華人民共和國著作權法》), promulgated on 7 September 1990 and last amended on 11 November 2020 and brought into effect on 1 June 2021, as well as Implementation Regulations for the Copyright Law of the People's Republic of China (《中華人民共和國著作權法實施細則》) promulgated by the State Council on 2 August 2002, came into effect on 15 September 2002, and was last amended on 30 January 2013 with effect from 1 March 2013. According to the PRC Copyright Law and its implementation rules, specifies that works of Chinese citizens, legal persons or other organizations, namely ingenious intellectual achievements in the fields of literature, art and science that can be presented in a certain form, whether published or not, shall enjoy the copyright. The copyright holder can enjoy multiple rights, including the right of publication, the right of authorship, and the right of reproduction.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (the "Software Copyright Measures"), promulgated by the National Copyright Administration and brought into effect on 20 February 2002, and last revised on 18 June 2004 and brought into effect on 1 July 2004, regulates the registration of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration shall be the competent governmental authority for the national administration of software copyright registration and the Copyright Protection Center of China (the "CPCC") is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants pursuant to the provisions of both the Software Copyright Measures and the Computer Software Protection Regulations (《計算機軟件保護條例》).

Trademark

According to the Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated on 23 August 1982, came into effect on 1 March 1983, and last amended on 23 April 2019 with effect from 1 November 2019, as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council on 3 August 2002, came into effect on 15 September 2002, and was revised on 29 April 2014 with effect from 1 May 2014, registered trademarks are trademarks approved and registered by the Trademark Office of China National Intellectual Property Administration, including commodity trademarks, service trademarks, collective trademarks, and certification marks. A trademark registrant enjoys exclusive rights to use a registered trademark, which is protected by the law. The Trademark Law and its implementation regulations set forth an application for trademark registration, which shall be filled in based on the published classification of commodities and services. The description of commodities or services shall be filled in based on the class number and description in the classification of commodities and services; where the commodities or services are not listed in the classification of commodities and services, a statement on the commodities or services shall be attached.

Domain Name

According to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), promulgated on 24 August 2017 and brought into effect on 1 November 2017, the principle of "first to file" is adopted for domain name registration services. The applicant for domain name registration shall provide the agency of domain name registration with true, accurate and complete information about the domain name holder's identity for registration purpose and enter registration agreements with domain name registration service providers. Upon the completion of the registration process, the applicant will become the holder of the relevant domain name. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated on 27 November 2017 and came into effect on 1 January 2018, stipulates the obligations of Internet information service providers and other entities to combat terrorism and maintain network security.

REGULATIONS RELATING TO EMPLOYMENT, SOCIAL INSURANCE AND HOUSING FUND

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》), which was promulgated in 1994 and last amended in 2018, the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated in 2007 and amended in 2012, and the Implementation Regulations of the Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), which was issued by the State Council on 18 September 2008 and came into effect on the same day, employers must execute written labor contracts with full-time employees. All employers must comply with local minimum wage standards. Employers must establish a system for labor safety and sanitation that strictly abide by state standards and provide relevant education to its employees. Violations of the Labor Contract Law and the Labor Law may result in the imposition of fines and other administrative and criminal liability in the case of serious violations.

According to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which was promulgated on 28 October 2010 and amended on 29 December 2018, and the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) recently amended by the State Council and effective on 24 March 2019, an employer is required to make contributions to social insurance schemes for its employees, including basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and work-related injury insurance. If the employer fails to make social insurance contributions in full and on time, the social insurance authorities may demand the employer make payments or supplementary payments for the unpaid social insurance premium within a prescribed time limit together with a 0.05% surcharge of the unpaid social insurance premium from the due date. If the payment is not made within such time limit, the relevant administrative authorities will impose a fine ranging from one to three times the total outstanding amount.

According to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國税地税徵管體制改革方案》), which was promulgated on 20 July 2018, commencing from 1 January 2019, all the social insurance premiums, including the premiums of basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, shall be collected by the tax authorities. According to the Notice on Conducting the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (《關於穩妥有序做好社會保險費徵管有關工作的通知》) promulgated by the General Office of the State Administration of Taxation (the "STA") on 13 September 2018 and the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Security Contributions (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated by the General Office of the Ministry of Human Resources and Social Security on 21 September 2018, all the local authorities responsible for the collection of social insurance are strictly forbidden from conducting self-collection of historical unpaid social insurance contributions from enterprises. The Notice on Implementing the Several Measures to Further Support and Serve the Development of Private Economy (《關於實施進一步支持和服務民營經濟發展若干措施的通知》), promulgated by the STA on

16 November 2018, repeats that tax authorities at all levels may not organize self-collection of arrears of taxpayers including private enterprises from the previous years. The Notice of General Office of the State Council on Promulgation of the Comprehensive Plan for the Reduction of Social Insurance Premium Rate (《國務院辦公廳關於印發降低社會保險費率綜合方案的通知》), promulgated on 1 April 2019, requires steady advancement of the reform of the system of social security fees collection. In principle, the basic pension insurance for enterprise employees and other insurance types for enterprise employees shall be collected temporarily according to the existing collection system to stabilize the payment method. It also emphasizes that the historical unpaid arrears of the enterprise shall be properly treated. In the process of reformation of the collection system, the relevant governmental body is not allowed to conduct self-collection of historical unpaid arrears from enterprises, neither is it allowed to adopt any method of increasing the actual payment burden of small and micro enterprises to avoid causing difficulties in the production and operation of the enterprises.

According to the Administrative Regulations on Housing Provident Funds (《住房公積金管理條例》), which was promulgated on 3 April 1999 and last amended on 24 March 2019, employers are required to make contributions to housing provident funds for their employees. Any entity fails to make payment of housing provident fund within the time limit or has a shortfall in payment of housing provident fund will be ordered to make the payment or make up the shortfall within the prescribed time limit, otherwise, the housing provident management center is entitled to apply for compulsory enforcement with the People's Court.

According to the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), which became effective on 1 March 2014, the employers can only use dispatched workers in temporary, auxiliary, or alternative jobs, and the number of dispatched workers employed shall not exceed 10% of its total employment. According to the Labor Contract Law, if a labor dispatch unit or an employer violates the relevant provisions, the labor administrative department shall order it to make corrections within a time limit; if it fails to make corrections within the time limit, it shall be liable for a fine over RMB5,000 and less than RMB10,000 per person. If the employer causes damage to the dispatched worker, the labor dispatch unit and the employing unit shall be jointly and severally liable for compensation.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

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"), which became effective on 1 January 2008 and was last amended on 29 December 2018, and the Regulations on the Implementation of EIT Law (《中華人民共和國企業所得稅法實施條例》) which was promulgated by the State Council on 6 December 2007, came into effect on 1 January 2008 and was amended on 23 April 2019, enterprises are classified as resident enterprises and non-resident enterprises. Enterprises which are established in China in accordance with PRC laws or established pursuant to foreign laws with their "de facto management bodies" located in the PRC are deemed a "resident enterprise" and subject to an enterprise income tax rate of 25% on their global income. Non-resident enterprises are subject to (i) an enterprise income tax rate of 25% on their income generated by their establishments or places of business in the PRC and their income derived outside the

PRC which are effectively connected with their establishments or places of business in the PRC; and (ii) an enterprise income tax rate of 10% on their income derived from the PRC but not connected with their establishments or places of business located in the PRC. Non-resident enterprises without establishment or place of business in the PRC are subject to an enterprise income tax of 10% on their income derived from the PRC. High and new technology enterprises that need the support of the country are entitled to enjoy the reduced enterprise income tax rate of 15%.

Pursuant to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) and relevant protocols, which were promulgated by STA on 21 August 2006, came into effect on 8 December 2006, the withholding tax rate 5% applies to dividends paid by a PRC company to a Hong Kong company if such Hong Kong company directly holds at least 25% of the equity interests in a PRC company, otherwise the 10% withholding tax rate applies.

Value-added Tax ("VAT")

According to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》), which was promulgated on 13 December 1993 and last amended on 19 November 2017, together with 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 on 25 December 1993, came into effect on the same day and was amended on 15 December 2008 and 28 October 2011 with effect from 1 November 2011, entities and individuals engaged in selling goods or labor services of processing, repair or maintenance, selling services, intangible assets or immovables within the PRC or importing goods to the PRC are subject to the payment of value-added tax; the tax rate for taxpayers engaging in sale of goods shall be 17% unless otherwise stipulated in the Provisional Regulations on Value-Added Tax of the PRC; the tax rate for taxpayers engaging in sale of services shall be 6% unless otherwise stipulated in the Provisional Regulations on Value-Added Tax of the PRC. Pursuant to the Notice of the Ministry of Finance of the PRC and the STA on Adjusting Value-Added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) effective on 1 May 2018, a taxpayer who was previously subject to a 17% tax rate on VAT-taxable sales activities shall have the applicable tax rate adjusted to 16%. 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》), which came into effect on 1 April 2019, for VAT-taxable sales or imported goods of a VAT general taxpayer previously subject to value-added tax rate of 16%, the tax rate shall be adjusted to 13%.

REGULATIONS RELATING TO FOREIGN EXCHANGE

According to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated on 29 January 1996 and amended on 14 January 1997 and 5 August 2008, the RMB is generally freely convertible for current account items, including the distribution of dividends, trade and service related foreign exchange transactions, but not for capital account items, such as direct investment, loan, repatriation of investment and investment in securities outside the PRC, unless the prior approval of the State Administration of Foreign Exchange (the "SAFE") or its designated banks is obtained.

According to the Notice of the State Administration of Foreign Exchange 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》) promulgated on 9 June 2016 and last amended on 4 December 2023, the settlement of foreign exchange receipts under the capital account (including but not limited to foreign exchange capital and external debts and funds recovered from overseas listing) may convert from foreign currency into RMB on a self-discretionary basis. The ratio of the discretionary exchange rate of foreign exchange receipts under the domestic capital account is tentatively set at 100%. The SAFE may adjust the above ratio in due course according to the balance of payment status.

REGULATIONS RELATING TO OVERSEAS DIRECT INVESTMENT

Pursuant to the Regulations on the Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) issued by the SAFE on 13 July 2009 and came into effect on 1 August 2009, upon obtaining approval for overseas investment, an enterprise in mainland China shall apply for foreign exchange registration for its overseas direct investments. According to the Notice of the State Administration of Foreign Exchange on Further Simplifying and Improving the Foreign Exchange Management Policies for Direct Investment, the administrative approval for foreign exchange registration approval under overseas direct investment has been canceled, and the banks are entitled to review and carry out foreign exchange registration under overseas direct investment directly.

Pursuant to the Measures for the Administration of Overseas Investment (《境外投資管理辦法》) which was issued by the MOFCOM on 6 September 2014 and came into effect on 6 October 2014, the MOFCOM and the commerce departments at provincial levels shall subject the overseas investment of enterprises to recordation or confirmation management, depending on the actual circumstances of investment. Overseas investment involving any sensitive country or region, or any sensitive industry shall be subject to confirmation management. Overseas investment under other circumstances shall be subject to recordation management.

Pursuant to the Administrative Measures for Outbound Investment by Enterprises (《企業境外投資管理辦法》) promulgated by the NDRC on 26 December 2017 and came into effect on 1 March 2018, the investing activities of enterprises in mainland China such as acquiring overseas ownerships, controlling rights, operating and management rights and other relevant interests by way of investing assets and interests or providing financing and guarantees to control its overseas enterprises, either directly or indirectly, are required to obtain approval or filing with the NDRC in accordance with the relevant conditions of the overseas investment projects. Outbound investment projects that involve sensitive countries and regions or sensitive industries shall be subject to administration of verification and approval by the NDRC and non-sensitive outbound investment projects shall be subject to administration by record-filing. For non-sensitive projects of US$300 million or above invested by local enterprises in mainland China or carried out by overseas enterprises controlled by them, the investors shall file with the NDRC and non-sensitive outbound investment projects, of which the investment amount of investors in mainland China is less than US$300 million (exclusive) shall file with the provincial counterpart of the NDRC.

REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing dividends distributions by companies is the Company Law of the PRC (《中華人民共和國公司法》). PRC companies are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS RELATING TO OVERSEAS LISTING

On 17 February 2023, the China Securities Regulatory Commission (the "CSRC") issued the Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) ("the Trial Measures") which came into force on 31 March 2023. The Trial Measures regulates overseas securities offering and listing activities by domestic companies in direct or indirect form. The Trial Measures provides that (i) Chinese companies that seek to offer and list securities in overseas markets shall fulfill the filing procedures with the CSRC and report relevant information to the CSRC, and the filing shall be submitted within three working days after the application for an initial public offering is submitted, and (ii) in the event that Chinese companies that have directly or indirectly listed securities in overseas markets intend to conduct follow-on offerings in overseas markets, such companies shall fulfill the filing procedures with and report relevant information to the CSRC, and such filing shall be submitted within three working days after such follow-on offering is completed. Any overseas offering and listing made by an issuer that meets both of the following conditions will be determined as indirect: (i) more than 50% of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent accounting year is accounted for by the Chinese domestic companies; and (ii) the main parts of the issuer's business activities are conducted in the PRC, or its main places of operations are within the PRC, or the senior managers in charge of its operation and management are mostly Chinese citizens or domiciled in the PRC. The determination as to whether or not an overseas offering and listing by domestic companies is indirect, shall be made on a substance-over-form basis. Moreover, an overseas offering and listing is prohibited if (i) it is prohibited by PRC laws, (ii) it may endanger national security as reviewed and determined by competent PRC authorities under the State Council in accordance with law, (iii) in recent three years, the Chinese operating entities or their controlling shareholders or actual controllers have committed relevant prescribed criminal offenses, (iv) domestic companies that are suspected of committing crimes or major violations of laws and regulations are under investigation according to law, and no conclusion has yet been made thereof, or (v) there are material ownership disputes over equity held by the controlling shareholders or by other shareholders that are controlled by the controlling shareholders or actual controllers.

On 24 February 2023, the CSRC, the Ministry of Finance, the National Administration of State Secrets Protection, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (《關於加強境內企業境外發行證券和上市相關保密和檔案管理工作的規定》) (the "Archives Rules") which came into force on 31 March 2023. The Archives Rules require that, in relation to the overseas securities offering and listing activities of domestic enterprises, either in direct or indirect form, such domestic enterprises, as well as securities companies and securities service institutions providing relevant securities services, are required to strictly comply with relevant requirements on confidentiality and archives management, establish a sound confidentiality and archives system, and take necessary measures to implement their confidentiality and archives management responsibilities. According to the Archives Rules, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and overseas regulators, any materials that contain relevant state secrets or that have an adverse impact on the national security or public interests, the domestic company should complete the relevant approval/filing and other regulatory procedures.

OVERVIEW

We are the leader of intelligent massage service provider in China. According to Frost & Sullivan, we ranked first among all intelligent massage service providers in the PRC in terms of transaction value for three consecutive years from 2021 to 2023.

Our Company was established and owned by Fuzhou Realm as to 50%, Mr. Wu Jinghua (吳景華) as to 35% and Mr. Chen Jianlin (陳建霖) as to 15% in May 2014 with Mr. Wu Jinghua ultimately controlled (directly or indirectly through his control of the majority equity interest in Fuzhou Realm) 85% equity interest in our Company at the time of establishment. Mr. Wu Jinghua is an acquaintance of Mr. Xie. As Mr. Wu Jinghua was occupied with other business affairs and our Company had no business operation or paid-in capital since establishment until 2016, when Mr. Xie was considering to start the intelligent massage service business, and for the purpose of saving administrative procedures for setting up a new company, after arm's length negotiation, Mr. Xie became our Controlling Shareholder by acquiring 60% equity interest from the then Shareholders in December 2016. Under the leadership of Mr. Xie, we launched the brand of "lemobar" and started our intelligent massage service business in the fourth quarter of 2016. See "— Corporate Development of our Company — Establishment and Early Shareholding Changes" below for details. Since then, we have been mainly focused on the business of intelligent massage service. See "Business" for details.

BUSINESS DEVELOPMENT MILESTONES

The following table summarizes the key milestones in our business development:

Year	Milestone
2014	Our Company was established in May.
2016	Mr. Xie acquired the controlling interest of our Company and became our Controlling Shareholder in December.
	We launched the brand of "lemobar" and started our intelligent massage service business under the leadership of Mr. Xie in the fourth quarter.
2017	We received the [**REDACTED**] Investment of RMB50.0 million from Cornerstone Yixiang in December.
	We changed our Company name from Fuzhou Zhangchuang Information Technology Co., Ltd.* (福州掌創信息技術有限公司) into Fujian Lemo IoT Technology Co., Ltd* (福建樂摩物聯科技有限公司) in December.

Year	Milestone
2018	We received the "China's Top 50 E-Commerce Enterprises in 2018" (2018中國電子商務五十強企業) and "China's Most Influential E-Commerce Business Innovation Enterprises" (2018中國電子商務最具影響力商業創新企業) Awards from the China E-Commerce Association (中國電子商務協會).
2019	We were ranked among the first batch of strategic partners of "China's Industrial Digital Transformation and Upgrading" by the China Industry Digitalization Conference (中國產業數字化大會) in December.
2020	We were recognized as a High-tech Enterprise (高新技術企業) by Fujian Provincial Department of Science and Technology (福建省科學技術廳), Fujian Provincial Department of Finance and Fujian Provincial Tax Bureau of the State Administration of Taxation in December (福建省財政廳和國家稅務總局福建省稅務局).
	We were awarded the Fujian High-tech Enterprise Cultivation Certificate (福建省高新技術企業培育證書) by the Economic Development Bureau of Pingtan Comprehensive Experimental Zone (平潭綜合實驗區經濟發展局) and Finance Bureau of Pingtan Comprehensive Experimental Zone (平潭綜合實驗區財政金融局).
2021	We were recognised as a Little Giant Technology Enterprise in Fujian (福建省科技小巨人企業) and one of the eleventh batch of Fujian Province Technology SMEs (福建省第十一批科技型中小企業) by the Department of Science and Technology of Fujian (福建省科學技術廳) in September and November, respectively.
2023	We were recognised as an Innovative Company in Core Industries of the Digital Economy in Fujian (福建省數字經濟核心產業瞪羚企業) by the Development and Reform Commission of Fujian (福建省發展和改革委員會) in April.
2024	The total number of cumulative identifiable service consumers of our lemobar mini program exceeded 100 million.
	We converted into a joint stock company in August and changed our Company name from 福建樂摩物聯科技有限公司 into 福建樂摩物聯科技股份有限公司.
	We were recognised as Specialized, Refined, Distinctive and Innovative Enterprises in Fujian (福建省專精特新中小企業) by the Fujian Provincial Department of Industry and Information Technology (福建省工業和信息化廳) in November.

CORPORATE DEVELOPMENT OF OUR COMPANY

Below were the material shareholding changes of our Company.

Establishment and Early Shareholding Changes

On 29 May 2014, our Company was established as a limited liability company with the corporate name of Fuzhou Zhangchuang Information Technology Co., Ltd.* (福州掌創信息技術有限公司) in the PRC, with an initial registered capital of RMB10.0 million. At the time of establishment, our Company was owned as to 50.0% by Fuzhou Realm (which was owned as to 51% by Mr. Wu Jinghua and 49% by Mr. Li Jianzheng), 35.0% by Mr. Wu Jinghua and 15.0% by Mr. Chen Jianlin, respectively. Mr. Wu Jinghua is an acquaintance of Mr. Xie and is currently a non-executive Director, Mr. Li Jianzheng is a former Director of our Company, while Mr. Chen Jianlin is an independent third party. At the time of establishment, our Company had no business operation.

On 16 December 2016, (i) Mr. Xie acquired 60% equity interest, (ii) Ms. Lin Lan (林蘭) (the spouse of Mr. Wu Jinghua) acquired 20% equity interest, (iii) Mr. Li Jianzheng acquired 15% equity interest (among which 1.5% was held on behalf of Mr. Chen Xing (陳興) (currently an executive Director and vice president of our Company) for the purpose of improving the Company's decision-making efficiency and reducing the potential impact of changes in shareholders on the stability of Company's shareholding structure) and such entrust arrangement were released in December 2017 when Mr. Chen Xing became a limited partner of Zhangchuang Gongying Platform), and (iv) Mr. Feng Baocai (封寶財) (currently our executive Director and chief executive officer) acquired 5% equity interest of our Company from the then Shareholders at nominal consideration, respectively. Such consideration was determined based on arm's length negotiation after considering that the registered capital of our Company was not paid in yet and the net loss of our Company at the time of the transfer and was fully settled in December 2016. Upon completion of the above equity transfer, our Company was owned as to 60% by Mr. Xie, 20% by Ms. Lin Lan, 15% by Mr. Li Jianzheng and 5% by Mr. Feng Baocai, respectively, and Mr. Xie became our Controlling Shareholder. After his investment in our Company, Mr. Xie led our Company to launch the brand of "lemobar" and started our intelligent massage service business in the fourth quarter of 2016.

Shareholding Changes from December 2016 to May 2017

(i) Investment by Mr. Han Daohu (韓道虎)

In December 2016, Mr. Han Daohu (a business partner of Mr. Xie and currently our non-executive Director and chairman of the Board) joined our Company by acquiring 30% equity interest of our Company from Mr. Xie at nil consideration, which was determined based on arm's length negotiation after considering that the registered capital of our Company was not paid in yet, the then net loss of our Company and the knowledge, experiences and resources in the massage equipment industry to be brought by Mr. Han Daohu.

(ii) Investment by Mr. Pan Jianzhong (潘建忠) and Mr. Li Bin (李斌)

In March 2017, with the introduction of Mr. Han Daohu, Mr. Pan Jianzhong and Mr. Li Bin, each being an independent third party, invested in our Company by acquiring 5% and 2% equity interest of our Company, respectively from the then Shareholders of our Company on pro rata basis, with considerations of RMB5.0 million and RMB2.0 million, respectively. The considerations were determined based on arm's length negotiation with reference to the prospects of our Company and was fully settled in May 2017.

Subsequent in March 2017, Mr. Han Daohu transferred 3% and 1.86% equity interest of our Company to Mr. Pan Jianzhong and Mr. Li Bin, respectively, at nil consideration and consideration of RMB70,588, respectively, based on arm's length negotiation and in order to mitigate their average investment costs in our Company.

For details of the investment by Mr. Pan Jianzhong and Mr. Li Bin, see "— [**REDACTED**] Investments" in this section.

(iii) Establishment of Zhangchuang Gongying Platform and Equity Transfers

In April 2017, Zhangchuang Gongying Platform was established as an incentive platform of our Company, with Mr. Xie being its general partner who was interested in 86.0% of the partnership and Mr. Li Jianzheng being its limited partner who was interested in 14.0% of the partnership. Immediately upon the establishment of Zhangchuang Gongying Platform, as 2017 share incentives, the then Shareholders transferred 8.0% equity interest of our Company to Zhangchuang Gongying Platform on a pro rata basis at nil consideration as incentive share pool. For details of our incentive platforms, see "— Our Incentive Platforms" in this section.

(iv) Shareholding entrustment by Ms. Lin Lan and Mr. Wu Jinghua

Further in April 2017, Mr. Wu Jinghua and his spouse Ms. Lin Lan entrusted 6.0% and 11.1% of Ms. Lin Lan's equity interest in the Company to Mr. Xie Zhonghui and Mr. Li Jianzheng, respectively to hold on behalf of Mr. Wu Jinghua and his spouse Ms. Lin Lan as Mr. Wu Jinghua and his spouse Ms. Lin Lan was occupied with their other business affairs and had no time to participate in the shareholder decision procedures of our Company. Such entrustment arrangement were released in January 2021. For details, see "— Release of Equity Interest Entrusted by Ms. Lin Lan and Mr. Wu Jinghua" in this section.

In May 2017, the Company completed the registration for the shareholding changes as set out in (i) to (iv) above with the Fuzhou Gulou SAMR all together in one time and upon completion of the registration, the shareholding structure of our Company was as below:

No.	Shareholder	Registered capital	Shareholding percentage
		(RMB)	*(%)*
1 . . .	Mr. Xie(1)	3,166,800	31.7
2 . . .	Li Jianzheng(2)	2,394,600	23.9
3 . . .	Han Daohu	2,119,680	21.2
4 . . .	Zhangchuang Gongying Platform	800,000	8.0
5 . . .	Pan Jianzhong	736,000	7.4
6 . . .	Feng Baocai	427,800	4.3
7 . . .	Li Bin	355,120	3.5
	Total	**10,000,000**	**100.0**

Notes:

(1) 600,000 Shares (representing 6.0% of the total equity interests in our Company) were held by Mr. Xie on behalf of Mr. Wu Jinghua and his spouse Ms. Lin Lan.

(2) among the Shares held by Mr. Li Jianzheng: (i) 128,340 Shares (representing 1.3% of the then total equity interests in our Company) were on behalf of Mr. Chen Xing; (ii) 1,111,200 Shares (representing 11.1% of the then total equity interests in our Company) were held on behalf of Mr. Wu Jinghua and his spouse Ms. Lin Lan.

Equity Transfers in November 2017

On 1 November 2017, as Mr. Li Bin introduced a potential investor, Cornerstone Yixiang to our Company, Mr. Han Daohu further transferred his 2% equity interest of the Company to Mr. Li Bin at the consideration of RMB0.2 million, which was determined based on arm's length negotiation with reference to the registered capital of such equity interests and after taking into consideration Mr. Li Bin's contribution in introducing a new investor and was fully settled in September 2019.

On the same date, in order to expand the share incentive share pool and release the equity interest entrustment between Mr. Li Jianzheng and Mr. Chen Xing, Mr. Xie and Mr. Li Jianzheng transferred 1% (including 0.5% equity interest held by Mr. Xie on behalf of Mr. Wu Jinghua and Ms. Lin Lan) and 1.3% equity interest in the Company to Zhangchuang Gongying Platform at the considerations of RMB0.1 million and RMB0.13 million, respectively.

Such considerations were determined based on arm's length negotiation with reference to the registered capital of such equity interests and were fully settled as at the Latest Practicable Date.

Immediately upon completion of the above equity transfers, the shareholding structure of our Company was as below:

No.	Shareholder	Registered capital	Shareholding percentage
		(RMB)	*(%)*
1 . . .	Mr. Xie[(1)]	3,066,800	30.7
2 . . .	Li Jianzheng[(2)(3)]	2,266,260	22.6
3 . . .	Han Daohu	1,919,680	19.2
4 . . .	Zhangchuang Gongying Platform	1,028,340	10.3
5 . . .	Pan Jianzhong	736,000	7.4
6 . . .	Li Bin	555,120	5.5
7 . . .	Feng Baocai	427,800	4.3
	Total	**10,000,000**	**100.0**

Notes:

(1) 550,000 Shares (representing 5.5% of the then total equity interests in our Company) were held by Mr. Xie on behalf of Mr. Wu Jinghua and his spouse Ms. Lin Lan.

(2) 1,111,200 Shares (representing 11.1% of the then total equity interests in our Company) were held by Mr. Li Jianzheng on behalf of Mr. Wu Jinghua and his spouse Ms. Lin Lan.

(3) After the equity transfer as stated above, the shareholding entrustment arrangement between Mr. Li Jianzheng and Mr. Chen Xing were released as Mr. Chen Xing became a limited partner of Zhangchuang Gongying in December 2017 by undertaking portion of partnership interest in Zhangchuang Gongying transferred by Mr. Li Jianzheng, which represent 1.3% indirect equity interest in our Company.

Investment by Cornerstone Yixiang

In December 2017, with the introduction of Mr. Li Bin, Cornerstone Yixiang entered into a capital increase agreement with our Company to subscribe for approximately RMB1,428,571 registered capital in our Company at the consideration of RMB50.0 million. The consideration was determined based on arm's length negotiation with reference to the then valuation of a comparable company in the industry as well as the prospects of our Company at the time of its investment and was fully settled in December 2017. For details of Cornerstone Yixiang, see "— [**REDACTED**] Investments — Information about [**REDACTED**] Investors" in this section. Immediately upon completion of the above equity transfers, the shareholding structure of our Company was as below:

No.	Shareholder	Registered capital	Shareholding percentage
		(RMB)	*(%)*
1 . . .	Mr. Xie[(1)]	3,066,800	26.8
2 . . .	Li Jianzheng[(2)]	2,266,260	19.8
3 . . .	Han Daohu	1,919,680	16.8
4 . . .	Cornerstone Yixiang	1,428,571	12.5
5 . . .	Zhangchuang Gongying Platform	1,028,340	9.0
6 . . .	Pan Jianzhong	736,000	6.4
7 . . .	Li Bin	555,120	4.9
8 . . .	Feng Baocai	427,800	3.8
	Total	**11,428,571**	**100.0**

Notes:

(1) 550,000 Shares (representing 4.8% of the then total equity interests in our Company) were held by Mr. Xie on behalf of Mr. Wu Jinghua and his spouse Ms. Lin Lan.

(2) 1,111,200 Shares (representing 9.7% of the then total equity interests in our Company) were held by Mr. Li Jianzheng on behalf of Mr. Wu Jinghua and his spouse Ms. Lin Lan.

Release of Equity Interest Entrusted by Ms. Lin Lan and Mr. Wu Jinghua

On 25 January 2021, in order to release the equity interest entrusted by Ms. Lin Lan and Mr. Wu Jinghua, Mr. Xie and Mr. Li Jianzheng transferred 4.8% and 9.7% equity interest of our Company to Mr. Wu Jinghua at nil consideration, respectively.

Establishment of Lemo Gongchuang Platform and Share Capital Increase

In November 2021, Lemo Gongchuang Platform was established as the second incentive platform of our Company, with Mr. Xie being its general partner who was interested in 26.3% of the partnership and other 18 employees of our Company being its limited partner who were in aggregate interested in 73.7% of the partnership. Immediately upon the establishment of Lemo Gongchuang Platform, in December 2021, we adopted the 2021 Share Incentive Scheme and Lemo Gongchuang Platform subscribed for RMB415,804 increased registered capital of our Company with the consideration of RMB8.4 per registered capital in order to implement the 2021 Share Incentive Scheme. Such consideration was determined based on the net asset value of our Company as at 30 June 2021 and was fully settled by the then partners of Lemo Gongchuang Platform in December 2021. For details of our incentive platforms, see "— Our Incentive Platforms" in this section. Immediately upon completion of capital increase by Lemo Gongchuang Platform, the shareholding structure of our Company was as below:

No.	Shareholder	Registered capital	Shareholding percentage
		(RMB)	*(%)*
1 . . .	Mr. Xie	2,516,800	21.2
2 . . .	Han Daohu	1,919,680	16.2
3 . . .	Wu Jinghua	1,661,200	14.0
4 . . .	Cornerstone Yixiang	1,428,571	12.1
5 . . .	Li Jianzheng	1,155,060	9.8
6 . . .	Zhangchuang Gongying Platform	1,028,340	8.7
7 . . .	Pan Jianzhong	736,000	6.2
8 . . .	Li Bin	555,120	4.7
9 . . .	Feng Baocai	427,800	3.6
10 . .	Lemo Gongchuang Platform	415,804	3.5
	Total	**11,844,375**	**100.0**

Share Capital Decrease by Cornerstone Yixiang

Pursuant to the redemption clause in the investment agreement entered between Cornerstone Yixiang and the Company in December 2017, if the Company did not achieve listing within five years upon closing of the investment, Cornerstone Yixiang may require the Company to repurchase its equity interest in the Company. In April 2023, as the Company has not achieved its listing on any stock exchange, the Company entered into agreement with Cornerstone Yixiang to partially exercise its redemption right with the Company repurchasing RMB1,142,857 registered capital from Cornerstone Yixiang by way of share capital decrease. The consideration for such repurchase was approximately RMB62.1 million, which was determined pursuant to the repurchase price as set out in the investment agreement with Cornerstone Yixiang and was fully settled in July 2023. Upon completion of the share capital decrease, the registered capital of our Company decreased from RMB11,844,375 to RMB10,701,518, and the remaining registered capital owned by Cornerstone Yixiang in our Company was RMB285,714, representing approximately 2.7% equity interest in our Company immediately upon completion of the above share capital decrease.

Establishment of Lemo Gongying Platform and Share Capital Increase

In August 2023, Lemo Gongying Platform was established as the third incentive platform of our Company, with Mr. Xie being its general partner who was interested in 30.1% of the partnership and other 12 employees of our Company being its limited partner who were in aggregate interested in 69.9% of the partnership. Immediately upon the establishment of Lemo Gongying Platform, in September 2023, we adopted the 2023 Share Incentive Scheme and Lemo Gongying Platform subscribed for RMB252,741 increased registered capital of our Company with the consideration of RMB10.58 per registered capital in order to implement the 2023 Share Incentive Scheme. Such consideration was determined based on the net asset value of our Company as at 30 June 2023 and was fully settled by the then partners of Lemo Gongying Platform in October 2023. For details of our incentive platforms, see "— Our Incentive Platforms" in this section. Immediately upon completion of capital increase by Lemo Gongying Platform, the shareholding structure of our Company was as below:

No.	Shareholder	Registered capital	Shareholding percentage
		(RMB)	*(%)*
1 . . .	Mr. Xie	2,516,800	23.0
2 . . .	Han Daohu	1,919,680	17.5
3 . . .	Wu Jinghua	1,661,200	15.2
4 . . .	Li Jianzheng	1,155,060	10.5
5 . . .	Zhangchuang Gongying Platform	1,028,340	9.4
6 . . .	Pan Jianzhong	736,000	6.7
7 . . .	Li Bin	555,120	5.1
8 . . .	Feng Baocai	427,800	3.9
9 . . .	Lemo Gongchuang Platform	415,804	3.8
10 . .	Cornerstone Yixiang	285,714	2.6
11 . .	Lemo Gongying Platform	252,741	2.3
	Total	**10,954,259**	**100.0**

Conversion into a Joint Stock Company

On 28 August 2024, our then Shareholders resolved at a general meeting to approve the conversion of our Company from a limited liability company into a joint stock company with limited liability with a registered capital of RMB50.0 million divided into 50,000,000 Shares with a nominal value of RMB1.00 each, which was determined with reference to the net asset value of our Company of approximately RMB204.6 million as at 29 February 2024, as verified by an independent accountant and appraised by an independent valuer, with the remaining amount converted to capital reserve. Such conversion was completed on 29 August 2024 with our Company's Chinese name changed from "福建樂摩物聯科技有限公司" to "福建樂摩物聯科技股份有限公司".

Immediately upon completion of the conversion, the shareholding structure of our Company was as below:

No.	Shareholder	Number of Shares	Shareholding percentage
			(%)
1 . . .	Mr. Xie	11,487,769	23.0
2 . . .	Han Daohu	8,762,254	17.5
3 . . .	Wu Jinghua	7,582,439	15.2
4 . . .	Li Jianzheng	5,272,196	10.5
5 . . .	Zhangchuang Gongying Platform	4,693,791	9.4
6 . . .	Pan Jianzhong	3,359,424	6.7
7 . . .	Li Bin	2,533,809	5.1
8 . . .	Feng Baocai	1,952,665	3.9
9 . . .	Lemo Gongchuang Platform	1,897,910	3.8
10 . .	Cornerstone Yixiang	1,304,123	2.6
11 . .	Lemo Gongying Platform	1,153,620	2.3
	Total	**50,000,000**	**100.0**

Share Transfers in September 2024

On 25 September 2024, the then existing Shareholders entered into a series of share transfer agreements with new [**REDACTED**] Investors, pursuant to which:

(i) each of Mr. Feng Baocai and Mr. Pan Jianzhong agreed to transfer 250,000 Shares, representing 0.5% of the total share capital of our Company to Mr. Wang Zhenghua (王正華), an independent third party, at the consideration of RMB3,750,000, respectively;

(ii) Mr. Li Jianzheng agreed to transfer 400,000 Shares, representing 0.8% of the total share capital of our Company to each of Mr. Chen Guohai (陳國海) and Mr. Dai Chusheng (戴初生), each being an independent third party, at the consideration of RMB6,000,000, respectively;

(iii) Mr. Pan Jianzhong agreed to transfer 400,000 Shares, representing 0.8% of the total share capital of our Company to Ms. Fang Xin (方心), an Independent third party, at the consideration of RMB6,000,000; and

(iv) Zhangchuang Gongying Platform (representing the portion of Shares indirectly held by Mr. Xie through Zhangchuang Gongying Platform) agreed to transfer 1,030,000 Shares, representing 2.1% of the total share capital of our Company to Shanghai Qimai, an Independent third party, at the consideration of RMB15,450,000.

On the same date, Mr. Xie also entered into a share transfer agreement with Mr. Han Daohu, pursuant to which Mr. Xie agreed to transfer 1,000,000 Shares, representing 2.0% of the total share capital of our Company to Mr. Han Daohu at the consideration of RMB15,000,000.

The considerations for all the share transfers above were determined based on arm's length negotiation with reference to the [**REDACTED**] Investors' expectations on our business prospect and were fully settled in October 2024.

Upon completion of the share transfers above, the shareholding structure of our Company was as below:

No.	Shareholder	Number of Shares	Shareholding percentage
			(%)
1 . . .	Mr. Xie	10,487,769	21.0
2 . . .	Han Daohu	9,762,254	19.5
3 . . .	Wu Jinghua	7,582,439	15.2
4 . . .	Li Jianzheng	4,472,196	8.9
5 . . .	Zhangchuang Gongying Platform	3,663,791	7.3
6 . . .	Pan Jianzhong	2,709,424	5.4
7 . . .	Li Bin	2,533,809	5.1
8 . . .	Lemo Gongchuang Platform	1,897,910	3.8
9 . . .	Feng Baocai	1,702,665	3.4
10 . .	Cornerstone Yixiang	1,304,123	2.6
11 . .	Lemo Gongying Platform	1,153,620	2.3
12 . .	Shanghai Qimai	1,030,000	2.1
13 . .	Wang Zhenghua	500,000	1.0
14 . .	Dai Chusheng	400,000	0.8
15 . .	Fang Xin	400,000	0.8
16 . .	Chen Guohai	400,000	0.8
	Total	**50,000,000**	**100.0**

Our Incentive Platforms

In recognition of the contributions of our employees and Local Partners and to incentivize them to further promote our development, each of Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform was established in the PRC as our incentive platforms.

Zhangchuang Gongying Platform

Zhangchuang Gongying Platform was established in the PRC as a limited partnership on 21 April 2017. Mr. Xie, as the general partner of Zhangchuang Gongying Platform who holds approximately 14.2% partnership interest as at the Latest Practicable Date, is entitled to exercise control on the voting rights held by Zhangchuang Gongying Platform. As at the Latest Practicable Date, Zhangchuang Gongying Platform had 14 limited partners, among which (i) one limited partner is an employee of our Group namely Mr. Chen Xing (our executive Director and the deputy general manager of our Company), (ii) one limited partner is a former employee of our Group, (iii) one limited partner is the beneficial owner of a former supplier of our Group, and (iv) the remaining 11 limited partners are controlling shareholders or their spouses of our Local Partners that in aggregate holding 19.9% partnership interest in Zhangchuang Gongying Platform.

As at the Latest Practicable Date, Zhangchuang Gongying Platform held 7.3% of the share capital of our Company.

Lemo Gongchuang Platform

Lemo Gongchuang Platform was established in the PRC as a limited partnership on 19 November 2021. Mr. Xie, as the general partner of Lemo Gongchuang Platform who holds approximately 31.6% partnership interest as at the Latest Practicable Date, can exercise the voting power of Shares of our Company held by Lemo Gongchuang Platform. As at the Latest Practicable Date, Lemo Gongchuang Platform had 16 limited partners, who are all employees of our Group, including Mr. Feng Baocai (our executive Director and the general manager of our Company), Mr. Chen Xing (our executive Director and the deputy general manager of our Company), Ms. Yu Xiaohong (our Supervisor), Ms. Chen Xia (our Supervisor) and 12 other employees of our Group.

As at the Latest Practicable Date, Lemo Gongchuang Platform held 3.8% of the share capital of our Company.

Lemo Gongying Platform

Lemo Gongying Platform was established in the PRC as a limited partnership on 23 August 2023. Mr. Xie, as the general partner of Lemo Gongying Platform who holds approximately 0.2% partnership interest as at the Latest Practicable Date, can exercise the voting power of Shares of our Company held by Lemo Gongying Platform. As at the Latest Practicable Date, Lemo Gongying Platform had 16 limited partners, who are all employees of our Group, including Mr. Feng Baocai (our executive Director and the general manager of our Company), Mr. Wang Xuezhen (our Supervisor), Mr. Lin Zhongyue (our chief financial officer) and 13 other employees of our Group.

As at the Latest Practicable Date, Lemo Gongying Platform held 2.3% of the share capital of our Company.

As at the Latest Practicable Date, all incentive Shares granted under the 2017 share incentives, the 2021 Share Incentive Scheme and the 2023 Share Incentive Scheme have been fully granted and the selected participants have became the limited partners of the Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform. The capital contribution in relation the awards granted have been fully settled by the relevant participants with their own funds.

Our PRC Legal Advisor has confirmed that save for the registration for the shareholding changes during the period from December 2016 to May 2017 with Fuzhou SAMR which were completed all together in one time as disclosed above, all the required consents, approvals, authorization or filings in relation to the changes of our shareholding (including the entering into and release of equity interest entrustment arrangements) described above have been made and obtained and the aforesaid changes of our shareholding (including the entering into and release of equity interest entrustment arrangements) have been properly and legally completed in accordance with the applicable PRC laws and regulations.

OUR SUBSIDIARIES

As at the Latest Practicable Date, we had 19 subsidiaries, among which, the following six subsidiaries are the operating entities for our separate business segment or have made material contributions to our results of operations during the Track Record Period:

Name of Subsidiary	Date and Place of Incorporation	Registered Capital	Shareholding Control by our Company as at the Latest Practicable Date	Principal Business
Fu'an Lemo . . .	16 March 2021, PRC	RMB500,000	100%	Refurbishment and repairment of massage equipment
Lemo Selected .	24 November 2022, PRC	RMB1,000,000	100%	Online sale of household massage chairs and massage accessories
Hangzhou Lemo	30 November 2022, PRC	RMB500,000	100%	Provision of intelligent massage service
Suzhou Lemo . .	8 December 2022, PRC	RMB500,000	100%	Provision of intelligent massage service
Chengdu Lemo	28 December 2022, PRC	RMB500,000	100%	Provision of intelligent massage service
Shanghai Lemo	9 February 2023, PRC	RMB500,000	100%	Provision of intelligent massage service

The above subsidiaries were wholly-owned by our Company since their establishment and up to the Latest Practicable Date.

ACQUISITIONS AND DISPOSALS

Disposal of Hui Chun Tang

Hui Chun Tang is a limited liability company established by our Company as a indirectly-held wholly-owned subsidiary under the laws of the PRC on 17 April 2023, which is principally engaged in provision of management services to clinics. In order to streamline our business, in August 2023, our Company transferred 98% and 2% equity interest in Hui Chun Tang to Mr. Xie (our executive Director) and Mr. Su Qingzhen (蘇慶振) (an independent third party) at nil consideration as no registered capital were paid-in.

Upon completion of the disposal and as at the Latest Practicable Date, Hui Chun Tang was owned as to 98% by Mr. Xie and 2% by Mr. Su Qingzhen, and our Company no longer had any equity interest in Hui Chun Tang.

Save as disclosed above, we had not conducted any acquisitions, disposals or mergers during the Track Record Period and up to the Latest Practicable Date.

DEREGISTERED ENTITY

Deregistration of Chengfu Lemo

Chengfu Lemo was established as a limited liability company under the laws of the PRC on 27 June 2023 with a registered capital of RMB300,000. Immediately prior to its deregistration, Chengfu Lemo was an indirect wholly-owned subsidiary of our Company and was principally engaged in the provision of manned massage service. For the purpose of better overall resources planning of our Company, we deregistered Chengfu Lemo in May 2024 by voluntary dissolution.

To the best information and knowledge of our Directors, and advised by our PRC Legal Advisers, Chengfu Lemo was not involved in any pending material claims, litigations or administrative penalty in relation to non-compliances occurred during the Track Record Period and up to the date of its deregistration. In addition, our Directors confirm that the deregistration of Chengfu Lemo had no material impact on our Group's financial performance, financial position and cash flows during the Track Record Period.

[REDACTED] INVESTMENTS

Our Company received investments from several [**REDACTED**] Investors. The following table summarizes the key terms of the [**REDACTED**] Investments to our Company made by the [**REDACTED**] Investors:

Name of [REDACTED] Investor	Mr. Pan Jianzhong	Mr. Li Bin	Cornerstone Yixiang	Shanghai Qimai	Mr. Wang Zhenghua	Mr. Dai Chusheng	Ms. Fang Xin	Mr. Chen Guohai
Amount of registered capital and/or Shares subscribed/acquired(1)	RMB800,000(2)	RMB386,000(3) RMB200,000	RMB1,428,571	RMB1,030,000	RMB500,000	RMB400,000	RMB400,000	RMB400,000
Date of investment(s)	8 May 2017(2)	8 May 2017; 1 November 2017(3)	December 2017	25 September 2024	25 September 2024	25 September 2024	25 September 2024	25 September 2024
Consideration paid in connection with the registered capital and/or Shares subscribed/acquired	RMB5,000,000(2)	RMB2,070,588(3) RMB200,000	RMB50,000,000	RMB15,450,000	RMB7,500,000	RMB6,000,000	RMB6,000,000	RMB6,000,000
Date of full settlement of the consideration	27 May 2017(2)	25 May 2017; 19 September 2019(3)	22 December 2017(4)	14 October 2024	12 October 2024	15 October 2024	21 October 2024	14 October 2024
Shareholding percentage in our Company immediately after the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%	[**REDACTED**]%
Valuation of our Company upon the completion of the [REDACTED] Investment	RMB62.5 million	RMB53.6 million(3)	RMB400 million	RMB750 million	RMB750 million	RMB750 million	RMB750 million	RMB750 million

Name of [REDACTED] Investor	Mr. Pan Jianzhong	Mr. Li Bin	Cornerstone Yixiang	Shanghai Qimai	Mr. Wang Zhenghua	Mr. Dai Chusheng	Ms. Fang Xin	Mr. Chen Guohai
Basis of determination of the valuation and consideration	based on arm's length negotiation with reference to the prospects of our Company at the time of the investment		based on arm's length negotiation with reference to the then valuation of a comparable company in the industry as well as the prospects of our Company at the time of the investment	based on arm's length negotiation with reference to the Company's prospect expectations				
Approximate cost per RMB1.0 of the registered capital/per Share after conversion into a joint-stock company(4)	RMB6.3	RMB5.4	RMB7.7			RMB15.0		
[REDACTED] to the [REDACTED](5)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**			**[REDACTED]**		
[REDACTED] from the [REDACTED] Investments	We utilized the proceeds from the [**REDACTED**] Investments (other than the proceeds from the transferring of existing shares) for our general working capital. As at the Latest Practicable Date, all of the proceeds from the [**REDACTED**] Investments have been utilised.							
Strategic benefits to our Company	We are of the view that our Company can benefit from the investments by the [**REDACTED**] Investors as their investments demonstrated their confidence in our Group's operations and served as an endorsement of our Company's performance, strengths and prospects. We also believe that the [**REDACTED**] Investors with their diversified background, experience in investment, corporate management, investor relations and expertise in various industries, will be able to provide us with insights and advice on our Group's business development, introduce us to more potential customers and bring us with more potential opportunities.							
Lock-up	The [**REDACTED**] Investors are not subject to any lock-up arrangement at the time of [**REDACTED**] under the relevant agreements in relation to the [**REDACTED**] Investments. Pursuant to the applicable PRC law, within the 12 months from the [**REDACTED**], all existing Shareholders (including the [**REDACTED**] Investors) could not dispose of any of the Shares held by them.							
Special rights granted to the [REDACTED] **Investors**	No special rights were granted to the [**REDACTED**] Investors as of the Latest Practicable Date.							

Notes:

(1) In August 2024, our Company converted into a joint stock company. See "— Corporate Development of our Company — Conversion into a joint stock company" in this section for details.

(2) In March 2017, Mr. Pan Jianzhong acquired 5% equity interest in our Company with a consideration of RMB5.0 million ("**Mr. Pan's First Investment**"), and subsequently in the same month, Mr. Pan further acquired 3% equity interest in our Company at nil consideration in order to mitigate his average investment costs in our Company ("**Mr. Pan's Second Investment**", together with Mr. Pan's First Investment, "**Mr. Pan's Investments**"). The registration for Mr. Pan's Investments with the local authority was completed in one go on 8 May 2017. Therefore, in the table above, (i) the "Amount of registered capital and/or Shares subscribed/acquired" by Mr. Pan is referring to the total registered capital in our Company acquired by Mr. Pan after Mr. Pan's Investments; (ii) the "Date of investment(s)" of Mr. Pan is referring to the date of completion of the registration for Mr. Pan's Investments; (iii) each the "Consideration paid in connection with the registered capital and/or Shares subscribed/acquired" and the "Date of full settlement of the consideration" is referring to the total consideration paid by Mr. Pan and the date of settlement of consideration upon Mr. Pan's Investments; and (iv) and the "Valuation of our Company upon the completion of the [**REDACTED**] Investment" of Mr. Pan is referring to the valuation of the Company after taking into consideration Mr. Pan's First Investment and Mr. Pan's Second Investment. See "— Corporate Development of our Company — Shareholding Changes from December 2016 to May 2017 — (ii) Investment by Mr. Pan Jianzhong (潘建忠) and Mr. Li Bin (李斌)" in this section for details of Mr. Pan's shareholding changes in our Company.

(3) In March 2017, Mr. Li Bin acquired 2% equity interest in our Company with a consideration of RMB2.0 million ("**Mr. Li's First Investment**"), and subsequently in the same month, Mr. Li further acquired 1.86% equity interest in our Company at consideration of RMB70,588 in order to mitigate his average investment costs in our Company ("**Mr. Li's Second Investment**", together with Mr. Li's First Investment, the "**Mr. Li's First Two Batches Investments**"). The registration for Mr. Li's First Investment and Mr. Li's Second Investment with the local authority was completed in one go on 8 May 2017. In 1 November 2017, Mr. Li further acquired 2% equity interest in our Company at the consideration of RMB0.2 million, which was determined based on arm's length negotiation with reference to the registered capital of such equity interests and after taking into consideration Mr. Li Bin's contribution in introducing a new investor ("**Mr. Li's Third Investment**"). Therefore, in the table above, (i) the "Amount of registered capital and/or Shares subscribed/acquired" by Mr. Li is referring to the total number of registered capital acquired in (a) Mr. Li's First Two Batches Investments and (b) Mr. Li's Third Investment, respectively; (ii) the "Date of investment(s)" of Mr. Li is referring to the date of completion of the registration for Mr. Li's First Two Batches Investments and the date of entering into agreement for Mr. Li's Third Investment, respectively; (iii) the "Consideration paid in connection with the registered capital and/or Shares subscribed/acquired" of Mr. Li is referring to the total consideration paid in Mr. Li's Frist Two Batches Investment and Mr. Li's Third Investment, respectively; (iv) the "Date of full settlement of the consideration" of Mr. Li is referring to the date of settlement of consideration for Mr. Li's First Two Batches Investment and Mr. Li's Third Investment, respectively; and (v) the "Valuation of the Company upon the completion of the [**REDACTED**] Investment is referring to the valuation of our Company upon the completion of Mr. Li's First Two Batches Investments. As Mr. Li's Third Investment are not measured at the Company's market value, the valuation of our Company upon such investment was not meaningful and hence the cost per Share for Mr. Li's Third Investment is not calculated. See "— Corporate Development of our Company — Shareholding Changes from December 2016 to May 2017 — (ii) Investment by Mr. Pan Jianzhong (潘建忠) and Mr. Li Bin (李斌)" in this section for detail of Mr. Li's shareholding changes in our Company.

(4) The calculation is based on the consideration paid in connection with the registered capital and/or Shares subscribed/acquired, and the amount of registered capital and/or Shares subscribed/acquired.

(5) [**REDACTED**] to the [**REDACTED**] is calculated based on the assumption that the [**REDACTED**] is HK$[**REDACTED**] per [**REDACTED**], being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**], the consideration paid, and the number of share acquired or the number of share corresponding to the subscribed/acquired register capital upon conversion into a joint stock company. The [**REDACTED**] is calculated based on the exchange rate of HK$1.00 to RMB0.9231.

PRC Legal Advisor's Confirmation

Our PRC Legal Advisers confirmed that, save for the registration for the shareholding changes (including the investment by Mr. Pan Jianzhong and Mr. Li Bin) during the period from December 2016 to May 2017 with Fuzhou SAMR which were completed all together in one time as disclosed above, in relation to all the acquisitions and disposals mentioned in this section (including the [**REDACTED**] Investments), as at the Latest Practicable Date, (i) all equity and share transfers had been legally completed and settled; (ii) all the provisions of the relevant PRC laws and regulation have been complied with in all material respects by our Group; and (iii) our Group had obtained all necessary approvals from the relevant authorities in the PRC under the relevant PRC laws and regulations.

Joint Sponsors' Confirmation

On the basis that (i) the consideration for the [**REDACTED**] Investment was settled more than 28 clear days before the first filing of the [**REDACTED**] by our Company with the Stock Exchange, and (ii) no special rights were granted to the [**REDACTED**] Investors as of the Latest Practicable Date as disclosed in "Special rights granted to the [**REDACTED**] Investors" above, the Joint Sponsors have confirmed that the [**REDACTED**] Investments are in compliance with the Chapter 4.2 under the Guide for New Listing Applicants published by the Stock Exchange.

Information about* [REDACTED] *Investors

The background information of the [**REDACTED**] Investors is set out below.

1. Pan Jianzhong (潘建忠)

Mr. Pan Jianzhong is an individual investor. Mr. Pan became acquainted with the Group through the introduction of Mr. Han Daohu, our non-executive Director and chairman of the Board.

2. Li Bin (李斌)

Mr. Li Bin is an individual investor. Mr. Li became acquainted with the Group through the introduction of Mr. Han Daohu, our non-executive Director and chairman of the Board.

3. Cornerstone Yixiang

Cornerstone Yixiang is a limited partnership established under the laws of the PRC on 12 May 2016, which is principally engaged in equity investment. It became acquainted with the Group through the introduction of Mr. Li Bin, another [**REDACTED**] Investor. Cornerstone Yixiang is owned by its general partner, Ma'anshan Happiness Cornerstone Investment Management Co., Ltd* (馬鞍山幸福基石投資管理有限公司) as to 0.2%, and by its four limited partners, namely (i) Ma'anshan Zhufeng Cornerstone Equity Investment Partnership Enterprise (LLP) * (馬鞍山珠峰基石股權投資合夥企業(有限合夥)) as to 75.8%, (ii) Ms. Li Ruimeng (李瑞夢), an independent third party, as to 12.0%, (iii) Ma'anshan Deep Dive Foundation Equity Investment Partnership Enterprise (LLP) * (馬鞍山深潛基石股權投資合夥企業(有限合夥)) as to 10.0%, and (iv) Mr. Ye Qiwei (葉其偉), the secretary of the Board of our Company, as to 2.0%, respectively. Each of Ma'anshan Happiness Cornerstone Investment Management Co., Ltd* (馬鞍山幸福基石投資管理有限公司), Ma'anshan Zhufeng Cornerstone Equity Investment Partnership Enterprise (LLP) * (馬鞍山珠峰基石股權投資合夥企業(有限合夥)) and Ma'anshan Deep Dive Foundation Equity Investment Partnership Enterprise (LLP)* (馬鞍山深潛基石股權投資合夥企業(有限合夥)) is ultimately controlled by Cornerstone Asset Management Co., Ltd* (基石資產管理股份有限公司), the ultimate beneficial owner of which is Mr. Zhang Wei (張維), an independent third party.

4. Shanghai Qimai

Shanghai Qimai is a limited partnership established under the laws of the PRC on 1 April 2020, which is principally engaged in management consulting. It became acquainted with the Group through the introduction of Mr. Han Daohu, our non-executive Director and chairman of the Board. Shanghai Qimai is owned by its general partner, Shanghai Xiangzhi Consulting Management Co., Ltd* (上海想智諮詢管理有限公司) ("**Xiangzhi Consultin**g") as to 1.0%, and by its limited partner Shanghai Aixiang Investment Co., Ltd* (上海艾想投資有限公司) ("**Aixiang Investmen**t") as to 99.0%. Xiangzhi Consulting is wholly-owned by Aixiang Investment, the ultimate beneficial owner of which is Ms. Sun Zhihong (孫志紅), an independent third party.

5. Wang Zhenghua (王正華)

Mr. Wang Zhenghua is an individual investor. Mr. Wang became acquainted with the Group through the introduction of Mr. Han Daohu, our non-executive Director and chairman of the Board.

6. Dai Chusheng (戴初生)

Mr. Dai Chusheng is an individual investor. Mr. Dai became acquainted with the Group through the introduction of Mr. Wu Jinghua, our non-executive Director.

7. Fang Xin (方心)

Ms. Fang Xin is an individual investor. Ms. Fang became acquainted with the Group through the introduction of Mr. Han Daohu, our non-executive Director and chairman of the Board.

8. Chen Guohai (陳國海)

Mr. Chen Guohai is an individual investor. Mr. Chen became acquainted with the Group through the introduction of Mr. Wu Jinghua, our non-executive Director.

[**REDACTED**]

Our Company [has applied] for H-share full circulation to convert certain of the Unlisted Shares into H Shares as per the instructions of the relevant Shareholders. The conversion of Unlisted Shares into H Shares will involve an aggregate of [**REDACTED**] Unlisted Shares held by [**REDACTED**] existing Shareholders, representing approximately [**REDACTED**]% of total issued Share capital of our Company upon completion of the conversion of Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised). For further details, see "Share Capital" in this document.

Upon the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) and the conversion of Unlisted Shares into H Shares, our Company will have [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares, among which:

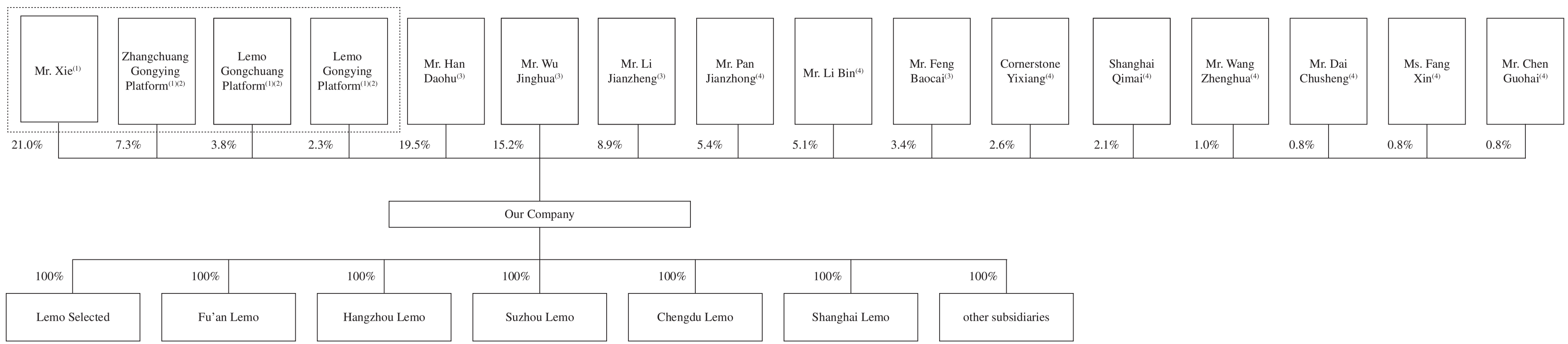
(i) the [**REDACTED**] Unlisted Shares (representing approximately [**REDACTED**]% of our total issued Shares upon [**REDACTED**], assuming that the [**REDACTED**] is not exercised) will not be considered as part of the [**REDACTED**] as Unlisted Shares will not be converted into H Shares; and

(ii) among the [**REDACTED**] H Shares, the [**REDACTED**] H Shares held by Mr. Xie, Mr. Han Daohu, Mr. Wu Jinghua, Mr. Feng Baocai, Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform will not be counted towards the [**REDACTED**] as they are core connected persons of the Company.

As a result of the foregoing, immediately upon the completion of the [**REDACTED**] and conversion of Unlisted Shares into H Shares (assuming the [**REDACTED**] is not exercised), an aggregate of [**REDACTED**] H Shares (including issue of [**REDACTED**] H Shares pursuant to the [**REDACTED**]) representing approximately [**REDACTED**]% of our total issued Shares will be counted towards the [**REDACTED**]. As such, our Directors are of the view that our Company will be able to satisfy the [**REDACTED**] requirement under Rule 8.08 of the Listing Rules.

CORPORATE STRUCTURE

The chart below sets out the shareholding structure of our Group immediately prior to the completion of the [**REDACTED**]:



Notes:

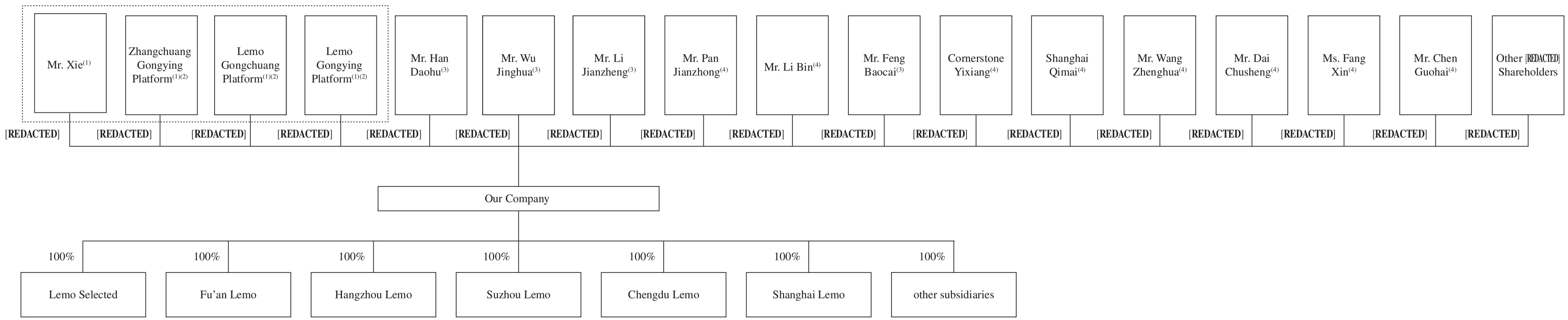
(1) As of the Latest Practicable Date, Mr. Xie was able to exercise 34.4% of the voting rights in our Company through (i) 21.0% Shares directly held by him; (ii) an aggregate of 13.4% Shares held by Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform by virtue of his capacity as their respective general partner.

(2) Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform are incentive platforms of our Group. For details, see "— Corporate Development of our Company — Our Incentive Platforms" in this section.

(3) Each of Mr. Han Daohu and Mr. Wu Jinghua is a non-executive Director and Mr. Li Jianzheng is a former Director.

(4) Each of Mr. Pan Jianzhong, Mr. Li Bin, Cornerstone Yixiang, Shanghai Qimai, Mr. Wang Zhenghua, Mr. Dai Chusheng, Ms. Fang Xin and Mr. Chen Guohai are our [**REDACTED**] Investors. For details, see "— [**REDACTED**] Investments" in this section.

The chart below sets out the shareholding structure of our Group immediately after completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Note:

See note (1) to (4) as set forth in the chart above.

OUR MISSION

"Make everyone enjoy intelligent and healthy life anytime and anywhere"

OUR VISIONS

- To be the first choice for consumers who wish to enjoy professional and caring healthy lifestyle

- To be an outstanding corporation with sustainable development which is driven by data and technology, maintains a constant focus on our consumers and allows employees to feel warmth and realise their self-worth

OVERVIEW

Who We Are

According to Frost & Sullivan, we ranked first among all intelligent massage service[1] providers in the PRC in terms of transaction value for three consecutive years from 2021 to 2023, representing a market share of 29.4%, 33.9%, and 37.3% in the corresponding year, respectively, as a dominant player in the market. We launched our "lemobar" (樂摩吧) brand in 2016, integrating digitalized customized services with intelligent massage equipment. This combination enables consumers to enjoy more relaxing, convenient, and professional intelligent massage services in various consumption scenarios, including commercial complexes, cinemas and traffic hubs (including airports and high-speed rail stations). As at the Latest Practicable Date, we had established a network of more than 45,000 POS for our intelligent massage service, placing more than 500,000 intelligent massage equipment across 31 provincial-level administrative divisions and 339 cities in China. We expanded our POS network from 21,727 POS as at 31 December 2022 to 32,141 POS as at 31 December 2023, representing a growth rate of approximately 47.9%. We have a strong market presence in terms of consumer reach, with a cumulative total of over 150 million identifiable service consumers and more than 28 million registered members as at the Latest Practicable Date.

We pioneered the concept of "Intelligent Massage Space", transforming general equipment-based massage into intelligent massage spaces. General equipment-based massage service relies on massage equipment and offers consumers only standardized and fragmented rest experiences. However, according to Frost & Sullivan, with increasing health awareness and higher living standards, there is a growing trend toward customized health management. In response to such market demand, at the beginning of 2024, we implemented a comprehensive strategic upgrade, and introduced the concept of intelligent massage spaces. The intelligent massage space is a multi-dimensional intelligent massage zone designed to cater to different consumption scenarios, integrating advanced intelligent massage equipment,

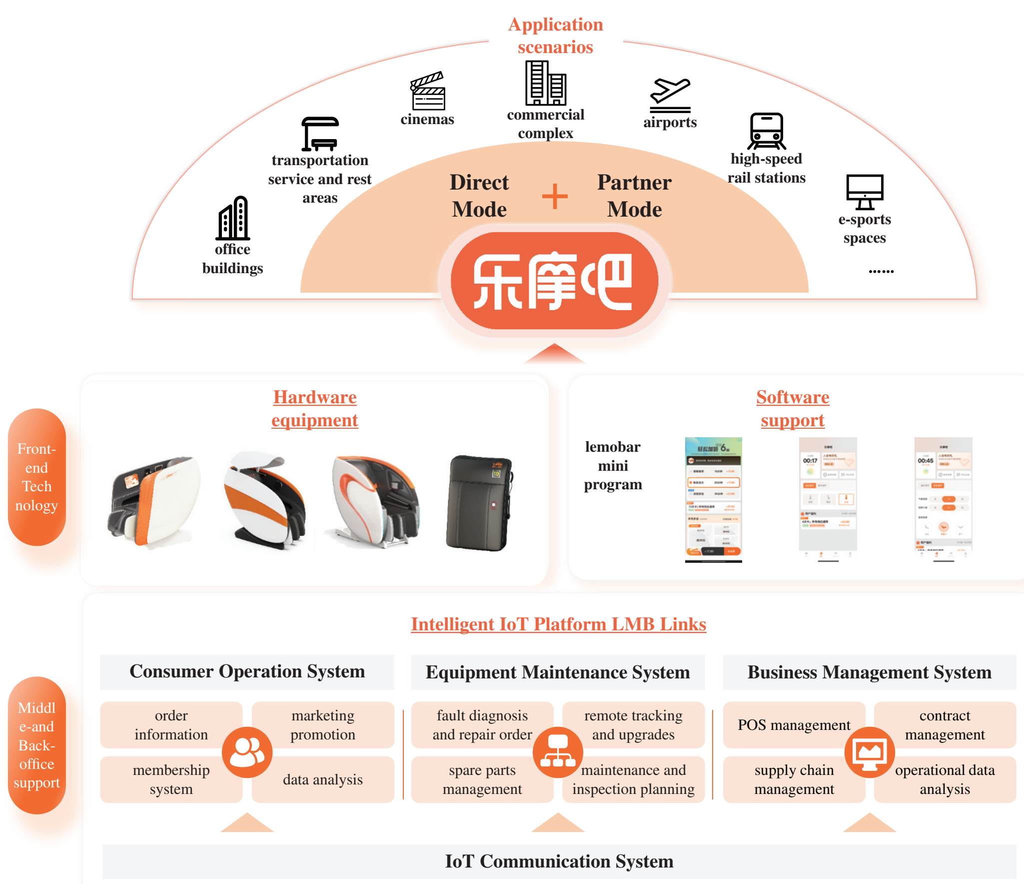
1 Compared with traditional massage services, intelligent massage services provide massage services through automation technology and intelligent systems, which greatly saves labor costs, ensures consistent, reliable and safe service, improves service efficiency, and reduces the price of a single massage, making it a more cost-effective massage option for consumers.

customized massage services, and relaxation and leisure experiences. By applying innovative technologies and designing multi-dimensional spaces, it provides consumers with a more relaxing, convenient, and professional intelligent massage service experience.

In terms of innovative technology application: our intelligent massage space is remotely connected to our digital platform, LMB Links, via third-party cloud services, enabling remote and digital monitoring of the network's operations. Meanwhile, the space will be equipped with intelligent massage equipment according to different consumer needs.

In terms of multi-dimensional space design, we use our brand color, orange, and our IP "lele Cat" as foundational design elements. By combining the characteristics of different consumption scenarios and local cultural customs, we aim to create a multidimensional intelligent massage service space that integrates privacy and design aesthetics offering consumers a tranquil escape from the busy external environment, blending familiarity with sophistication to create an engaging space for relaxation.

Our Business System



Building on intelligent massage equipment, integrating our proprietary IoT technologies and digital infrastructure, along with the support of our professional operations and maintenance team, we provide consumers with a comprehensive health and leisure service solution, enabling them to enjoy an intelligent healthy lifestyle anytime, anywhere.

Adopting Dual-line Operation Modes

Our operation modes are mainly categorized into Direct Mode and Partner Mode. Direct Mode is the primary operation mode for our intelligent massage service, with approximately 70% of our POS operating under the Direct Mode as at the Latest Practicable Date. Under the Direct Mode, our in-house operating team manages POS operation, which includes POS site selection, occupancy negotiation, POS site decoration and operation and maintenance of the POS. We also operate through the Partner Mode, whereby we collaborate with Local Partners who leverage their local resources and connection. Under the Partner Mode, our Local Partners are responsible for POS operation, while we provide a comprehensive intelligent massage service solution that includes: (i) the establishment and upgrading of the LMB Links; (ii) the development of the "lemobar" brand; (iii) providing comprehensive guidance on POS operation and maintenance; (iv) supplying intelligent massage equipment and related spare parts; (v) granting access to the LMB Links for necessary operation of the equipment; and (vi) offering customer service assistance to handle consumer complaints. As at the Latest Practicable Date, approximately 30% of our POS were operated under the Partner Mode. Through clear division of responsibilities, collaboration and empowerment, our Local Partners are closely aligned with our business objectives, creating mutually beneficial growth opportunities. As at the Latest Practicable Date, we have established stable partnerships with approximately 80% of our Local Partners for more than 5 years. We believe that our systematic dual-line model of "Direct operation + Local Partner affiliation" is our key differentiation from our competitors, which allows us to efficiently expand our nationwide business coverage while continuously optimizing and improving operational efficiency.

Extensive Scenario Coverage and Continuously Expanding POS Network

We have implemented effective business expansion strategies to systematically grow our POS network nationwide. As of the Latest Practicable Date, we have established over 45,000 POS, covering 31 provincial-level administrative regions and 339 cities, with a leading POS network coverage in the industry. Our POS network spans a variety of high-footfall, high-visibility consumption scenarios, including commercial complexes, cinemas, transportation hubs and other scenarios. In commercial complex scenarios, we typically place intelligent massage equipment in public areas such as atriums and corridors. In cinema scenarios, we typically install intelligent massage cushions on the backs of seats inside the theater halls, or place intelligent massage equipment in the movie-waiting areas or ticketing halls within the cinema. For traffic hub scenarios, we typically place intelligent massage equipment in airport terminals or waiting halls. Currently, we are gradually selecting suitable POS to establish intelligent massage spaces based on the placement of intelligent massage equipment. According to Frost & Sullivan, as at the Latest Practicable Date, in terms of scenario development, we have achieved the following milestones: (i) 4,757 commercial complexes with a GFA of over 30,000 square meters, accounting for approximately 70% of commercial complexes with a GFA of over 30,000 square meters in China; (ii) 1,281 cinemas with an annual box office exceeding RMB five million, accounting for over 50% of cinemas in China with an annual box office exceeding RMB five million; and (iii) 20 airports with an annual passenger throughput exceeding 10 million, accounting for over 50% of airports in China with an annual passenger throughput exceeding 10 million.

Our Digital Operation Platform: LMB Links

Our nationwide operations are supported by industry-leading digital capabilities. Since the launch of the lemobar brand in 2016, we have consistently invested in our digital operation platform, LMB Links. Leveraging LMB Links' powerful digital capabilities, we have successfully built a digital operational management platform that connects our nationwide POS network. LMB Links covers all aspects of our business operations, including but not limited to POS network establishment, pricing and income reconciliation, operation and maintenance, marketing and promotion, supply chain management, data processing and business performance analysis. The details are as follows:

- *Management of Equipment and POS:* Each of intelligent massage equipment is equipped with advanced communication technology, connected to our LMB Links platform via cloud service operated by a third-party cloud service provider in PRC. This allows us to monitor equipment performance and POS performance in real-time and track multi-dimensional operational data, assisting the company in formulating operational strategies.

- *Intelligent Massage Service Optimization:* We collect and analyze order information and consumer feedback through the LMB Links to understand user needs and capture market trend. This enables us to optimize the placement of POS network and service, enhancing consumer satisfaction and increasing consumer retention.

- *Operation and Maintenance of Massage Equipment:* LMB Links enables real-time equipment fault diagnosis, remote upgrades, spare parts management, as well as monitoring of maintenance execution. The digital operation and maintenance capabilities improve the efficiency of network operations, optimize equipment usage, and reduce maintenance costs ensuring that both our equipment and POS are consistently running smoothly.

Our Achievement

150 million+
cumulative identifiable service consumers[1]

28 million+
registered members[1]

RMB909 million
yearly transaction value[2]

330+
cities[1]

45 thousand+
POS[1]

500 thousand+
placed intelligent massage equipment[1]

Note 1: As at the Latest Practicable Date
Note 2: For the year ended 31 December 2023

We have grown consistently during the Track Record Period, with our total revenue reaching RMB330.15 million, RMB586.84 million, RMB442.03 million and RMB614.78 million for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively, representing year-on-year/period-to-period growth of 77.75% and 39.08%, respectively.

OUR COMPETITIVE STRENGTHS

We are Pioneer and Leader in China's Intelligent Massage Service Industry, Demonstrating Significant First-mover Advantage

- **Leading Market Share:** We have been ranked first in the industry in terms of transaction value for three consecutive years from 2021 to 2023, representing 29.4%, 33.9%, and 37.3%, respectively, according to Frost & Sullivan. In particular, in 2023, our market share of 37.3% was double that of the second-largest player in the industry.

- **Continuously Growing POS Network Penetration:** We are the first and only nation-wide intelligent massage service company in China with POS established in all 31 provincial-level administrative divisions in the PRC, according to Frost & Sullivan. Our extensive POS network boosts brand visibility and, drives economies of scale. By leveraging our digitalized operational system, we can effectively monitor and manage our nationwide POS network in real time. This ensures consistent service quality at each POS and allows us to strategically allocate resources based on operational data insights, continuously improving and optimizing the distribution of our POS network. As at the Latest Practicable Date, our intelligent massage service covers all 31 provincial-level administrative divisions in the PRC and 339 cities in China, with more than 45,000 POS and 500,000 intelligent massage equipment.

- **Diverse Consumption Scenario Coverage:** We steadily expand the coverage of our consumption scenarios every year. We have a leading position in various high-foot traffic, high-demand scenarios such as commercial complexes, cinemas and traffic hubs. Our diverse consumption scenario coverage enables consumers to conveniently enjoy health services anytime, anywhere. Meanwhile, we prioritize consumer experience, the acquisition of new consumers, and repeat purchases by existing consumers, all of which enhance consumer loyalty and strengthen our brand recognition and influence. Looking ahead, we will continue to align with market demand and further expand our consumption scenarios.

LMB Links, Built Upon Years of Experience, Serves As a Robust Foundation For Our Large-scale Operation of POS and the Efficient Maintenance of Equipment

Since our establishment, we have focused on digitalized operations. As of the Latest Practicable Date, we have accumulated over 150 million identifiable service consumers and over 370 million transactions, with an average of 215,000 daily transactions since 1 January 2024 and up to the latest Practicable Date. During peak hours, our LMB Links supports up to 500,000 simultaneous consumers nationwide and receives up to 2,000 transactions per second (TPS).

Leveraging our scale and digital capabilities, LMB Links captures vast amounts of order information across multiple dimensions, including transaction frequency, location, time, and consumer spending patterns. We also upload data collected through consumer surveys to our LMB Links. Using our algorithm, we analyze this information to develop marketing strategies, optimize service, and enhance consumers' satisfaction and stickiness. Furthermore, we use LMB Links to monitor operational information in real time and conduct regular analysis to manage our POS network, optimize site distribution, and set business goal, ensuring consistent and high-quality operation. In addition, LMB Links system supports our digitalized operation and maintenance. We use LMB Links to diagnose equipment faults, perform remote upgrades, and coordinate spare parts nationwide. This allows us to effectively control maintenance costs and improve the efficiency of equipment maintenance.

Meticulously Develop a more Relaxing, Convenient and Professional Intelligent Massage service to Foster Consumer Preferences

We pioneered the concept of "Intelligent Massage Space" with the vision of introducing upgraded massage experience to our consumers. To address common issues with general intelligent massage services, such as lack of customization, poor privacy, and insufficient relaxation, we have innovatively introduced the concept of intelligent massage space, further strengthening our leading position in the industry. The intelligent massage space is a multi-dimensional intelligent massage zone designed to cater to different consumption scenarios, integrating advanced intelligent massage equipment, customized massage services, and relaxation and leisure experiences. In 2023 and 2024, our customer annual repurchase rate was approximately 33% and 35%, respectively.

We primarily promote the formation of preference through the following three aspects:

- *More Relaxing*: To ensure a more relaxing experience, we invite experience officers to evaluate, from a consumer's perspective, whether the visual and seating aspects convey a sense of privacy, spaciousness, and comfort associated with massage relaxation. Their feedback serves as a criterion for the success of our development, ensuring that we provide consumers with a more relaxing intelligent massage service and experience.

- *More Convenient*: As of the Latest Practicable Date, we have deployed our POS network in 31 provincial-level administrative regions with more than 500,000 intelligent massage equipment through multiple consumption scenarios, including commercial complexes, cinemas, traffic hubs and other consumption scenarios. In the future, we will continue to optimize our service network coverage and further enable our customers to enjoy the experience and convenience of our intelligent massage services.

- *More Professional*: As of the latest practicable date, our R&D team comprised 68 dedicated personnel, most of whom have over five years of relevant experience. We collect and analyze order information and consumer usage patterns to gain insights into consumer preferences. Based on these analyses and the application of advanced technologies, we optimize our customized massage service programs and additional feature configurations. For instance, we consider equipping certain massage devices with health monitoring functions that utilize digital analytics to assess metrics such as pulse, heart rate, blood oxygen levels, blood pressure, arterial stiffness, and heart rate variability (HRV), providing consumers with proactive health status references.

Diversified Operation Modes and Operation Including "Direct+Local Partner" and "Online+Offline", our Consumers' Reach and Stickiness has been Steadily Increasing

We operate with a "Direct + Local Partner" mode and segment our services through both online and offline channels to enhance consumers' reach and stickiness. We currently use the following operation modes:

- Direct Mode is our more substantial operation mode, for which we are responsible for POS operation. We typically prioritize the Direct Mode in nationwide cinema chains and traffic hubs including airports and high-speed rail stations. In general, Site Managers in these scenarios typically impose stringent requirements on the qualifications of POS operators. Obtaining the rights to operate these POS often involves competitive selection for bidding processes and significant upfront investments. As such, adopting Direct Mode is better for meeting the requirements of these Site Managers in terms of operational qualifications, financial strength, and operation and maintenance capabilities.

- We also adopt the Partner Mode for areas where the Local Partners have significant local resources for expansion advantages. Under the Partner Mode, Local Partners are responsible for POS operation, while we provide a comprehensive intelligent massage service solution that includes: (i) the establishment and upgrading of the LMB Links; (ii) the development of the "lemobar" brand; (iii) providing comprehensive guidance on POS operation and maintenance; (iv) supplying intelligent massage equipment and related spare parts; (v) granting access to the LMB Links for necessary operation of the equipment; and (vi) offering customer service assistance to handle consumer complaints. When selecting Local Partners, we primarily consider whether they align with our co-creation model, possess channel resources, and have the financial and managerial capabilities for long-term operations.

In addition to providing intelligent massage service, we have also established an online business presence to expand consumer reach and enhance consumer stickiness. Unlike our offline business, which primarily targets random walk-in consumers, our online business focuses on massage service clients with active consumption awareness. We sell massage vouchers to consumers through Douyin and lemobar mini program, allowing them to purchase proactively as needed and redeem the vouchers at offline POS. We believe that our online business strategy helps drive traffic to our offline services, enhance our brand exposure and recognition, strengthen our brand image within the health industry, diversify our business portfolio, and further empower our offline intelligent massage service.

Visionary and Experienced Management

Our key management, Mr. Han Daohu and Mr. Xie Zhonghui have extensive industry experience and deep insight. Mr. Xie joined our Group in July 2016, and has been serviced as our executive Director since December 2016, and our chief executive officer since December 2017. Mr. Xie has over 20 years of relevant experience in business leadership and entrepreneurship. Mr. Han joined our Group in May 2017 and is a substantial shareholder and business partner of our Company. Mr. Han has more than 30 years of relevant experience in business management, business leadership and entrepreneurship. See the section headed "Directors, Supervisors and Senior Management" for details.

We are led by a senior management team with abundant industry experience and insight who generally possess more than 10 years of relevant background in health and wellness, management, internet and tech companies etc., bringing a breadth of insight and industry-leading expertise in service delivery. See the section headed "Directors, Supervisors and Senior Management" for details.

We have striven to provide training and promotion opportunities to our management and employees to promote sense of belongings and work dedication. Our training programmes cover a wide range of aspects to enhance the performance of our management and employees. We identify and promote outstanding employees by means of comprehensive evaluation, including work performance, training and assessment results, integrity and virtues and work attitude and proceed to offer promotion to suitable candidates.

We value our employees and we are committed to growing with our own employees. We endeavour to create a warm and welcoming workplace for our employees by recognizing and valuing their contributions. With the training and promotion system, we also believe that we can help our employees realise their self-worth and become a recognised management member of our Group.

OUR BUSINESS STRATEGIES

Further Expand Our POS Network

As the market pioneer in the massage service industry in terms of transaction value, our Group plans to continuously expand our POS network in China and overseas to capture a wider consumer base and deepen the market penetration of our business operation.

We shall firstly continue to expand our POS penetration in consumption scenarios where we currently have a dominant position, including commercial complexes, cinemas and airports. With our established presence in these consumption scenarios, we believe the Site Managers will be willing to deepen their cooperation with us based on the business relationships they have developed with us and the reputation we have already built. We understand that there is still room for expansion of our POS coverage in commercial complexes, cinemas and airports, taking into account (i) the expected openings of new commercial complexes and cinemas; (ii) the expected allocation of more space for intelligent massage services at the existing commercial complexes, cinemas and airports. This strategic expansion would make our services more accessible to a broader clientele and increase our market penetration rate.

In addition, we intend to develop the opportunities for establishing new POS in more consumption scenarios such as transportation service and rest areas, office buildings and e-sports spaces etc.. Given the high foot traffic nature of these consumption scenarios, according to Frost & Sullivan, there would be sufficient demand for intelligent massage service, especially when the potential consumers often need to maximise the use of their fragmented time in these scenarios. We believe our convenient intelligent massage service, which can be accessed at multiple locations and used simply at their fingertips, can match with the demand of these potential consumers.

Leveraging our success and experience in the PRC market, we plan to explore further opportunities in overseas market to strengthen our consumer base for more sustainable development. In particular, we notice there is potential demand for intelligent massage service in the Asian market. According to the F&S Report, the revenue of the massage industry in Asian countries and regions like Southeast Asia (such as Thailand) shall increase stably, with increasingly stronger trend for popularisation of intelligent massage equipment. In view of such potential market opportunities, we plan to establish POS network in these overseas regions.

Continue to Iterate and Enhance our Technology, Improve Service Quality and Operational Efficiency

With our massage technologies and programs together with our LMB Links involved in the intelligent massage services being important components for our smooth business operation, we plan to invest more in the research and development work in (i) digital intelligent massage technology and systematic solutions; and (ii) continuous iterating and enhancing the related technologies in respect of both software and hardware upgrades of our LMB Links in order to improve our system compatibility and operational efficiency.

First, we will continue to strengthen our research and development in digital intelligent massage technology and systematic solutions. For example, we will strive to upgrade our massage equipment and introduce more customisation features, such as the technologies on adjustment of the massage position to accommodate different body shapes. In addition, we will utilise our resources on research of the application of other mature technologies available in the market for intelligent massage services in order to provide consumers with more comprehensive health wellness services.

Further, we also target to continue to upgrade and optimise the hardware and software of our LMB Links to strategically align with our POS network expansion plan. Regarding hardware-related technologies, we will continue to focus on infrastructure upgrades and module functionality refinement. Through such upgrades, we plan to improve the seamless connection between our intelligent massage equipment and LMB Links to achieve more efficient remote control, status monitoring and payment functions according to the requirements of different regions. Such hardware and software upgrade will not only increase operational efficiency, but also help us to adapt to our expansion plans for our intelligent massage service in the future.

Through the aforesaid development and upgrades in respect of massage technologies, software and hardware, we believe we can strengthen our service quality and enhance operational efficiency.

Enhance the Awareness and Exposure of our Brand

In order to keep abreast of the market development and maintain our leading position in the industry, we consider it essential to continuously enhance our brand awareness and exposure. As such, we intend to strengthen our brand enhancement and marketing campaign in various ways.

Firstly, we intend to deepen our targeted marketing placement on new media platforms to increase brand exposure and awareness. We can reach a large number of consumers cost by using online means. With accomplished digital operational capabilities, we can more accurately enhance our targeted marketing and promotion strategies. This allows us to effectively connect with new and potential consumers through appropriate marketing channels and content. We leveraged social media such as WeChat, Douyin, Meituan, Kuaishou and Xiaohongshu for online promotion and marketing to continuously promote our brand and products to attract more consumers to visit our POS proactively. We intend to work with these social media platforms to further expand our consumer reach. For example, we have been joining the "Local Life" (本地生活) platform on various social media including Douyin and Kuaishou to strengthen our local consumer reach in different local regions in the PRC. We have been creating promotional materials including short videos and posters being showcased across various social media platforms for highlighting the features of our intelligent massage service and discount offers or promotional packages. We will also continue to develop offline targeted marketing and promotional materials and strategies.

Furthermore, we plan to upgrade and improve the design and image of our POS by incorporating more sophisticated and high-end elements, captivating blend of unique local elements and enhancing our brand's cohesive visual identity. We believe that by cultivating both functional and emotional aspects of our POS's design and image, consumer engagement can be elevated and consumer recognition, perceptions and evaluations and be enhanced. Based on the insights derived from results from regular surveys conducted by our Group directly and third-party research institute engaged by us as well as order information analysis generated by our LMB Links, we target to enhance our brand impression through improvement of the exterior design and logo exposure of the POS. With the higher spending power of the target consumers in the PRC, they have higher requirements on the design and aesthetics of the products and services they use. As such, we wish to upgrade and improve the design and decoration of certain POS with the goals of elevating the overall consumer experience and embodying our unwavering commitment to providing quality massage service to our consumers. We shall particularly focus on privacy, aesthetics and comfort level when we upgrade our POS.

Develop the Strategic Cooperation and Explore New Business Opportunities with Synergistic Effects

Our commitment to "Making everyone enjoy intelligent and healthy life anytime and anywhere" has driven us to engage in exploring new business opportunities for providing accessible intelligent healthy lifestyle solutions for our consumers, leveraging on our LMB Links and technologies and experience in big health industry.

Taking advantage of our experience and know-hows accumulated over years of development of intelligent massage technologies, we are constantly exploring the possibility of introduction of more intelligent health products, services and solutions. We intend to develop and introduce more healthy lifestyle service and products to create professional and caring healthy living services for our consumers.

We are of the view that any additional intelligent healthy living product/service offerings in the health industry would not only bring a new source of income to our Group, but also create synergies with our existing business operation in intelligent massage services. Through resource integration between the business segments and combined brand effect, we believe we can widen the service and product offerings and business connections of our Group, hence enhancing our vision as the first choice for consumers who wish to enjoy healthy life style by providing more comprehensive wellness solutions.

OUR BUSINESS MODEL

We provide intelligent massage service to consumers under both Direct Mode and Partner Mode. Under the Direct Mode, we handle the entire process of POS operation, generating revenue directly from consumers. Under the Partner Mode, Local Partners are responsible for POS operation, while we offer a comprehensive intelligent massage service solution that includes: (i) the establishment and upgrading of the LMB Links; (ii) the development of the "lemobar" brand; (iii) providing comprehensive guidance on POS operation and maintenance; (iv) supplying intelligent massage equipment and related spare parts; (v) granting access to the LMB Links for necessary operation of the equipment; and (vi) offering customer service assistance to handle consumer complaints. Under Partner Mode, we earn service fees from Local Partners based on our service agreements. As at the Latest Practicable Date, we have built over 45,000 POS nationwide and over 500,000 intelligent massage equipment. Of these, approximately 70% are operated under Direct Mode, with the remaining operated under Partner Mode.

During the Track Record Period and up to the Latest Practicable Date, we mainly derived our revenue from the following:

- intelligent massage service; and
- others, mainly including (i) online sale of household massage equipment and massage accessories; and (ii) digital advertising services.

The table below sets forth the breakdown of our revenue by business segment during the Track Record Period:

	Year ended 31 December				Nine months ended 30 September			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000* *(unaudited)*	*%*
Intelligent Massage Service								
Direct Mode	245,166	74.26	472,125	80.45	356,037	80.55	516,485	84.01
Partner Mode	70,963	21.49	95,580	16.29	71,613	16.20	87,368	14.21
Subtotal	**316,129**	**95.75**	**567,705**	**96.74**	**427,650**	**96.75**	**603,853**	**98.22**
Others	14,025	4.25	19,131	3.26	14,384	3.25	10,930	1.78
Total	**330,154**	**100.00**	**586,836**	**100.00**	**442,034**	**100.00**	**614,783**	**100.00**

OUR BUSINESS SEGMENTS

Intelligent Massage Service

Our intelligent massage service mainly includes provision of massage service performed by the intelligent massage equipment at our POS. We strategically lay out our intelligent massage service into consumption scenarios with high foot traffic and strong consumer demand, such as commercial complexes, cinemas, traffic hubs (including airports and high-speed rail stations). For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023, 2024, we generated revenue from our intelligent massage service of RMB316.13 million, RMB567.71 million, RMB427.65 million and RMB603.85 million, respectively, accounting for 95.75%, 96.74%, 96.75% and 98.22% of our total revenue for the same periods.

By scanning the QR code on the intelligent massage equipment, consumers can access our mini program "lemobar" (樂摩吧) to initiate and customize their intelligent massage service. Our mini program are designed to cater to diverse consumer needs, offering multiple adjustment options to ensure a customized and comfortable experience. Key adjustment features include: (i) Time Selection: Consumers are able to pre-select the duration of the massage session (e.g., 15mins, 20mins and 30mins)

(ii) Mode Selection: Consumers can choose from three distinct massage modes — shoulder and neck massage mode, lower back massage mode, and full-body massage mode — via the "lemobar" mini program; (iii) Airbag Intensity Adjustment: Consumers can select from three levels of airbag intensity, namely soft, medium, and strong, based on their personal preferences; (iv) Massage Strength Adjustment: Consumers have the flexibility to adjust the massage strength across three levels — soft, medium, and strong — according to their comfort level; and (v) Seat Position Adjustment: Consumers can customize their seating position by selecting from three configurations — upright (坐起), zero-gravity posture (零重力), or fully reclined (躺下). These comprehensive features demonstrate our commitment to delivering consumer-oriented massage solutions, enhancing overall consumer satisfaction and engagement.

Direct Mode and Partner Mode

We operate our POS under Direct Mode and Partner Mode. Under the Direct Mode, we are responsible for the POS operation which includes POS site selection, occupancy negotiation, POS site decoration and operation and maintenance of the POS. Under the Partner Mode, Local Partners manage the POS operation, while we provide a comprehensive intelligent massage service solution that includes: (i) the establishment and upgrading of the LMB Links; (ii) the development of the "lemobar" brand; (iii) providing comprehensive guidance on POS operation and maintenance; (iv) supplying intelligent massage equipment and related spare parts; (v) granting access to the LMB Links for necessary operation of the equipment; and (vi) offering customer service assistance to handle consumer complaints.

As at the Latest Practicable Date, Direct Mode is our primary operation mode, with approximately 70% of our POS operating under the Direct Mode. While actively expanding our directly-operated POS network, we also maintain a robust Local Partner network, leveraging their advantages on local resources for sustained growth. With years of accumulated business experience, we have developed a clear and stable strategy for selecting the appropriate operation mode across different regions, and have established systematic processes for Local Partner selection, business guidance, support, and post-operation maintenance.

Set forth is a summary of the material aspects of Direct Mode and Partner Mode:

Aspect	Direct Mode	Partner Mode
Responsible Parties	We are responsible for POS operation.	Local Partners are responsible for POS operation, while we provide a comprehensive intelligent massage service solution.
Fee Settlement	All fees paid by the consumers will be collected by us through external e-payment platforms.	For transaction other than using prepaid cards or packages from consumers, Local Partner will receive payments through external e-payment platforms directly. We will receive service fee from Local Partner through external e-payment platform simultaneously based on the transaction value generated by each POS and the service fee rate agreed upon between us. For consumers using prepaid cards or packages, we will first receive payments directly. Payments will then be paid to Local Partner in the monthly settlement process based on actual usage.

Aspect	**Direct Mode**	**Partner Mode**
Revenue Recognition	Revenue is recognized when the intelligent massage services are rendered to consumers at the POS.	Revenue is recognized when our services in respect of comprehensive intelligent massage service solution are rendered by us to the Local Partners.
Liability for Personal Injury	We are responsible for personal injury liability	According to the service agreement, Local Partner is responsible for personal injury liability (except as otherwise provided in the agreement)
Responsible Parties for Major Cost	We are responsible for all cost incurred under Direct Mode.	Local Partner is responsible for site occupancy fee and operation and maintenance cost of POS site while we bear the cost for offering comprehensive intelligent massage service solution.
Ownership	We remain the ownership of the intelligent massage equipment, our LMB Links and all relevant intellectual property rights such as our logo.	

The table sets forth the breakdown of our transaction value of our intelligent massage service by operation mode during the Track Record Period:

	Year ended 31 December				**Nine months ended 30 September**			
	2022		**2023**		**2023**		**2024**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
Direct Mode . . .	261,216	47.02	501,365	55.11	375,943	54.13	544,563	60.26
Partner Mode . . .	294,348	52.98	408,388	44.89	318,555	45.87	359,086	39.74
Total	**555,564**	**100.00**	**909,753**	**100.00**	**694,498**	**100.00**	**903,648**	**100.00**

The table sets forth the breakdown of our number of consumption orders of our intelligent massage service by operation mode during the Track Record Period:

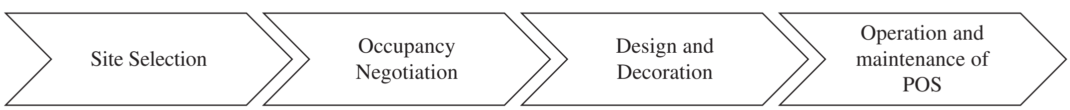
	Year ended 31 December				**Nine months ended 30 September**			
	2022		**2023**		**2023**		**2024**	
		%		%		%		%
Direct Mode . . .	18,928,706	45.83	32,106,243	52.40	24,086,639	51.38	34,702,637	57.42
Partner Mode . . .	22,373,386	54.17	29,161,528	47.60	22,789,569	48.62	25,738,464	42.58
Total	**41,302,092**	**100.00**	**61,267,771**	**100.00**	**46,876,208**	**100.00**	**60,441,101**	**100.00**

The table sets forth the breakdown of our POS coverage of our intelligent massage service by operation mode the Track Record Period:

	As at 31 December				As at 30 September	
	2022		2023		2024	
		%		%		%
Direct Mode	11,364	52.30	20,038	62.34	29,213	68.47
Partner Mode	10,363	47.70	12,103	37.66	13,455	31.53
Total	**21,727**	**100.00**	**32,141**	**100.00**	**42,668**	**100.00**

Direct Mode

Under the Direct Mode, we are responsible for the POS operation which includes POS site selection, occupancy negotiation, POS site decoration and operation and maintenance of the POS. We collect all transaction value generated under the Direct Mode while bearing the full operational costs, including but not limited to site usage costs, scenario design costs, equipment costs, daily operation and maintenance costs, and other related operational cost. The following are the key steps of establishment and operation of a POS:



1. *Site selection.* Leveraging on our digitalized operation supported by our LMB Links, we first pre-select potential POS sites based on our accumulated operational experience and public information retrieval. Once the target POS sites are identified, we conduct on-site research, which includes assessing factors such as foot traffic, rent levels, competitive landscape, and consumer preferences.

2. *Occupancy Negotiation* After completing the research, we evaluate whether to proceed with the development of the POS site. If the evaluation concludes that the POS site is suitable, we will develop a specialized POS site development plan and initiate business negotiations. For well-known national chain of commercial complexes, cinemas, and other sizeable sites, we establish strategic cooperation through the signing of framework agreements to gain channel advantages.

The salient content of the site occupancy agreement entered into between the Site Managers and our Group are summarised as follows:

Term of agreement:	Three months to one year (commercial complex) one to three years (cinema) one to five years (airport and high-speed rail station), in general.
Scope of occupancy:	We are allowed to place and operate our intelligent massage equipment at the designated spots within the site owned by the Site Managers and we are not allowed to use the designated spots for other purposes without consent of the Site Managers. We are responsible for the design and decoration of the POS, delivery and installation of massage equipment and daily operation and maintenance of the POS and should bear all relevant costs. The Site Managers will conduct an inspection over our POS before we commence the operation.
Site occupancy fee and settlement:	Fixed amount of and/or variable site occupancy fee per POS and management fee are payable by us to the Site Managers on a one-off, monthly, quarterly or yearly basis. Variable site occupancy fee is generally calculated with reference to (i) the number of massage equipment placed at the POS; (ii) GFA of the POS; and/or (iii) transaction value generated at the POS. We are also generally required to pay a fixed deposit for each POS, which is refundable upon termination of the site occupancy agreement.

3. *Design and decoration.* We design and decorate our POS with the goals of highlighting our brand and maintaining the aesthetic, privacy and comfort level at POS to match the consumers' preference. We would also arrange the delivery of the intelligent massage equipment stored at the manufacturers to the designated POS. After the delivery, we would connect all intelligent massage equipment to our LMB Links so that we can monitor and operate each of our intelligent massage equipment in real time.

4. *Operation and maintenance of POS.* Upon commencement of operation of the POS, we would monitor the performance of the POS in real time through the LMB Links. In terms of the operational data monitoring, through our data dashboard on LMB Links, we can access operational information such as order information and transaction value in real-time. In terms of remote equipment management, LMB Links enables real-time processing of equipment messages, remote execution of equipment commands, remote firmware management, and equipment voice broadcasting. In terms of maintenance of the equipment, LMB Links enables real-time equipment fault diagnosis, remote upgrades, spare parts management, as well as monitoring of maintenance execution.

   We have a professional maintenance team which is responsible for the repair, maintenance and cleaning work at our POS. In addition, we have outsourced part of our operation and maintenance work to third-party cleaning service providers, to serve as a supplementary force in ensuring our service quality of our POS. To reduce the risk of accidents in public places, we also put up or display appropriate safety reminders within the interface of our lemobar mini-program.

   Depending on the business performance of POS for which evaluation is done through our LMB Links, we may adjust the number and model of massage equipment placed at the POS or the decoration to better match the consumer preference.

Partner Mode

We cooperate with our Local Partners who have abundant local resources and connection, such cooperation can facilitate expansion of our local POS network and effective operation of the local POS. Under our Partner Mode, each Local Partner is assigned to be responsible for specific POS in the designated geographical locations to avoid cannibalisation.

Under Partner Mode, Local Partners manage the POS operation, while we provide a comprehensive intelligent massage service solution that includes: (i) operation and maintenance of LMB Links and development of the "lemobar" brand; (ii) all-round guidance on POS operation and maintenance; (iii) supply of intelligent massage equipment and relevant spare parts; (iv) digital operation supply based on LMB Links; and (v) customer service. To the best knowledge of our Directors, apart from the assistance provided based on contractual obligations, we have not provided any form of financial support to our Local Partners.

Our management of Local Partners encompasses several key aspects: processing new applications, managing agreements, updating Local Partner information, overseeing POS site operations, and handling contract renewals. When evaluating potential Local Partners, we assess their alignment with our co-creation business model, as well as their channel resources, financial stability, creditworthiness, and team management capabilities. Once a suitable Local Partner is identified, we initiate the application process through our internal system. Upon approval, we formalize the our partnership by signing a service agreement and recording their information in the system. Any changes to Local Partner information are promptly updated by the assigned operations manager. Throughout the partnership, our marketing and operations teams conduct regular site visits to monitor performance, evaluate operations and maintenance, and prepare relevant reports. When the service agreement expires, we base the renewal decision on the Local Partner's overall performance.

When selecting Local Partners, we primarily consider whether they align with our co-creation model, possess channel resources, and have the financial and managerial capabilities for long-term operations. As at Latest Practicable Date, we had 42 Local Partners and we had over 13,000 POS under the Partner Mode. The table below sets forth the movement of the Local Partners for the periods indicated:

	Year ended 31 December		Nine months ended 30 September
	2022	2023	2024
At the beginning of the period	71	68	62
Joined during the period	1	2	0
Terminated during the period	4	8	17
Total	**68**	**62**	**45**

As of the Latest Practicable Date, to the best knowledge of our Directors, controlling shareholders or their spouse of eleven of our Local Partners are limited partners of one of our Controlling Shareholder, Zhangchuang Gongying Platform and collectively hold approximately 19.9% of the registered capital of Zhangchuang Gongying Platform. For details, see "History and Corporate Structure — Corporate Development of our Company — Our Incentive Platforms — Zhangchuang Gongying Platform".

To the best knowledge of our Directors, all of our Local Partners were our Independent Third Parties as at the Latest Practicable Date.

We have expanded and grown at an accelerated pace in recent years, and the revenue generation and operational capabilities of some original Local Partners could no longer meet our business needs. To address this, we conducted an evaluation of their performance and capabilities, and reasonably optimized our partnerships with those who has shown poor performance or whose operational models no longer aligned with our operational philosophy. This was done to enhance our operational efficiency, increase POS utilization, and boost revenue. During the Track Record Period, for 29 Local Partners who were under performance or whose business circumstances changed, we reached amicable agreements to terminate the partnerships. For the years ended 31 December 2022 and 2023 and for the nine months ended 30 September 2024, the revenue we generated from Local Partners with whom we terminated cooperation during the respective periods was less than 2% of the total revenue we generated from all Local Partners in those periods.

For regions previously operated by these Local Partners, we introduced other Local Partners or took over Direct Mode as needed to maintain POS coverage and brand visibility.

Through this structured optimization process, we have established a team of Local Partners with strong local channel resources, well operational and maintenance capabilities and shared business philosophy, forming stable partnerships that provide a solid foundation for future growth. Moving forward, we will continue to empower our Local Partners and pursue sustainable development together.

The salient content of the service agreement entered into between the Local Partners and us is summarised as follows:

Term of agreement:	Three years in general.
Rights and Duties:	Our obligations include: (i) the establishment and upgrading of the LMB Links; (ii) the development of the "lemobar" brand; (iii) providing comprehensive guidance on POS operation and maintenance; (iv) supplying intelligent massage equipment and related spare parts; (v) granting access to the LMB Links for necessary operation of the equipment; and (vi) offering customer service assistance to handle consumer complaints. Our rights include: (i) retain ownership of the "lemobar" brand, the intelligent massage equipment, and LMB Links; (ii) collect order information and other operational data through LMB Links; (iii) design the POS, the intellectual property and other legal rights generated from such designs belong solely to us; (iv) collect certain amounts of deposits (if applicable), service fees, and other cooperation-related fees; and (v) supervise the POS operation of our Local Partners. The obligations of the Local Partners include: (i) bearing all operational costs related to channel expansion, POS site usage, employee compensation, scenario design and decoration, installation of the intelligent massage equipment, operation and maintenance, cleaning, electricity bills, taxes, and other POS operation expenses; (ii) ensuring the safety of the intelligent massage equipment; (iii) payment of the deposit (if applicable); (iv) operating under our guidance, ensuring the maximum utilization of the intelligent massage equipment; (v) regularly reconciling accounts and paying service fees; and (vi) assuming responsibility for any disputes arising during the provision of services (except as otherwise provided in the agreement). The rights of the Local Partners include: carrying out business activities independently under our guidance and generating the revenue from the POS operation.

Ownership of intelligent massage equipment:	We remain to be the owners of the massage equipment, our LMB Links and all relevant intellectual property rights such as our logo.
Payment of service fee:	For transaction other than using prepaid cards or packages from consumers, Local Partner will receive payments through external e-payment platforms directly. We will then collect service fees from Local Partner through external e-payment platforms based on the transaction value generated by each POS and the service fee rate agreed upon between us. The service fee will be reviewed and adjusted during the monthly settlement process. For consumers using prepaid cards or packages, we will receive payments directly. Payments will then be paid to Local Partner in the monthly settlement process based on actual usage.
Termination:	The agreement would terminate upon expiry of the term and the parties can enter into separate written agreement for extension of the business cooperation.
Non-competition undertaking:	During the term of the service agreement, Local Partner is prohibited to operate, whether directly or indirectly, any business that is identical and similar to or may compete with that of our Group.

We have formulated the standardized manual in different geographical location and consumption scenario in terms of hygiene, maintenance, frequency of patrol etc., and Local Partners are required to follow our guidance when they operate and maintain the POS. Moreover, we have allocated regional managers to each geographical region to provide guidance and training to the Local Partners more effectively.

We will take into account the specific conditions of each POS in which the Local Partners operate, monitor the daily operation of Local Partners and evaluate their operational capabilities, in order to continuously optimize our Partner Mode.

Our Intelligent Massage Equipment

By introducing at least three new types of products each year, we have provided over 10 types of intelligent massage equipment for use at our POS during the Track Record Period. We have developed a multi-tiered product structure to cater to the diverse needs of different consumer segments. Currently, our product portfolio comprises four distinct series: the Leisure Chair Comfort and Relaxation Series, the Energy Egg Professional Massage Series, the First Class Intelligent Health Series, and the Back & Waist Relax Cinema Experience Series. The

Leisure Chair Comfort and Relaxation Series is designed for consumers who do not have a regular massage habit, aiming to provide relaxation and massage services for random individuals anytime and anywhere, particularly when individuals feel fatigued. This series is usually launched in commercial complexes. The Energy Egg Professional Massage Series is primarily targeted at consumers with mild massage needs. This series is usually launched in commercial complexes and cinemas. The First Class Intelligent Health Series is our in-depth experience line, tailored for consumers with deeper massage needs, offering a more private and personalized intelligent massage experience. This series is usually launched in commercial complexes. Additionally, we have developed the Back & Waist Relax Cinema Experience Series, which is primarily used in the cinemas. Massage cushions of this series provide moviegoers with a comfortable massage experience while watching films. We strategically placed different model of massage equipment at different POS based on various factors such as the geographical location, consumption scenario, consumer flow, consumer preference and consumer frequency.

The representative product models of each of our series are as follows:

Series	**Model**	**Picture**	**Description**
Leisure Chair Comfort and Relaxation Series.	X12		This product draws design inspiration from the traditional long-handled fans of the pre-Qin period, aiming to provide consumers with a customized leisure space that seamlessly integrates traditional cultural aesthetics with modern technological enjoyment. It features a 5-inch high-definition touch display, designed based on smartphone screen principles, allowing customers to clearly view screen content while reclining. Additionally, the product is equipped with mobile charging facilities for consumer convenience.

Series	Model	Picture	Description
Energy Egg Professional Massage Series .	B6		The product features an adjustable head cover with an egg-shaped design, offering a calf massage function that provides a soothing kneading relaxation experience. Additional features include health monitoring and three-in-one charging functions, providing consumers with a comprehensive and enhanced experience.
First Class Intelligent Health Series.	A2		This product features UV-painted decorative components and an enlarged exterior design inspired by the "Le Mo's Ear" shape, providing a greater sense of space compared to its predecessor. It offers an enveloping kneading and tapping calf massage function, along with a larger touch screen for a more convenient human-machine interaction experience.
Back & Waist Relax Cinema Experience Series.	M9		This product features a simple design that meets consumers' back massage needs. The added charging function allows consumers to alleviate fatigue from prolonged sitting while enjoying videos, providing a relaxing and enjoyable experience.

Our POS Network

We have developed an extensive network of POS for intelligent massage service space in the PRC. As at the Latest Practicable Date, we had a POS network of over 45,000 POS, covering 31 provincial-level administrative divisions and 339 cities. We carefully consider the unique characteristics of each POS including the geographical location and consumption scenario, enabling us to design and decorate each location in a way that aligns with our target consumers' preferences and enhances the consumer satisfaction across POS.

Our geographic coverage of the network of POS as at the Latest Practicable Date is set out as follows:

The table sets forth the breakdown of our transaction value of our intelligent massage service by geographic location during the Track Record Period:

	Year ended 31 December				Nine months ended 30 September			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Tier one cities	92,025	16.56	159,456	17.53	117,978	16.99	166,855	18.46
New tier one cities	168,155	30.27	285,624	31.40	218,041	31.40	276,014	30.54
Tier two cities	106,286	19.13	182,964	20.11	138,931	20.00	186,730	20.67
Others	189,098	34.04	281,708	30.96	219,547	31.61	274,049	30.33
Total	**555,564**	**100.00**	**909,753**	**100.00**	**694,498**	**100.00**	**903,648**	**100.00**

The table sets forth the breakdown of our number of consumption orders of our intelligent massage service by geographic location during the Track Record Period:

	Year ended 31 December				Nine months ended 30 September			
	2022		2023		2023		2024	
		%		*%*		*%*		*%*
Tier one cities	6,297,001	15.25	10,317,319	16.84	7,647,567	16.31	10,681,049	17.67
New tier one cities	12,164,453	29.45	18,926,974	30.89	14,454,777	30.84	18,418,003	30.47
Tier two cities	7,910,978	19.15	12,314,904	20.10	9,380,398	20.01	12,376,022	20.48
Others	14,929,660	36.15	19,708,574	32.17	15,393,466	32.84	18,966,027	31.38
Total	**41,302,092**	**100.00**	**61,267,771**	**100.00**	**46,876,208**	**100.00**	**60,441,101**	**100.00**

The table sets forth the breakdown of our POS coverage of our intelligent massage service by geographic location during the Track Record Period:

	As at 31 December				As at 30 September	
	2022		2023		2024	
		%		%		%
Tier one cities	2,460	11.32	3,748	11.66	5,097	11.95
New tier one cities	6,262	28.82	9,242	28.75	11,721	27.47
Tier two cities	4,474	20.59	7,030	21.87	9,449	22.15
Others	8,531	39.26	12,121	37.71	16,401	38.43
Total	**21,727**	**100.00**	**32,141**	**100.00**	**42,668**	**100.00**

During the Track Record Period, our POS were mainly located in relatively developed regions in PRC, including the tier one cities, new tier one cities and tier two cities. As 31 December 2022 and 2023 and 30 September 2024, 11.32%, 11.66% and 11.95% of our POS were located in tier one cities, 28.82%, 28.75% and 27.47% of our POS were located in new tier one cities, 20.59%, 21.87% and 22.15% of our POS were located in tier two cities and 39.26%, 37.71% and 38.43% of our POS were located in others, respectively. With denser population, higher level of income and greater mobility, cities of higher tiers generally generate higher sales per order and consumer frequency. Therefore, although intelligent massage service is more commonly found in the cities of high tiers, we still plan to continuously deepen our market penetration in tier one cities, new tier one cities and tier two cities. We also expect to establish more POS in cities other than tier one cities, new tier one cities and tier two cities, where intelligent massage service space remains less common, for bigger room for expansion in the upcoming years.

Our POS network also covers various consumption scenarios.

The table sets forth the breakdown of our transaction value of our intelligent massage service by consumption scenario during the Track Record Period:

	Year ended 31 December				Nine months ended 30 September			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Commercial complexes	395,378	71.17	613,603	67.45	464,083	66.82	607,767	67.26
Cinemas	87,333	15.72	160,704	17.66	125,767	18.11	174,234	19.28
Airports	21,637	3.89	71,638	7.87	53,840	7.75	78,340	8.67
High-speed rail stations	16,852	3.03	25,268	2.78	20,166	2.90	16,046	1.78
Others	34,363	6.19	38,540	4.24	30,641	4.41	27,261	3.02
Total	**555,564**	**100.00**	**909,753**	**100.00**	**694,498**	**100.00**	**903,648**	**100.00**

The table sets forth the breakdown of our number of consumption orders of our intelligent massage service by consumption scenario during the Track Record Period:

	Year ended 31 December				Nine months ended 30 September			
	2022		2023		2023		2024	
		%		*%*		*%*		*%*
Commercial complexes	30,236,855	73.21	44,296,342	72.30	33,556,230	71.58	44,108,552	72.98
Cinemas	6,627,312	16.05	10,483,009	17.11	8,242,400	17.59	11,157,520	18.46
Airports	771,055	1.87	2,324,819	3.79	1,754,755	3.74	2,393,206	3.96
High-speed rail stations	786,698	1.90	1,198,479	1.96	960,562	2.05	717,777	1.19
Others	2,880,172	6.97	2,965,122	4.84	2,362,261	5.04	2,064,046	3.41
Total	**41,302,092**	**100.00**	**61,267,771**	**100.00**	**46,876,208**	**100.00**	**60,441,101**	**100.00**

The table sets forth the breakdown of our POS coverage of our intelligent massage service by consumption scenario the Track Record Period:

	As at 31 December				As at 30 September	
	2022		2023		2024	
		%		%		%
Commercial complexes	12,434	57.23	18,266	56.83	22,851	53.56
Cinemas	5,241	24.12	9,906	30.82	16,018	37.54
Airports	197	0.91	320	1.00	366	0.86
High-speed rail stations	89	0.41	107	0.33	102	0.24
Others	3,766	17.33	3,542	11.02	3,331	7.81
Total	**21,727**	**100.00**	**32,141**	**100.00**	**42,668**	**100.00**

Note: Others includes office buildings, highway service areas, bus stations, gyms, entertainment sites, etc.

Majority of our POS are located at consumption scenarios with high foot traffic including commercial complex cinema and traffic hubs such as airport and high-speed rail station. Save for POS inside the theaters hall of the cinema which are operated only under Direct Mode, all other consumption scenarios are operated under both Direct Mode and Partner Mode. As at the Latest Practicable Date, we have established POS at (i) 4,757 commercial complexes with a floor area of over 30,000 square meters, accounting for approximately 70% of commercial complexes over 30,000 square meters in China; (ii) 1,281 cinemas with an annual box office exceeding five million, accounting for over 50% of cinemas in China with an annual box office exceeding five million; and (iii) 20 airports with an annual passenger throughput exceeding 10 million, accounting for over 50% of airports in China with an annual passenger throughput exceeding 10 million. While further consolidating our scale advantage in the aforementioned consumption scenarios, we will also continue to expand our market share in other consumption scenarios with smaller coverage, such as transportation service and rest areas, e-sports spaces, office buildings and other consumption scenarios to further diversify our presence in the market.

The following pictures showcase our major POS designs in different consumption scenarios:

Commercial complexes

Cinemas

Airports

High-speed rail stations

General equipment-based massage service relies on massage equipment and offers consumers only standardized and fragmented rest experiences. However, according to Frost & Sullivan, with increasing health awareness and higher living standards, there is a growing trend toward customized health management. In response to such market demand, at the beginning of 2024, we implemented a comprehensive strategic upgrade, and introduced the concept of intelligent massage spaces. The intelligent massage space is a multi-dimensional intelligent massage zone designed to cater to different consumption scenarios, integrating advanced intelligent massage equipment, customized massage services, and relaxation and leisure experiences. By applying innovative technologies and designing multi-dimensional spaces, it provides consumers with a more relaxing, professional, and convenient intelligent massage service experience.

In terms of innovative technology application: our intelligent massage space is remotely connected to our digital platform, LMB Links, via third-party cloud services, enabling remote and digital monitoring of the network's operations. Meanwhile, the space will be equipped with intelligent massage equipment according to different consumer needs.

In terms of multi-dimensional space design, we use our brand color, orange, and our IP "lele Cat" as foundational design elements. By combining the characteristics of different consumption scenarios and local cultural customs, we aim to create a multidimensional intelligent massage service space that integrates privacy and design aesthetics offering consumers a tranquil escape from the busy external environment, blending familiarity with sophistication to create an engaging space for relaxation.

The following pictures showcase our intelligent massage space in several consumption scenarios:

Pricing

Through years of operation, our intelligent massage services have gradually become standardized, adhering to uniform service and pricing standards. At the same time, specific pricing is subject to adjustments based on differences in the massage programs selected by consumers, the geographical location, consumption scenario and cost involved. Such price adjustment of any POS is feasible through the IoT technologies of our LMB Links.

- **Massage programs selected by consumers.** Our mini program allows consumers to select their own massage mode, and our service charges will be adjusted accordingly depending on consumers' selection of massage programs based on their own requirements.

- **Geographical location.** In general, our service charge is higher at POS located in tier-one cities, new tier-one cities and tier-two cities, while our service charge is lower at POS located in other cities.

- **Consumption scenario.** Our service charge is generally higher in transportation hubs including the airports and high-speed rail stations, taking into the account the higher upfront investment costs. Our service charge in commercial complexes and cinemas tend to be lower compared to that in airports and high-speed rail stations.

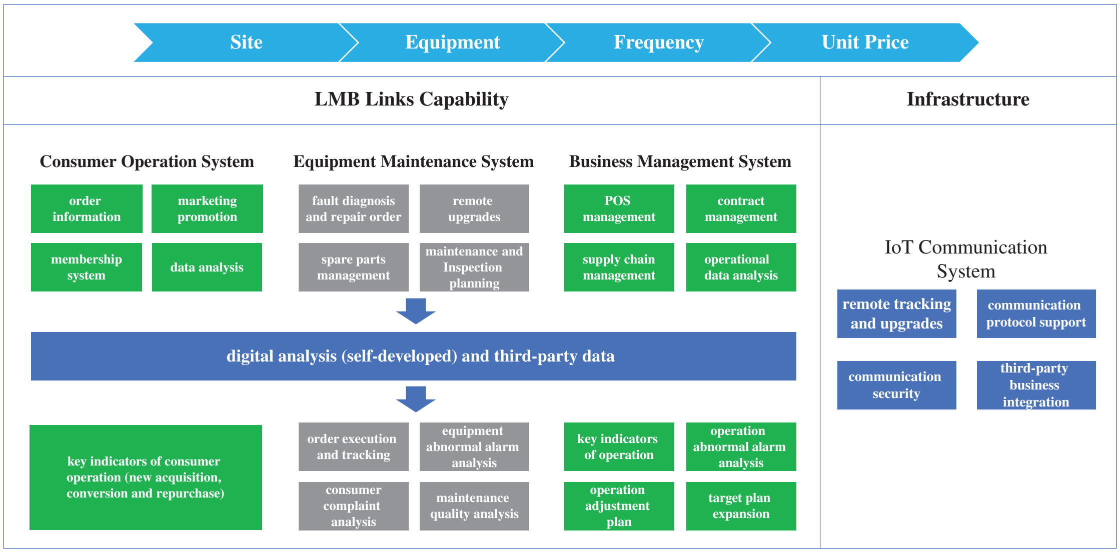
- **Cost involved at the POS.** We would also consider the cost involved in site occupancy, design and decoration, operation and maintenance the POS and may adjust our service charge accordingly. For instance, if the cost incurred at a POS is higher for site occupancy fee, decoration or maintenance purposes, we may increase the service charge at such POS.

The table below sets forth details of changes to the number of our massage equipment during the Track Record Period:

	Number of Massage Equipment as at 31 December 2022	Number of Massage Equipment as at 31 December 2023	Number of Massage Equipment as at 30 September 2024
By operation mode			
Direct mode	128,732	216,654	358,488
Partner mode	38,334	41,161	43,633
Total	**167,066**	**257,815**	**402,121**
By consumption scenario			
Commercial complexes	45,509	59,124	69,021
Cinemas	108,328	185,469	320,526
Airports	1,424	2,207	2,484
High-speed rail stations	1,092	1,355	1,338
Others	10,713	9,660	8,752
Total	**167,066**	**257,815**	**402,121**

Our LMB Links

Our nationwide operations rely on industry-leading digital operational capabilities. Since the inception of the lemobar brand in 2016, we have been continuously investing in digital infrastructure. We have built LMB Links, a comprehensive digital platform that supplies all aspects of our operations, including POS site selection, design and decoration of POS, operation and maintenance of the POS, marketing and promotion, price and payment management, supply chain management, middle-office operations and back-office data processing, which enables us to achieve operational excellence. Our intelligent massage equipment operating under both Direct Mode and Partner Mode is equipped with advanced communication technology, connecting to our LMB Links through cloud technology provided by third-party cloud service providers. This enables us to monitor the operational status in real time and perform remote operation and maintenance of the equipment. At the same time, LMB Links also collects and analyzes operational information transmitted from the massage equipment, providing data support to enhance our service levels, optimize operational strategies, and set operational goals.



Set forth is an introduction of the system of our LMB Links:

- **Consumer Operation System:** We have independently developed a consumer operation system that facilitates consumption information, order management, marketing promotion, and comprehensive data collection. We collect relevant business information, equipment information and order information through our consumer operation system leveraging our IoT technology. Through this analysis, we are able to conduct targeted marketing and promotional services, as well as implement customized operations, to enhance consumer engagement and satisfaction, thereby improving consumer stickiness. For example, we collect the consumption frequency of end consumers over a period of time. If a decrease in consumption frequency is observed during these periods, targeted coupons or promotional packages that match their consumption habits will be sent to encourage their spending. As at the Latest Practicable Date, we had a cumulative number of identifiable service consumers of over 150 million consumers and have completed approximately 370 million transactions, with an average of 215 thousand transactions per day from 1 January 2024 to the Latest Practicable Date. Our Directors consider that we can support 500 thousand consumers simultaneously for use of the intelligent massage equipment nationwide during the peak hours. The system can receive up the concurrent consumer request volume of data for up to 2,000TPS. In addition, our consumer operation system supports real-time order management, including order generation, payment confirmation, and service provision, ensuring the smooth delivery of services to consumers.

- **Equipment Maintenance System:** We have an equipment maintenance system in relation to equipment fault diagnosis and repair, remote upgrades, spare parts management and allocation, as well as maintenance planning. Additionally, we have a professional operation and maintenance team that receives abnormal information identified by the system in real-time and promptly carries out repairs. With the support of our professional equipment maintenance system, the efficiency of our operation and maintenance team has been greatly improved. Furthermore, the system allows us to create scientifically-based maintenance and inspection plans using equipment operation data, aiming to optimize equipment performance and extend its lifespan, while simultaneously reducing operational and maintenance costs.

- **Business Management System:** As an integral part of LMB Links, the business management system integrates core functions including contract management, supply chain management, service network management, and operational data analysis. In terms of contract management, the system enables precise management of the entire contract lifecycle intelligently and automatically, effectively enhancing contract execution efficiency and compliance. For supply chain management, the system helps optimize supply chain workflows, thereby reducing operational costs and improving service response time. For POS management, the system provides real-time monitoring of the operational status of service outlet, enabling effective and real-time POS management. On the operational data analysis front, the system allows us to conduct in-depth analysis of operational data, enabling us to accurately capture market trends, provide strong support for decision-making, and drive sustainable and healthy business growth.

Other Business

During the Track Record Period, we also (i) generated revenue through display of advertisement in the form of pop-up banners in our mini program and official account, and (ii) sold a variety of massage equipment and massage accessories for household use, through e-commerce platforms including JD, Tmall, Douyin and Youzan to retail consumers. These businesses, as supplementary to our intelligent massage service, help us increase the brand exposure of "lemobar" and diversify our business structure.

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023, 2024, our revenue generated from others was RMB14.03 million, RMB19.13 million, RMB14.38 million and RMB10.93 million, respectively, accounting for 4.25%, 3.26%, 3.25% and 1.78% of our total revenue for the same periods, respectively.

Our Directors are of the view that such other business in the health industry can help promote and strengthen our brand image in the health industry and thus bring synergies effect to our intelligent massage service. As such, we would continue to explore suitable opportunities in the industry while maintaining a focus on our intelligent massage service in the future.

CUSTOMERS AND CUSTOMER SERVICES

Our Customers

Our revenue is mainly derived from (i) retail consumers of our intelligent massage service at our POS under the Direct Mode; and (ii) service fee collected from Local Partners under the Partner Mode. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our revenue from our five largest customers amounted to RMB24.96 million, RMB34.76 million and RMB35.61 million, respectively, accounting for 7.6%, 5.9% and 5.8%

of our total revenue for the same periods, respectively. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our revenue from our largest customer amounted to RMB6.28 million, RMB8.35 million and RMB8.62 million, respectively, accounting for 1.9%, 1.4% and 1.4% of our total revenue for the same periods, respectively. To the best knowledge of our Directors, six of the limited partners of Zhangchuang Gongying Platform, who in aggregate hold approximately 10% of registered capital of Zhangchuang Gongying Platform, are interested in each of the aforesaid five largest customers, respectively. Save for the aforesaid, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in our five largest customers during the Track Record Period.

The table below sets forth a breakdown of our revenue from our five largest customers during the Track Record Period:

For the year ended 31 December 2022

Rank	Customer	Nature of revenue	Background	Business relationship since	Amount of revenue	Percentage of total revenue
					RMB'000	*%*
1 . . .	Customer A	Service fee	a private company located in Shandong and primarily engages in sales and repairs of household appliances, daily living services for residents, technical services, and leasing services.	2018	6,282	1.9
2 . . .	Customer B	Service fee	a private company located in Hunan and primarily engages in health product sales and massage equipment sales.	2017	5,682	1.7
3 . . .	Customer C	Service fee	a private company located in Chongqing and primarily engages in medical devices sales, massage service and health management consulting.	2017	5,099	1.5
4 . . .	Customer D	Service fee	a private company located in Beijing and primarily engages in massage service.	2018	4,083	1.2
5 . . .	Customer E	Service fee	a private company located in Hubei and primarily engages in massage service.	2018	3,814	1.2

For the year ended 31 December 2023

Rank	Customer	Nature of revenue	Background	Business relationship since	Amount of revenue	Percentage of total revenue
					RMB'000	*%*
1 . . .	Customer A	Service fee	a private company located in Shandong and primarily engages in sales and repairs of household appliances, daily living services for residents, technical services, and leasing services.	2018	8,351	1.4
2 . . .	Customer D	Service fee	a private company located in Beijing and primarily engages in massage service.	2018	7,632	1.3
3 . . .	Customer C	Service fee	a private company located in Chongqing and primarily engages in medical devices sales, massage service and health management consulting.	2017	7,241	1.2
4 . . .	Customer B	Service fee	a private company located in Hunan and primarily engages in health product sales and massage equipment sales.	2017	5,902	1.0
5 . . .	Customer F	Service fee	a private company located in Xinjiang and primarily engages in health consulting, massage service and IoT technology service.	2020	5,635	1.0

For the nine months ended 30 September 2024

Rank	Customer	Nature of revenue	Background	Business relationship since	Amount of revenue	Percentage of total revenue
					RMB'000	*%*
1 . . .	Customer D	Service fee	a private company located in Beijing and primarily engages in massage service.	2018	8,621	1.4
2 . . .	Customer A	Service fee	a private company located in Shandong and primarily engages in sales and repairs of household appliances, daily living services for residents, technical services, and leasing services.	2018	8,012	1.3
3 . . .	Customer C	Service fee	a private company located in Chongqing and primarily engages in medical devices sales, massage service and health management consulting.	2017	6,747	1.1
4 . . .	Customer E	Service fee	a private company located in Hubei and primarily engages in massage service.	2018	6,316	1.0
5 . . .	Customer B	Service fee	a private company located in Hunan and primarily engages in health product sales and massage equipment sales.	2017	5,909	1.0

Our Customer Relationship Management

We have been dedicated to customer management, maintenance and retention.

For our Local Partners, we would enter into service agreements with each of them and formulated various manuals and standards to manage and maintain our business relationship. See "— Our Business Segments — Intelligent Massage Service — Direct Mode and Partner Mode" for details.

For consumers, we have established a membership system to enhance consumer retention by offering recharge service for our members. After registering as a member on our mini program, members can enjoy a discount up to 50% every Wednesday, along with other discounts available at other times. Consumers may top up their accounts on mini program as needed.

We place great importance on our consumers' feedback and actively collect consumer opinions to improve our service quality. We collect consumer feedback through different channels, including consumer surveys and online review solicitations, and evaluate the responses to continually optimize our business operations. For consumer complaints received, we have a dedicated consumer service team to continually track the complaints and promptly take remedial measures when necessary. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material consumer complaints or other claims which may cause a material and adverse effect on our business and results of operations.

SALES AND MARKETING

We are committed to promoting our brand image, our POS and related products and services. The marketing activities in respect of the POS are carried by our Group substantially but we would also support the Local Partners to conduct their own marketing plan for the POS that they operate. We have shifted more towards online marketing activities through online platforms or social media such as Wechat, Douyin, Weibo, Xiaohongshu, Meituan, Kuaishou, and to reach a broader spectrum of potential consumers and expand our consumer base. In particular, we have joined the "Local Life" (本地生活) platform on various social media including Douyin and Kuaishou to strengthen our consumer reach in different local regions in the PRC.

We have offered various sales packages or prepaid cards for offering a more favourable price for bulk purchase. We have also set up a membership program for increasing consumer stickiness. Our members are entitled to enjoy regular weekly discount and other ad-hoc discounts offered by us from time to time.

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our selling and distribution expenses amounted to RMB42.75 million, RMB77.11 million and RMB84.67 million, respectively.

SUPPLIERS AND PROCUREMENT

Our major suppliers are manufacturers that supply massage equipment and related devices, manufacturers that supply raw materials and spare parts for massage equipment and related devices, as well as POS site providers in the PRC. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our purchases from our five largest suppliers amounted to RMB66.77 million, RMB149.48 million and RMB114.27 million, respectively, accounting for 32.7%, 35.4% and 28.0% of our total purchases for the same periods, respectively. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our purchases from our largest supplier amounted to RMB23.68 million, RMB62.73 million and RMB36.65 million, respectively, accounting for 11.6%, 14.9% and 9.0% of our total purchases for the same periods, respectively. To the best knowledge of our Directors, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in our five largest suppliers. We generally settle with our five largest suppliers on a quarterly basis in general.

We have adopted a centralised procurement system for better assessment on the track record of suppliers, more effective quality control and more favourable terms due to bulk purchases. The procurement department would collect procurement requests from all other departments on a weekly/monthly basis before consolidating a procurement plan for our Group. We seek to select our suppliers under a stringent approach to ensure a stable supply of massage equipment, related devices and related raw materials of good quality at reasonable cost. We have maintained a pool of suppliers which had previously undergone and passed our qualification assessment. The ability of offering quality materials, punctuality of delivery and pricing are the key factors when we assess our suppliers. We conduct annual review on our pool of suppliers so as to ensure their product or service quality, delivery performance and supply prices continuously meet our requirements. We would regularly compare the fee quotations among the suppliers and when necessary, we would further negotiate with each of them to obtain a more favourable quotation.

The table below sets forth a breakdown of our purchases from our five largest suppliers during the Track Record Period:

For the year ended 31 December 2022

Rank	Supplier	Products/ Service provided	Background	Business relationship since	Amount of purchases	Percentage of total purchases
					RMB'000	*%*
1 . . .	Supplier A	Provision of POS site	a group of entities controlled by a company located in Beijing and listed on the Shenzhen Stock Exchange, primarily engaged in film investment, production, distribution, and exhibition and operates one of the largest cinema chains in the PRC.	2020	23,681	11.6
2 . . .	Supplier B	Provision of POS site	a group of entities controlled by a private company established in Liaoning and primarily engaged in commercial complex management service.	2017	18,569	9.1
3 . . .	Supplier C	Massage equipment	a group of entities controlled by a company located in Fujian and listed on the Shenzhen Stock Exchange, primarily engaged in research and development production and sales of healthcare equipment and medical equipment.	2020	11,492	5.6
4 . . .	Supplier D	Provision of POS site	a group of entities controlled by a state-owned company located in Beijing and primarily engaged in airport operation and management.	2018	6,695	3.3
5 . . .	Supplier E	Provision of POS site	a private company located in Shanghai and primarily engaged in operation and management of cinemas.	2021	6,330	3.1

For the year ended 31 December 2023

Rank	Supplier	Products/ Service provided	Background	Business relationship since	Amount of purchases	Percentage of total purchases
					RMB'000	*%*
1 . . .	Supplier F	Massage equipment	a private company located in Fujian and primarily engaged in research and development, production and sales of healthcare equipment.	2018	62,728	14.9
2 . . .	Supplier B	Provision of POS site	a group of entities controlled by a private company established in Liaoning and primarily engaged in commercial complex management service.	2017	23,754	5.6
3 . . .	Supplier G	Massage equipment	a private company located in Zhejiang and primarily engaged in research and development, production and sales of electronic elements and home appliances.	2024	22,400	5.3
4 . . .	Supplier A	Provision of POS site	group of entities controlled by a company located in Beijing and listed on the Shenzhen Stock Exchange, primarily engaged in film investment, production, distribution, and exhibition and operates one of the largest cinema chains in the PRC.	2020	21,018	5.0
5 . . .	Supplier C	Massage equipment	a group of entities controlled by a company located in Fujian and listed on the Shenzhen Stock Exchange, primarily engaged in research and development production and sales of healthcare equipment and medical equipment.	2020	19,575	4.6

For the nine months ended 30 September 2024

Rank	Supplier	Products/ Service provided	Background	Business relationship since	Amount of purchases	Percentage of total purchases
					RMB'000	%
1 . . .	Supplier F	Massage equipment	a private company located in Fujian and primarily engaged in research and development, production and sales of healthcare equipment.	2018	36,646	9.0
2 . . .	Supplier C	Massage equipment	a group of entities controlled by a company located in Fujian and listed on the Shenzhen Stock Exchange, primarily engaged in research and development production and sales of healthcare equipment and medical equipment.	2020	25,294	6.2
3 . . .	Supplier B	Provision of POS site	a group of entities controlled by a private company established in Liaoning and primarily engaged in commercial complex management service.	2017	24,162	5.9
4 . . .	Supplier A	Provision of POS site	a group of entities controlled by a company located in Beijing and listed on the Shenzhen Stock Exchange, primarily engaged in film investment, production, distribution, and exhibition and operates one of the largest cinema chains in the PRC.	2020	18,860	4.6
5 . . .	Supplier E	Provision of POS site	a private company located in Shanghai and primarily engaged in operation and management of cinemas.	2021	9,307	2.3

Procurement of Intelligent Massage Equipment and Related Accessories and Spare Parts

We engage (i) manufacturers to produce massage equipment and related devices; and (ii) suppliers for provision of spare parts to be used in production and repairment of massage equipment, strictly according to our specifications. We select the manufacturers and suppliers based on a range of factors, including industry experience, product quality, price, after-sale services, and payment terms. We entered into framework agreement with our manufacturers and suppliers with the salient contents summarized as follows:

Term:	One year in general.
Scope of work:	During the term, the manufacturers and the suppliers of spare parts are required to schedule production or provision (as the case may be) based on the orders placed by us from time to time.
Pricing and purchase commitment:	The purchase price per (i) massage equipment and related devices; and (ii) spare parts and the minimum quantity per order are fixed at the time of agreement. Any change of the purchase price shall be subject to our consent.

Procurement of sites for operation of our POS

For procurement of sites for operation of our POS, we enter into the site occupancy agreement with the relevant Site Managers. See "— Our Business Segments — intelligent massage service — Direct Mode and Partner Mode — Direct Mode" for details.

Inventory Management

We actively monitor our level of inventory, including massage equipment and related devices, raw materials, spare parts, accessories stored at the warehouses of our manufacturers and our own warehouses. Our manufacturers are required to provide the data in respect of the stock level of our massage equipment and related equipment, key raw materials and spare parts stored at their warehouse so that we can maintain regularly the records on our enterprise resource planning system and monitor and supervise the inventory level and management. Our enterprise resource planning system is to record the inventory level in stock at the warehouses of our manufacturers and our own warehouses and keep track of the level of inventory incoming and outgoing. We have set a warning line as minimal level for our inventories, particularly massage equipment and we will request production or increase procurement volume as our inventory level approaches the warning line. The procurement department would perform regular stock takes to inspect the conditions of the inventory at the warehouses of our manufacturers and our own warehouses and identify if there are any slow-moving or obsolete conditions.

OVERLAPPING OF CUSTOMERS AND SUPPLIERS

During the Track Record Period, some of our major customers were also our suppliers as these major customers would procure comprehensive intelligent massage services solution from us as our Local Partners while they would also provide us with maintenance service as suppliers. We entered into such business arrangement based on the following considerations: (i) these Local Partners operate POS in the regions in where our POS are also located. Their involvement in providing operation and maintenance services to us offers regional convenience, helps control costs, and enhances operational efficiency; and (ii) given these Local Partners independently handle the operation and maintenance of their own POS, they can leverage their experience to better understand and meet our specific operation and maintenance requirements. In transactions involving operation and maintenance service with the relevant Local Partners, we reserve the right to adjust the service fees based on the performance of the respective POS. Our Directors confirmed that all of our sales to and purchases from these overlapping major customers and suppliers were conducted in the ordinary course of business under normal commercial terms and on arm's length basis. Negotiations of the terms of our sales to and purchases from these overlapping major customers and suppliers were conducted separately and independently from each other.

During the Track Record Period, Customer A, Customer B, Customer C, Customer D, Customer E and Customer F were our major customers and are also our suppliers.

For Customer A, we primarily generated revenue from comprehensive intelligent massage service solution fees, totaling RMB6.28 million, RMB8.35 million, and RMB8.01 million for the years ended 31 December 2022 and 2023, and the nine months ended 30 September 2024, respectively. In contrast, we incurred maintenance fees paid to Customer A amounting to RMB0.13 million, RMB0.18 million, and RMB0.15 million during the same periods.

For Customer B, we primarily generated revenue from comprehensive intelligent massage service solution fees, totaling RMB5.68 million, RMB5.90 million, and RMB5.91 million for the years ended 31 December 2022 and 2023, and the nine months ended 30 September 2024, respectively. In contrast, we incurred maintenance fees paid to Customer B amounting to RMB0.07 million, RMB0.43 million, and RMB0.25 million during the same periods.

For Customer C, we primarily generated revenue from comprehensive intelligent massage service solution fees, totaling RMB5.10 million, RMB7.24 million, and RMB6.75 million for the years ended 31 December 2022 and 2023, and the nine months ended 30 September 2024, respectively. In contrast, we incurred maintenance fees paid to Customer C amounting to nil, RMB0.32 million, and RMB0.18 million during the same periods.

For Customer D, we primarily generated revenue from comprehensive intelligent massage service solution fees, totaling RMB4.08 million and RMB7.63 million and RMB8.62 million for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, respectively. In contrast, we incurred maintenance fees paid to Customer D amounting to RMB0.28 million, RMB0.97 million and RMB0.63 million during the same periods.

For Customer E, we primarily generated revenue from comprehensive intelligent massage service solution fees, totaling RMB3.81 million and RMB6.32 million for the years ended 31 December 2022 and the nine months ended 30 September 2024, respectively. In contrast, we incurred maintenance fees paid to Customer E amounting to RMB0.05 million and RMB1.26 million during the same periods.

For Customer F, we primarily generated revenue from comprehensive intelligent massage service solution fees, totaling RMB5.64 million for the years ended 31 December 2023. In contrast, we incurred maintenance fees paid to Customer F amounting to RMB0.08 million during the same periods.

As at the Latest Practicable Date, to the best knowledge of our Directors, controlling shareholders and their spouses of these six customers are limited partners of Zhangchuang Gongying Platform, and are in aggregate hold approximately 10% of registered capital of Zhangchuang Gongying Platform. Save for the aforesaid, none of our Directors, their close associates or our Shareholders who hold more than 5% of our issued share capital had any interest in these six customers.

OUR PROCESSING AND REPAIR FACILITY

While our intelligent massage equipment and other products were manufactured by the third-party suppliers, we have established a small-scale processing and repair facility for conducting more advanced upgrades and modifications for our massage equipment that cannot be conducted onsite, so as to further lengthen the useful life and maximise the value of the massage equipment.

Our processing and repair facility, located at Fu'an, Fujian Province, has a total GFA of approximately 1,600 sqm. At our processing and repair facility, the old massage equipment are dissembled and replaced with new leather and/or upgraded spare parts without actual production work incurred. Any industrial waste was disposed and recycled by a third-party accredited waste recycling company.

As advised by the PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with production safety regulations in all materials respects.

QUALITY CONTROL

We value ourselves as a pioneer in the intelligent massage service industry by offering massage experiences of good quality. When evaluating our suppliers, we have established standard screening procedures for potential suppliers. We also verify all required qualifications before we enter into supply agreements and continuously update our pool of suppliers based on market conditions and performance of the suppliers.

For quality control of our intelligent massage equipment, our quality controller (QC) will visit the manufacturers' factories or warehouses to assess a number of standards, including (i) whether the components are assembled correctly and securely; (ii) whether the massage functions are normal; (iii) whether the interactive interface of the massage equipment is normal; and (v) whether the appearance, packaging and labeling of the massage equipment are normal.

We take the safety of our intelligent massage equipment very seriously. We will ensure the design and materials of our equipment meet commercial environmental standards so as to ensure the safety and stability of the equipment. We will also engage third-party testing institutions to test whether our equipment meets national standards such as GB4706.1-2005, GB4706.10-2008 and other before it is released to the market.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, there was no incident of failure of our quality control systems which had a material and adverse impact on our business operation.

RESEARCH AND DEVELOPMENT

We have striven to build our LMB Links incorporating the information system integration and IoT technology together with intelligent massage equipment. We consider our innovative LMB Links has been the key to our success and thus we are committed to continuous research and development to improve our core technologies involving both our LMB Links and intelligent massage equipment. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our research and development expenses amounted to RMB8.33 million, RMB16.19 million and RMB16.21 million, respectively. For the material accounting policies in relation to research and development expenses, see note 2(f) of the Accountants' Report in the Appendix I to this document for details.

As at the Latest Practicable Date, we had a dedicated team of 68 personnel in our research and development team, comprising (i) 41 personnel involving software development; (ii) 7 personnel involving hardware development regarding IoT technologies; (iii) 19 personnel involving development of intelligent massage equipment and related devices; and (iv) one R&D support staff. The majority of our research and development staff had bachelor's degree or above. In addition to the aforesaid research and development personnel, we would also hire supporting staff and engage external consultants for our research and development work.

Our research and development team are responsible for the design, development, maintenance and optimization of (i) our IoT technology for realization of remote control, data collection and analysis of our massage equipment; (ii) use and application design for improving the usability of our consumer interface and customization of our massage service; (iii) big data analysis for enhancing our massage products and service by understanding the accumulated data of order specifications; and (iv) smart operation and maintenance for real-time monitoring of the operating status of our POS and automatic distribution of maintenance work orders. As at the Latest Practicable Date, as one of the pioneers of technological breakthroughs in the massage service industry, we had 105 registered patents in areas such as Intelligent information command terminal (智慧信息發佈終端), smart adjustment method and system for intelligent massage equipment and massage movement transmission system.

In addition to the research and development work conducted by our own team, we also collaborate with university for exposure on cutting-edge hardware technologies and manufacturers for development and optimisation of spare parts involving massage equipment. Based on the order information collected through our business operation, our Directors consider that we can identify the massage techniques that match with recent market trends and consumer preferences more efficiently. Our research and development staff responsible for development of intelligent massage equipment and related devices can then formulate the development plans or direction for the corresponding massage technologies and when required, collaborate with external consultants, including university and manufacturers, for completion of the research and development work. We have entered into agreement with such university and manufacturers to ensure any intellectual property rights arisen from our collaboration would belong to us or co-owned by us and would be kept confidential. We generally pay such external consultants for research and development work in the form of fixed fee. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our outsource research expenses amounted to nil, RMB1.87 million, and RMB3.00 million, respectively.

Going forward, in line with our business expansion plans, we will focus our research and development efforts on massage technologies and programs and related technologies in respect of both software and hardware upgrades of our LMB Links, in order to improve the consumer experience and enhance our operational efficiency. We will continue to develop related technologies regarding both hardware and software upgrades with the goals of enhancing the stabilities and capabilities of our LMB Links and optimizing our overall operating efficiency. For intelligent massage equipment and related devices, we are developing new products for use at POS to cater for the changing preferences of the market consumers.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we had registered 105 patents, 129 trademarks, 89 software copyrights, 7 work's copyright and 6 domain names in the PRC. For more information, see "B. Further Information about Our Business — 2. Intellectual property rights of our Group" in Appendix IV to this document.

As our business operation relies heavily on our LMB Links and hardware advancement involving our massage equipment, we carry out comprehensive measures to protect our intellectual property rights. Our general manager office is responsible for management of our intellectual property rights by formulating the relevant strategies and the implementation of the monitoring system. At the time of development of a new intellectual property right, we would study and investigate whether such new project is registrable as an intellectual property right or whether it would potentially infringe other's intellectual property rights based on the search and analysis records regularly conducted by our general manager office. We have provided training in respect of protection of intellectual property rights to our management and key research and development personnel. Moreover, we also entered into non-competition and confidentiality agreement with our management and key employees in the research and development team to protect the outcome of our research and development efforts.

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any infringement of other's intellectual property rights, infringement of our intellectual property rights by others or any legal proceedings involving infringement of intellectual property rights that would have a material adverse impact on our business.

DATA SECURITY AND PRIVACY

In the course of our intelligent massage service business, we collect or generate relevant business information, equipment data, and information for identification of the registered members and provision of services for them, which are centrally processed on our LMB Links platform. Additionally, third-party advertisements are displayed on the homepage of the Lemobar Mini Program. For settlement purposes with advertisers, we compile statistical data on ad impressions and click-through rates and provide these statistics to advertisers. Such statistical data does not involve specific data related to individual consumers and, therefore, is not considered personal information.

Secure storage and effective protection of our consumer data and personal information is critical to our business and reputation. We have adopted a set of security safeguard measures to protect the data we have accumulated and stored, including but not limited to: (i) organizational structure: we have established an information security committee and related management group to monitor, evaluate, and coordinate corrective actions for the our information security efforts in real time; (ii) policy development: we have formulated internal policies for cybersecurity, data security, and personal information protection, with ongoing adjustments and optimization; (iii) internal training: we have conducted regular internal training sessions on cybersecurity, data security, and personal information protection; and (iv) technical safeguards: we have implemented measures to ensure cybersecurity, data security, and personal information protection, including setting up separate and distributed data rooms for secure data storage, conducting regular stress tests to evaluate system performance under extreme conditions, installing and updating data security software and firewalls in compliance with applicable PRC laws and regulations, implementing audit mechanisms, and restricting data extraction through the use of standalone bastion machines.

During the Track Record Period, we did not experience any incident of consumer data leakage and no material loss was incurred by the malfunction of our information technology systems. As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we had substantially complied with the provisions of laws and regulations on cyber security, data security, and personal information protection. In other words, there are currently no fundamental issues in cyber security, data security and personal information protection that would lead to the inability to continue business operations and are beyond rectification due to serious violations of relevant laws and regulations.

SEASONALITY

Our business performance can be affected by seasonality. According to F&S report, the third quarter is a typical peak season for the intelligent massage services market, as various consumption scenarios such as commercial complexes and airports experience increased foot traffic due to the summer vacation. Conversely, the fourth quarter represents a typical off-peak season for the intelligent massage services market, as the heavy clothing worn in winter affects the massage experience, and some consumers would find it inconvenient to remove coats in public, which would lead to a decrease in demand for intelligent massage services. See "Risk Factors — Risks Related to Our Business and Industry — Our results of operation depend on the level of foot traffic and consumption and are thus subject to seasonal fluctuations."

COMPETITION

We operate in China's intelligent massage service industry. Massage refers to the therapeutic practice of applying pressure, friction, or vibration to the body in order to relieve pain, reduce stress, improve circulation, and promote overall well-being. As part of massage industry, intelligent massage services integrate advanced technology to enhance the massage experience. They utilize smart devices, IoT and automation to offer personalized, efficient, and highly customized massage sessions. According to Frost & Sullivan, the intelligent massage service market in China is highly concentrated, with a few leading companies dominating the majority of the market. These top players leverage their extensive distribution networks in high-traffic locations like commercial complex, cinemas, airports, and traffic hubs allowing them to capture a substantial consumer base. According to Frost & Sullivan, we ranked first among all intelligent massage service providers in the PRC in terms of transaction value for three consecutive years from 2021 to 2023, representing a market share of 29.4%, 33.9%, and 37.3% in the corresponding year, respectively, as a dominant player in the market.

We mainly compete with a number of domestic and international brands in the intelligent massage service in China. Some of our competitors may have better financial, technical or marketing resources, have a more established commercialization and operating history, and enjoy greater brand recognition, market share and consumer base. See "Risk Factors — We operate in a highly competitive and rapidly evolving market in mainland China and we face competition". We believe that with our strategic positioning, robust development capabilities, and nationwide POS network, we are well-positioned in the industry to capture the rapidly growing market opportunities, attract and maintain consumers and increase our market share. See "Industry Overview."

AWARDS AND RECOGNITIONS

The table below sets forth the major awards and recognitions we received during the Track Record Period:

Year	Award or recognition	Issuing authority
2024	Specialized, Refined, Distinctive, and Innovative Enterprises in Fujian	Fujian Provincial Department of Industry and Information Technology
2023	Innovative Companies in Core Industries of the Digital Economy	Development and Reform Commission of Fujian Province
2023	Intellectual Property Advantage Enterprises	Fujian Market Supervision Administration Bureau
2023	High-tech Enterprises	National High-tech Enterprise Recognition and Administration Leading Group Office
2023	Key Listed Reserve Enterprises	Fujian Local Financial Supervisory Authority
2023	Innovative SMEs	Fujian Provincial Department of Industry and Information Technology
2022	Pingtan Comprehensive Experimental Zone Contract-abiding and Credit-abiding Enterprises	Pingtan Comprehensive Experimental Zone Market Supervision Administration

INSURANCE

Our Group maintains various types of insurance to cover our business operation and we evaluate the adequacy of our insurance policies from time to time. We currently provide social insurance for all employees, covering pension insurance, medical insurance, unemployment insurance, work injury insurance, and maternity insurance. In addition, for employees required to undertake fieldwork, we have also purchased group accident insurance, which includes coverage for accidental injury medical insurance and accidental death benefits. In line with general market practice, we do not maintain any business interruption insurance, which is not mandatory under the relevant laws of China. During the Track Record Period and up to the Latest Practicable Date, we had not made nor been subject to any material insurance claims. Given the above, our Directors are of the view that the insurance coverage is adequate and in line with industry norm in the PRC.

EMPLOYEES

As at the Latest Practicable Date, we had a total of 611 full-time employees. All of our employees are based in the PRC. The table below sets out the total number of our employees by function As at the Latest Practicable Date:

	Function	Number of Employees	% of total
1 . . .	Management office	8	1.3
2 . . .	Marketing	189	30.9
3 . . .	Operation Supporting	251	41.1
4 . . .	R&D (including relevant supporting staff)	85	13.9
5 . . .	Customer Service	47	7.7
6 . . .	Human Resource	15	2.5
7 . . .	Financial	16	2.6
	Total	**611**	**100.00**

We have entered into written employment contracts and confidentiality agreement with our employees and non-competition agreement with our management and key employees. We offer remuneration package including basic salaries, assessment bonuses and other performance-related bonuses. The performance-based bonuses are mainly discretionary based on the employees' work and sales performance. These performance bonuses are calculated on a quarterly and annual basis. Under the relevant PRC laws and regulations, we are required to make contributions to mandatory social insurance funds, including pension, occupational injury insurance, maternity insurance, medical insurance and unemployment insurance. Furthermore, we are required, under the relevant PRC laws and regulations, to register with the relevant authorities and maintain relevant accounts with designated banks for making contributions to the housing provident funds for our employees. Our remuneration package is performance-oriented in general and the management would review and appraise the performance of our employees annually. Our Directors believe that our Group's remuneration package in competitive in the market.

We have striven to provide training and promotion opportunities to our employees to promote sense of belongings and work dedication. Our new employees are required to attend orientation training and existing employees would regularly attend different training programmes, covering (i) operation aspects regarding the market trends, product introduction, sales techniques and sharing of successful cases; (ii) technological aspects regarding research and development of new technology, professional skillsets and problem resolving skills; (iii) management aspects regarding team management, strategic planning and case study or sharing; and (iv) consumer service aspects regarding business etiquette, professional communication and analysis of typical consumers' complaints. Our employees are subject to performance assessments and reviews which determine their promotion prospects and compensation. We place significant importance on internal promotion as a means to offer long-term career paths and performance incentives for our employees. We identify and promote outstanding employees by means of comprehensive evaluation, including work performance, training and assessment results, integrity and virtues and work attitude and proceed to offer promotion to suitable candidates. As at the Latest Practicable Date, none of our PRC subsidiaries have established a labour union.

We recruit employees through various channels, including internal referrals and job advertisements and use of headhunters, which is handled by our human resources department according to our internal recruitment policies and procedures.

In addition to direct employment, during the Track Record Period, we entered into labor dispatch agreements with employment agents mainly for operation and maintenance positions, sales assistance positions and business development positons. Our Directors confirmed that each of the employment agents is an Independent Third Party. The terms of our current labor dispatch agreements with the employment agents are valid for one year in general. Pursuant to the labor dispatch agreement, we paid service fees at fixed rate to the employment agent, and the employment agent provided suitable dispatched staff to work for our Group based on our job requirements. The dispatched staff were employed by the employment agents, hence our Group was not their employer and thus the employment agents were responsible to arrange for their social insurances and other welfare conditions as required by the PRC laws and regulations. Our Directors further confirmed that the number of dispatched staff utilized by our Group did not exceed 10% of the total number of our workers and therefore did not violate the Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》) in all material respects during the Track Record Period and up to the Latest Practicable Date.

We value our employees and we are committed to growing with our own employees. We believe that we have good relationships with our employees. During the Track Record Period and up to the Latest Practicable Date, we did not experience any strikes, work stoppages or significant labor disputes, nor did we experience any significant difficulties in recruiting or retaining qualified employees.

PROPERTIES

As at the Latest Practicable Date, we leased 151 properties in the PRC, of which 56 properties were primarily used for non-intelligent massage service purposes, such as warehousing, office, and dormitory spaces, with a GFA of approximately 24,900 square meters. The remaining 95 properties were mainly leased for the establishment of intelligent massage service POS. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

As at the Latest Practicable Date, we had no single property interest that forms part of our non-property activities having a carrying amount of 15% or more of our total assets as at 30 September 2024. On that basis, we are not required under Rule 5.01B of the Listing Rules to include in this document any valuation report.

Leased Properties Pending Building Ownership Certificates

As of the Latest Practicable Date, with respect to 28 properties used for non-intelligent massage service purposes, totaling an aggregate GFA of approximately 4,559 sq.m, which represents approximately 18.34% of these properties, and 95 properties used for the establishment of intelligent massage service POS, the lessors have been unable to provide sufficient and valid building ownership certificates to demonstrate their rights to lease the properties, nor have they furnished proof of authorization from the property owners to sublease the properties to us.

As advised by our PRC Legal Adviser, without ownership certificates or proof of authorizations from the property owners, our use of these defective leased properties may be affected by third parties' claims or challenges against the lease or our land use rights. Pursuant to the applicable PRC Law, if the lessors do not have the requisite rights to lease these properties, the relevant lease agreements may be deemed invalid and we may be required to vacate these properties. However, in the event that we are unable to continue using such properties due to third parties' claims or challenges against the leases or our land use rights, based on the advice of our PRC Legal Advisor, we, as the tenant, will have the right to claim compensation from the lessors, unless otherwise provided by laws or agreed by both parties.

In view of the foregoing, our Directors are of the view that the abovementioned title defects will not materially and adversely affect our business and results of operations on the grounds that: (i) to the best of our Directors' knowledge, our leases with respect to these defective leased properties had not been subject to claims or disputes in connection with rights to lease and use such leased properties during the Track Record Period and up to the Latest Practicable Date, (ii) we believe that we would be able to relocate to a different site relatively easy on comparable commercial terms and at similar prices with immaterial relocation costs should we be required to do so; and (iii) considering these defective leased properties are geographically dispersed across mainland China under the jurisdiction of different local governmental authorities, we believe it is unlikely that we would be at the same time subject to claims of rights from various third parties or required by the governmental authorities to relocate with respect to a significant number of these defective leased properties.

Lease Registration

Pursuant to the applicable PRC Law, property lease contracts must be registered with the local branch of the Ministry of Housing and Urban-Rural Development of the PRC. As of the Latest Practicable Date, 141 of our lease agreements with landlords were not registered with the relevant government authorities in mainland China. This was primarily due to the difficulty in procuring our lessors' cooperation in registering such leases.

Our PRC Legal Advisor advised us that, according to the applicable PRC Law, the non-registration would not affect the validity of these lease agreements, but we, as the lessee, may be required by the relevant authorities in mainland China to register the relevant lease agreements within a prescribed time limit. If we fail to do so, we may be subject to fines ranging from RMB1,000 to RMB10,000 for each non-registered lease agreement. However, as of the Latest Practicable Date, we had not been order to register our lease agreements or fined by the relevant authorities in mainland China with respect to these lease agreements. In view of the foregoing, our Directors are of the view that non-registration of these lease agreements will not materially and adversely affect our business operations.

For further details on the risks associated with our leased properties, see "Risk Factors — Risks Related to Our Business and Industry — Defects related to certain of our properties may adversely affect our ability to use such properties."

OCCUPATIONAL HEALTH AND SAFETY MATTERS

We have established a series of internal policy and manual in relation to the health and occupation safety of our employees. We have formulated staff safety manuals as guidelines on minimising the risk of work-related accidents and injuries and procedures for reporting and handling work-related accidents and injuries for our employees, accompanied by numerous training sessions to raise the personal safety awareness of our employees especially for those engaging in maintenance, cleaning and processing work.

Our employees may suffer injuries caused by common workplace accidents from time to time. During the Track Record Period and up to the Latest Practicable Date, we had complied with applicable standards in relation to health and workplace safety laws and regulations in the PRC in all material respects and also purchased personal accident insurances and medical insurances for our employees accordingly. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any accidents or work injuries in our operations that would have a material impact on our business, financial condition or results of operation.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE INITIATIVES

Environmental matters

We are subject to certain environmental laws and regulations relating to our operations in the PRC and we consider the protection of environment important to our operations. In order to minimize the environmental-related risks involved in our business operation, we have established internal procedures in relation to the environmental management for our business operation, particularly for our processing facilities, repair and maintenance functions and decoration of our POS. Our management oversees the establishment, enhancement and implementation of our environmental protection measures and policies. At our processing facilities, our staff are required to strictly follow environmental management procedures and the requirement established and maintained by the relevant PRC authorities. For more details in relation to the relevant environmental laws and regulations, See "Regulatory Overview" for details. We engage third-party waste material recycling companies which possess the relevant qualification to collect and dispose of the wastes on a regular basis.

During the Track Record Period and up to the Latest Practicable Date, as advised by the PRC Legal Advisers, we had not been subject to any fines or other penalties due to non-compliance with environmental regulations in all material respects. Furthermore, during the Track Record Period and up to the Latest Practicable Date, our Directors were not aware of any actual environmental risks that could negatively impact our Group's businesses, strategies and financial performance in material respects.

Social Responsibilities and Governance

Following our core value of business integrity, we are strongly committed to achieving social responsibility and participation in community services. We endeavour to support the local community with an aim to create sustainable benefits through corporate philanthropy and community partnerships. During the Track Record Period, we organised various community initiatives and charity campaigns. For instance, we organised donation activities such as "One square of love" (愛的一平方) for encouraging public to make donation for automated external defibrillators. We believe the above events help embrace our business partners and customers into our commitment to social responsibility.

We treat each of our employees as an important business partner based on our vision of sharing the fruitful results of the hard work of the Group as a whole. Our value is to give equal and respectful treatment and strive to promote wellness, professional and personal development for all of our employees. and strive to promote work-life balance and create a happy culture in our workplace. We will also continue to provide training sessions and guidelines and enhance our internal policies to strengthen occupational health and safety for the wellness of our employees.

We plan to adopt and implement a set of more comprehensive and concrete policies on environmental, social and governance in consistent with industry standards and in compliance with the requirements of the Listing Rules upon the [**REDACTED**]. Moreover, we will also establish internal training programs on environmental, social and governance compliance requirements, regulatory updates and practicable points to our employees on a regular basis subsequent to the [**REDACTED**].

Identification, assessment, management and mitigation of ESG-related risks

Our Directors are responsible for identifying and evaluating ESG-related risks, and formulating and assessing strategic plans and mitigating measures. We have adopted the following measures to identify, assess, manage and mitigate ESG-related risks.

Supply chain management

We have established a supplier approval process, through which suppliers must provide relevant qualifications or certifications, such as their business licenses or equipment production and operation licenses. If the suppliers are not compliant with the applicable laws and regulations and quality or commit misconducts, we may terminate our contracts with them. We place great emphasis on supply chain sustainability and have been promoting a responsible and low-carbon paradigm along our value chain.

Climate change adaptation

We are committed to conserving energy and water and reducing our carbon footprint. We primarily consume electricity and petroleum in our operational activities, which are the main sources of our greenhouse gas emissions. To reduce our greenhouse gas emissions and conserve energy and water, we have adopted the following targets and measures:

A. *Energy and Water Consumption at our Office Premises and Warehouses Metrics and targets.*

We evaluate our energy consumption using the metric of average annual power usage per sq.m and water consumption using the metric of average annual water usage per sq.m at our office premises and warehouses. In 2022, 2023 and the nine months ended September 30, 2024, our estimated overall power usage was approximately 215,000 kWh, 305,000 kWh and 338,000 kWh and overall water usage was approximately 1,500 liters, 1,900 liters and 2,200 liters, respectively. We will seek to reduce the level of our overall annual energy and water consumption by 1% over the next three years.

Measures leading to the targets. We have taken various measures, including replacing high energy consuming equipment at offices and warehouses to reduce energy consumption. For instance, we continuously monitor the energy consumption at our office premises and warehouses and repair timely when malfunction of relevant facilities resulting in abnormal power consumption. We have also taken various initiatives to conserve water. We regularly inspect our water tanks to prevent water leakage. We also seek to raise energy and water consumption awareness among our employees.

B. Energy Consumption of our Intelligent Massage Equipment

Metrics and targets. We endeavor to proactively conserve energy in response to the government's initiatives. We evaluate the level of energy consumption of our intelligent massage equipment with the metric of overall annual power usage of all our POS. In 2022, 2023 and the nine months ended 30 September 2024, our estimated overall power usage of all our POS was approximately 1,745,000 kWh, 2,709,000 kWh, and 3,060,000 kWh, respectively. We will seek to reduce the level of our average annual power usage per machine by approximately 1% over the next three years.

Measures leading to the targets. We have continuously optimized our machine design to reduce energy consumption. We place our machines at indoor and shaded areas, and adjust the cabinet temperature in accordance with the change of seasons to reduce energy needed for cooling and/or heating of merchandise. The refrigeration units of our machines are regularly cleaned to remove the dusts and enhance energy efficiency. trafficWe also switch our machines to energy-saving mode during time with low consumer to reduce energy consumption for lighting and cooling.

C. Factory Pollutant Discharge

Metrics and targets. We endeavor to proactively reduce factory pollutant discharge in response to the government's initiatives. The waste emitted by our factory mainly consists of solid waste and hazardous waste. For solid waste emissions, our solid waste emissions in 2022, 2023, and the nine months ended 30 September 2024 were 228.3 tons, 623.9 tons, and 672.7 tons, respectively. For hazardous waste, our hazardous waste in 2022, 2023, and the nine months ended 30 September 2024 were nil, 171 kilograms, and 125 kilograms, respectively. We will seek to reduce the level of our factory pollutant discharge by approximately 5% over the next three years.

Measures leading to the targets. In the future, we will continuously optimize the design of our repairment and processing machines to reduce energy consumption.

LICENSES, PERMITS AND APPROVALS

The table below sets forth the material licenses, permits and approvals we obtained for our operations in the PRC:

1. High-Tech Enterprise Certificate

No.	Holder	Certificate No.	Issue Date	Validity	Approving Authority
1 . .	Fujian Lemo IoT Technology Co., Ltd.	GR202335001955	2023.12.28	3 years	Fujian Provincial Department of Science and Technology, Fujian Provincial Department of Finance, State Administration of Taxation Fujian Branch

2. Fixed Pollution Source Discharge Registration

No.	Holder	Registration No.	Address	Registration Date	Validity
1 . .	Fu'an Lemo Health Technology Co., Ltd.	91350981MA8RNCTU47001X	No. 11, Xitan Industrial Park, Fu'an City, Ningde, Fujian Province	2024.09.06	5 years

3. Software Product Certificate

No.	Holder	Certificate No.	Issue Date	Validity	Approving Authority	Certificate Details
1 . .	Fujian Lemo IoT Technology Co., Ltd.	MinRC-2021-0011	2021.03.16	5 years	Fujian Software Industry Association	Evaluated as software product: Waiting Chair QR Code Payment System V1.0 meets relevant regulations

No.	Holder	Certificate No.	Issue Date	Validity	Approving Authority	Certificate Details
2 . .	Fujian Lemo IoT Technology Co., Ltd.	MinRC-2021-0012	2021.03.16	5 years	Fujian Software Industry Association	Evaluated as software product: LemoBar App (Android) V1.0 meets relevant regulations
3 . .	Fujian Lemo IoT Technology Co., Ltd.	MinRC-2021-0013	2021.03.16	5 years	Fujian Software Industry Association	Evaluated as software product: After-Sales Management System V1.0 meets relevant regulations

4. Information System Security Protection Filing Certificate

No.	Holder	Certificate No.	Filling Details	Filing Date	Filing Authority
1 . .	Fujian Lemo IoT Technology Co., Ltd.	35010013161-23001	Level 3 LemoBar Business Management System	2023.09.19	Fuzhou Public Security Bureau

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licences, approvals, permits and registration required for carrying on our business operation in all material respects in the PRC. Our Directors further confirm that our Group has complied, in all material respects, with the applicable laws and regulations as set out in the section headed "Regulatory Overview" in this document during the Track Record Period and up to the Latest Practicable Date. As confirmed by our Directors, we are not aware of any material difficulty in the renewal of material licences when they expire. Our Group shall keep track of the expiry dates of all relevant licences and certifications and apply for timely renewal.

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, no member of our Group had been involved in any legal, arbitration or administrative proceedings, including bankruptcy or receivership proceedings, whether actual or threatened, that we believe would have a material adverse effect to our business, results of operations, financial condition or reputation. Also, our Directors had not been involved in any actual or threatened claims or litigations of material impact. However, we may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management's time and attention.

During the Track Record Period and up to the Latest Practicable Date,as advised by the PRC Legal Advisers,we had not been subject to any fines or other penalties due to non-compliance in all material respect.

Non-compliance

We are subject to a wide range of PRC laws and regulations in the ordinary course of business. For details, please refer to the section headed "Regulatory Overview" in this document.

Social Insurance and Housing Provident Funds

Background and Reasons for Non-compliance

According to the relevant PRC Law, we are required to make contributions to social insurance and housing provident fund for the benefit of our employees in mainland China. During the Track Record Period and as of the Latest Practicable Date, our subsidiaries in mainland China did not make full contribution to the social insurance and housing provident funds for our employees in accordance with the relevant PRC Law.

As confirmed by our Directors, we were unable to make full social insurance and housing provident funds contributions for such employees due to (i) employees' unwillingness to have social insurance and housing provident fund contributions to the full extent due to the requirement that they co-contribute and their own personal considerations; and (ii) the lack of experience of our relevant personnel who did not fully understand the relevant equirements of the relevant PRC laws and regulations.

Potential Legal Consequences

As advised by our PRC Legal Advisor, pursuant to relevant PRC Law, (i) the under-contribution of social insurance within a prescribed period may be subject to an overdue charge of 0.05% of the delayed payment amount per day and the competent authority may further impose a fine of one to three times of the overdue amount if such payment is not made within the stipulated period; and (ii) in respect of outstanding housing provident fund contributions, we may be ordered to pay the outstanding housing provident fund contributions within a prescribed time period. An application may be made to a people's court for compulsory enforcement if the payment of the outstanding housing provident fund contributions is not made after the expiration of the time limit. As of the Latest Practicable Date, as confirmed by our Directors, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance contributions and housing provident funds, nor had we received any order or been informed to settle the deficit amount, in material respects. The provisions we made on our financial statements in respect of contributions to the social insurance and housing provident funds were RMB2.35 million, RMB5.29 million and RMB8.63 million, as at 31 December 2022 and 2023 and 30 September 2024, respectively.

Remedial Measures

We have implemented our policy on the payment of social insurance and housing provident fund contribution for employees in compliance with relevant PRC Law. We actively encourage and make such contributions for our employees. Despite our efforts, we were unable to pay in full the outstanding social insurance contributions and housing provident fund contributions for some of our employees due to their unwillingness to participate in the relevant schemes. As soon as they agree that we make the relevant social security insurance and housing provident fund contributions for them, we will make such contributions for them accordingly from that point of time onwards. Moreover, we have taken the following rectification measures to mitigate future occurrence of such non-compliances as at the Latest Practicable Date:

- *Training and Advice.* Consult our PRC Legal Advisor for advice on relevant PRC Law, and strengthen legal compliance training to our personnel, including by engaging our PRC Legal Advisor to provide training to our personnel to keep us abreast of latest development of the relevant regulations;

- *Policy.* Enhance our human resources management policies, which require social insurance and housing provident fund contributions to be made in full in accordance with applicable laws and regulations;

- *Review and record-keeping.* Designate our human resources staff to calculate and check the employee's remuneration and contributions of social insurance and housing provident fund on a monthly basis; and

- *Increasing awareness of developments in the law.* Regularly keep abreast of latest developments in PRC Law in relation to social insurance and housing provident funds.

Our PRC Legal Advisor has advised us that, the risk as to social insurance of our Company being ordered by the government authorities to pay the outstanding amount or the penalties is remote.

In view of the above, our Directors are of the view that such non-compliance did not and will not have a material adverse impact on our Group and our provisions for the under-contribution of social insurance and housing provident funds are adequate on the grounds that: (i) there were no material disputes between our employees and us regarding the social insurance or housing provident fund contributions during the Track Record Period; (ii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; and (iii) as of the Latest Practicable Date, we had not received any notification from the relevant authorities in mainland China requiring us to pay the outstanding amount or the penalties with respect to social insurance and housing provident funds.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

It is the responsibility of our Board to oversee and ensure that we maintain sound and effective internal control and risk management systems to safeguard our Shareholders' investment and our assets at all times.

During our operations, we are exposed to various risks, details of which have been set out in the section headed "Risk Factors" in this document. In view of the potential risks faced by our Group, while our Board oversees and manages the overall risks associated to our business operation, we also established the Audit Committee to review and supervise the financial reporting process, risk management and internal control system of our Group. For a detailed description of the terms of reference and responsibility of our Audit Committee, please refer to the section headed "Directors, Supervisors and Senior Management — Board committees — Audit Committee" in this document.

Furthermore, we have formulated and adopted various measures and procedures regarding risk management of our operations, such as the (i) risk control and regulatory management; (ii) business sustainability and emergency plans; (iii) income reconciliation; (iv) assessment of Local Partners; and (v) POS site management and contract management. Our management also regularly monitors the implementation of those measures and procedures from time to time to ensure the soundness and effectiveness of our risk control system.

Internal control

In preparation for the [**REDACTED**], we engaged an external internal control consultant to carry out a review of our internal control which covers (i) corporate governance level and business process level; and (ii) a report to us on factual findings and recommendations for improvements of internal controls over the above-mentioned processes and procedures in accordance with the Technical Bulletin-AATB1 issued by the HKICPA. Pursuant to the review conducted and recommendation provided by our internal control consultant, we have taken implemented rectification and improvement measures in response to these findings and recommendations. Our internal control consultant has also completed procedures to follow up on the actions we took in relation to our internal control system and no material issues in relation to the internal controls of corporate governance level and business process level had been identified after its follow up review.

Our Group has adopted the following measures to ensure continuous compliance with the Listing Rules upon the [**REDACTED**]:

- Our Directors attended training sessions in January 2025 conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are [**REDACTED**] on the Stock Exchange.

- We have agreed to engage Red Solar Capital Limited as our compliance adviser upon the [**REDACTED**] to advise and assist our Board on compliance matters in relation to the Listing Rules and/or other relevant laws and regulations applicable to our Company.

- We have established an audit committee which comprises three independent non-executive Directors, Mr. Lei Zhigang and Ms. Dong Hui and Mr. Suek Ka Lun Ernie. The audit committee has adopted its terms of reference which sets out clearly its duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations. For the biographical details of the independent non-executive Directors, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

- When considered necessary and appropriate, we will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and legal compliance.

Our Directors confirm that the internal control measures implemented by our Group are sufficient and could effectively ensure a proper internal control system of our Group.

OVERVIEW

As of the Latest Practicable Date, Mr. Xie, our executive Director, directly and indirectly (through Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform as their general partner), was entitled to exercise the voting rights attaching to approximately 34.4% of the issued share capital of our Company.

The limited partners of Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform include employees, former employee, or former supplier of our Group and the beneficial owners of our Local Partners. Despite the fact that the limited partners of Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform hold the Shares together with Mr. Xie through these three entities, the limited partners are not considered as our Controlling Shareholders given that: (i) their interests in our Company through Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform are treated as incentives from our Company; (ii) none of them is entitled to control the exercise of the voting rights underlying the Shares held by Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform as such power has been exercised by Mr. Xie, being the sole general partner for each of Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform; (iii) the general partner of Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform cannot be changed without the consent of their respective general partner; (iv) there is no formal or informal agreements, arrangements and/or understanding (whether oral or written) among these limited partners themselves or among these limited partners with Mr. Xie, in relation to the exercise of voting powers underlying the Shares held by Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform; and (v) these limited partners do not fall within the meaning of "acting-in-concert" for the purpose of the Takeovers Code with any of our Controlling Shareholders.

Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Xie, directly and indirectly (through Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform as their general partner), will be entitled to exercise the voting rights attaching to approximately [**REDACTED**] the issued share capital of our Company. Accordingly, upon completion of the [**REDACTED**], Mr. Xie, Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform will collectively constitute a group of Controlling Shareholders of our Company. Please see "Directors, Supervisors and Senior Management" and "History and Corporate Structure" for more information about our Controlling Shareholders.

INTERESTS OF OUR CONTROLLING SHAREHOLDERS IN OTHER BUSINESSES

As at the Latest Practicable Date, Zhangchuang Gongying Platform, as a minority shareholder, directly held 30% equity interest in Beijing Momole, which primarily engages in the operation of massage equipment in cinemas, the remaining equity interest in Beijing Momole is held by Zhongyiing (Beijing) Technology Development Co., Ltd. (中映(北京)科技發展有限公司), which is ultimately held as to 75.5% by Zhang Wen (張雯) and 24.5% by Dong Huaizhou (董懷洲), each being an independent third party. Our Directors are of the view that the potential competition resulting from the abovementioned business between Beijing Momole and our Group is limited and immaterial due to the following reasons: (i) based on the information provided by Beijing Momole, the total revenue of Momole was de minimus compared to the total revenue of the Company (i.e. less than 1%) and it was at slight net loss for the years ended 31 December 2022 and 2023; (ii) to the best knowledge of the Directors, the business of Beijing Momole is shrinking and it has not upgraded its massage equipment for few years, plus its equipment has reached the end of normal use cycle and it did not have the plan as well as the economic strength to further update them, therefore its revenue would continue to be insignificant; (iii) none of our Company, our Shareholders or our Directors are involved in the decision making and operation of Momole and (iv) to the best knowledge of the Directors, the business focus of Momole is totally different from that of our Company. Beijing Momole only set its massage equipment POS in cinemas, and it does not have its own massage equipment brand nor have established its own IT system to manage the massage equipment; while our intelligent massage service POS have covered a full range of scenarios including commercial complex, cinemas, airports, high-speed rail station, etc. and we are continuously upgrading the generation of our intelligent massage equipment and more importantly, we have established a comprehensive IT platform to monitor and improve our business operation. Beijing Momole was not injected into our Group as our Directors are of the view that the business development of Beijing Momole is not in line with our strategy to provide intelligence massage services.

Save as disclosed above, each of our Controlling Shareholders has confirmed that as at the Latest Practicable Date, they did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently of our Controlling Shareholders and their respective close associates after the [**REDACTED**].

MANAGEMENT INDEPENDENCE

We are able to carry on our business independently from the Controlling Shareholders from a management perspective. Our Board comprises three executive Directors, two non-executive Directors and three independent non-executive Directors.

(i) each of our Directors is aware of his/her fiduciary duties as a Director which require, among others, that he/she must act for the benefit and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests;

(ii) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged and/or in their respective fields of expertise, and will therefore be able to make business decisions that are in the best interests of our Group. For details of the industry experience of our senior management team, please refer to the section headed "Directors, Supervisors and Senior Management" in this document;

(iii) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;

(iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective close associates, the interested Director(s) shall abstain from voting on any Board resolutions approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum presenting at the relevant Board meeting;

(v) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and the Controlling Shareholders which would support our independent management. For details, see "— Corporate Governance Measures" below in this section.

Based on the above, our Directors are satisfied that the Board as a whole, together with our senior management team, are able to perform the managerial role in our Group independently and capable of managing our business independently from the Controlling Shareholders and their respective close associates after the [**REDACTED**].

Operational independence

Our Directors consider that our operations do not depend on our Controlling Shareholders and their respective close associates for the following reasons:

(i) our Group possesses sufficient capital, property, equipment, technology and human resources to operate its business independently, and holds all the relevant material licenses, qualifications, intellectual properties and permits required for conducting that are necessary for our business;

(ii) our Group has an established and complete organizational structure, comprising various separate departments each charged with specific responsibilities;

(iii) our Group also has independent access to, among others, customers and suppliers required for our Group's business, and we operate our business independently, with independent rights to make and implement our operational decisions;

(iv) we maintain a set of internal control procedures to facilitate the effective operation of our business. For details on the internal control procedures, see "Business — Risk Management and Internal Control"; and

(v) we have adopted a set of corporate governance practices and manuals, such as rules with respect to the shareholders' meeting, the board meeting, the board committees' meeting and the conduct of connected transactions, pursuant to relevant laws and regulations, to facilitate the effective operation of our business.

Financial independence

We have established our own finance department with a team of independent financial staff, who are responsible for financial control, accounting, reporting, group credit and internal control function of our Company, independent from our Controlling Shareholders. We can make financial decisions independently according to our business needs. Our Company maintains bank accounts independently and does not share any bank account with our Controlling Shareholders who do not intervene with our use of funds. We have also established an independent and sound audit system, a standardized financial and accounting system and a complete financial management system. We have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. We have access to independent third-party financing and are capable of obtaining such financing without the need to rely on any guarantee or security provided by our Controlling Shareholders or their respective close associates. We will not rely on our Controlling Shareholders for financing after the [**REDACTED**] and we will have sufficient working capital to operate our business independently.

During the Track Record Period and up to the Latest Practicable Date, Mr. Xie and his spouse have provided guarantees (the "**Guarantees**") for certain bank loans of our Group. See Notes 22 and 31 to the Accountants' Report in Appendix I to this document and "Financial Information — Indebtedness — Bank Loans" in this document for details. Notwithstanding the existence of the Guarantees, we believe that we are able to obtain new financing from independent financial institutions on normal commercial terms without reliance on our Controlling Shareholders and/or their respective close associates. We intend to release the Guarantees before [**REDACTED**]. In the event that the Guarantees cannot be released before [**REDACTED**] pursuant to their respective terms and conditions, our Group will repay the bank loans underlying those Guarantees.

Based on the above, our Directors are of the view that we are capable of carrying on our business independently from, and do not place undue reliance on, our Controlling Shareholders and their respective close associates after the [**REDACTED**].

DEED OF NON-COMPETITION

In order to avoid any potential competition between our Controlling Shareholders (the "**Non-Competing Shareholders**") on the one hand and us on the other hand, Non-Competing Shareholders have entered into the Deed of Non-competition in favour of our Company. Pursuant to the Deed of Non-competition, subject to the exceptions set out below, each of the Non-Competing Shareholders has irrevocably and unconditionally undertaken to our Company (for ourselves and on behalf of each other member of our Group) that it would not, and would procure that its close associates (except any members of our Group) not to, during the Restricted Period (as defined below), directly or indirectly, either on its own account or in conjunction with or on behalf of any person, firm or company (except through any member of our Group), among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise, and whether for profit, reward or otherwise) any Restricted Business (as defined below), whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person.

The "**Restricted Business**" stated in the Deed of Non-competition refers to any activity or business which competes, or is likely to compete, either directly or indirectly, with:

(a) the existing business activities of our Group as set out in the section headed "Business" in this document; and

(b) any other business from time to time conducted, entered into, engaged in or invested in by any member of our Group or which our Company has otherwise published an announcement on the website of the Stock Exchange stating its intention to conduct, enter into, engage in or invest in, save as disclosed in this document.

The obligation of the Non-Competing Shareholders under the Deed of Non-competition will remain binding on the Non-Competing Shareholders until the earlier of the followings:

(a) the date on which the Shares cease to be [**REDACTED**] on the Stock Exchange (except for temporary suspension of [**REDACTED**] of the Shares on the Stock Exchange for any reason); or

(b) the date on which the Non-Competing Shareholder(s) and its close associates, collectively cease to be entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company or otherwise cease to be a group of controlling shareholders of our Company.

"**Restricted Period**" shall mean the period commencing on the [**REDACTED**] until the earlier of the above events.

Each of the Non-Competing Shareholders has also undertaken to our Company to provide all information requested by our Company which is necessary for the annual review by our Independent Non-executive Directors of the Non-Competing Shareholders' compliance with the undertakings and the enforcement of the Deed of Non-competition. Each of them has further undertaken to our Company (for himself/itself and for the benefit of each other member of our Group) that in the event that he/it or his/its close associate(s) (other than any member of our Group) is given/identified/offered/made available any business investment or commercial opportunity relating to the Restricted Business (the "**New Business Opportunity**"), he/it will and will procure his/its close associates to refer the New Business Opportunity to our Company as soon as practicable in the following manner:

(a) the relevant Non-Competing Shareholder(s) is required to, and shall procure his/its close associates (other than any member of our Group) to, refer, or to procure the referral of, the New Business Opportunity to our Company, and shall give written notice (the "**Offer Notice**") as soon as reasonably practicable to our Company of any New Business Opportunity containing all information reasonably necessary for our Company to consider whether (i) such New Business Opportunity would constitute the Restricted Business; and (ii) it is in the interest of our Group to pursue such New Business Opportunity, including but not limited to the nature of the New Business Opportunity, the identity of the target asset(s) or company(ies) (if applicable), and the details of the investment or acquisition costs;

(b) as soon as reasonably practicable after receiving the Offer Notice, our Company shall seek approval from a board committee (comprising only our Independent Non-executive Directors who do not have any interest, actual or potential, direct or indirect in the relevant New Business Opportunity) (the "**Independent Board**") as to whether to pursue or decline the New Business Opportunity. Any Director who has actual or potential, direct or indirect interest in the New Business Opportunity shall not be a member of the Independent Board and shall not attend (unless his/her attendance is specifically requested by the Independent Board), vote at nor be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity;

(c) the Independent Board shall take into account all relevant factors in considering whether our Company shall pursue the New Business Opportunity. Such factors may include, among other things, the financial impact of pursuing the New Business Opportunity, whether the nature of the New Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions. If appropriate, the Independent Board may, at the cost of our Company, appoint independent financial advisers, legal advisers and other professional advisers to assist in the decision-making process in relation to such New Business Opportunity;

(d) he/it is obliged to use his/its best efforts to procure that such opportunity is first offered to us on terms that are fair and reasonable and no less favorable than those terms first offered to him/it.

(e) the Independent Board shall, within 20 business days upon receipt of the Offer Notice, inform the relevant Non-Competing Shareholder in writing on behalf of our Company of its decision whether to pursue or decline the New Business Opportunity;

(f) the relevant Non-Competing Shareholder and/or his/its close associates shall be entitled (but not obliged) to pursue such New Business Opportunity (i) if he/it has received a notice from the Independent Board declining such New Business Opportunity, or (ii) if the Independent Board has failed to respond within such 20 business days period pursuant to sub-paragraph (d) above;

(g) if there is any material change in the nature, terms or conditions of such New Business Opportunity pursued by the relevant Non-Competing Shareholder, it shall refer such New Business Opportunity as so revised to our Company in the manner as outlined in the Deed of Non-competition as if it were a New Business Opportunity; and

(h) any Director who has actual or potential interests in the New Business Opportunity shall not attend meetings convened to consider such New Business Opportunity (unless required by the Independent Board), shall abstain from voting at such meetings and he/she/it shall not be counted in the quorum present in the meetings.

Nothing in the Deed of Non-competition shall preclude any of the Non-Competing Shareholders or their close associates from:

(a) holding interests in the shares of a company provided that:

   (i) any Restricted Business conducted or engaged in by such company or its subsidiaries (or assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited consolidated financial statements; or

   (ii) the total number of the shares held by the relevant Non-Competing Shareholder(s) and/or its close associates in aggregate does not exceed 30% of the issued shares of that class of the company in question, and such Non-Competing Shareholder(s) and its close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and at all times there should exist at least one other shareholder of that company (together, where appropriate, with its close associates) whose shareholdings in that company should be more than the total number of shares held by such Non-Competing Shareholder(s) and its close associates; or

(b) pursuing any business opportunity which may constitute the Restricted Business after our Independent Board has confirmed in writing to the relevant Non-Competing Shareholder(s) that our Independent Board or the relevant member(s) of our Group has declined such business opportunity.

Save as disclosed above, as of the date of the Deed of Non-competition, each of the Controlling Shareholders or any of their respective close associates (other than members of our Group) had not engaged in or participated in any Restricted Business, and had not held any direct or indirect interest in any company or enterprise engaged in the Restricted Business.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. Our Company would adopt the following corporate governance measures to manage potential conflict of interests between our Group and the Controlling Shareholders and their respective close associates upon [**REDACTED**]:

(i) where a Shareholders' meeting is to be held for considering proposed transactions in which the Controlling Shareholders or any of their respective associates has a material interest, the Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;

(ii) our Company has established internal control mechanisms to identify connected transactions. Upon the [**REDACTED**], if our Company enters into connected transactions with a Controlling Shareholder or any of his/her/its associates, our Company will comply with the applicable Listing Rules;

(iii) the independent non-executive Directors will review, on an annual basis, whether there is any conflict of interests between our Group and the Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(iv) the Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(v) our Company will disclose decisions (with basis) on matters reviewed by the independent non-executive Directors either in its annual report or by way of announcements;

(vi) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses; and

(vii) we have appointed Red Solar Capital Limited as our Compliance Adviser to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and the Controlling Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

CONNECTED PERSON

Fujian Rovos is a company quoted on the NEEQ (stock code: 873733) and primarily engaged in the design, development, manufacturing and sales of massage equipment and related devices. It is ultimately controlled by Mr. Wu Jinghua, our non-executive Director and substantial shareholder, and hence Fujian Rovos is an associate of Mr. Wu Jinghua and constitutes a connected person (as defined under Chapter 14A of the Listing Rules). Upon [**REDACTED**], the transactions with Fujian Rovos will constitute our continuing connected transactions under Chapter 14A of the Listing Rules, details of which are set out below.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Manufacturing Framework Agreement

Principal terms

On [●], our Company [has entered] into an original design manufacturer framework agreement ("**Manufacturing Framework Agreement**") with Fujian Rovos, pursuant to the which Fujian Rovos and its subsidiaries would provide design and manufacturing services ("**manufacturing services**") for a new model of massage equipment to our Group, with a term commencing from the [**REDACTED**] to 31 December 2027. The Manufacturing Framework Agreement will be renewable subject to the tender process and compliance with the requirements of the Listing Rules.

In addition, under the Manufacturing Framework Agreement, Fujian Rovos promised an after-sales maintenance period ("**Maintenance Period**") of three years from the delivery of the relevant massage equipment, during which Fujian Rovos will offer after-sales maintenance services as well as provide spare parts to the delivered massage equipment, which will be charged with extra fees by unit.

Subject to terms of the Manufacturing Framework Agreement, the Group will enter into specific agreements or place purchase orders with Fujian Rovos and its subsidiaries to set out specific terms and conditions in respect of the manufacturing services. The consideration payable by the Group under the Manufacturing Framework Agreement for manufacturing services will be paid at the time and according to the method to be agreed in specific agreements or purchase orders. The major terms of the individual sub-contracts shall be in line with those of the Manufacturing Framework Agreement, and the aggregate contract amount under the individual sub-contracts shall not exceed the total contract price of the Manufacturing Framework Agreement.

Pricing policy

The price for the manufacturing services contemplated under the Manufacturing Framework Agreement is determined by tender process. At least three service providers have participated in the tender. Factors that have been taken into consideration by our Company during the tender process include (i) the terms of tender proposals offered by the participating bidders, including the tender prices and their responses to the tender terms; (ii) the background, qualifications and financial position of the participating bidders; (iii) the relevant experiences and team member composition of the participating bidders; (iv) the term and scope of after-sales maintenance service proposed by the participating bidders; and (v) an indicative unit price of massage equipment is set in our tender documents based on the past tender contract price and our financial budget of the relevant service.

The price for the spare parts to the massage equipment provided by Fujian Rovos during the Maintenance Period will be determined with reference to such spare parts provided to other independent third parties by Fujian Rovos and its subsidiaries, but in any event shall not exceed the prices provided to independent third parties by Fujian Rovos and its subsidiaries.

Historical figures and annual caps

For the two years ended 31 December 2023 and the nine months ended 30 September 2024, our aggregate purchase amount of equipment and spare parts from Fujian Rovos were RMB5.0 million, RMB1.0 million and RMB0.5 million, respectively.

The estimated annual cap under the Manufacturing Framework Agreement for the three years ending 31 December 2027 is RMB70.0 million, RMB20.0 million and RMB2.0 million, respectively.

Basis of annual cap

The above estimated annual cap was determined based on the following factors and assumptions:

(a) the pattern of the contemplated transaction with Fujian Rovos and the life cycle of our massage equipment. As our massage equipment generally has a life cycle of three years (which is in line with the depreciation period of such massage equipment), when we entered into massage equipment manufacturing for a new model of massage equipment with our suppliers, we usually require the supplier to deliver large sum of massage equipment within the period of the first year so as to overall replace our old models and keep in line with our marketing activities for launching the new model of massage equipment. Subsequently in the second year and the third year, we may only require maintenance services for the existing massage equipment (including purchasing of spare parts) and order a small sum of massage equipment from time to time to cover our newly increased POS in the year.

As a result, our transaction amount with Fujian Rovos will reach its peak in the first year after entering into the Manufacturing Framework Agreement, and will decline significantly in the second and the third year.

(b) the model of massage equipment delivered or to be delivered by Fujian Rovos is the representative model of massage equipment to be promoted by our Company in 2025 and Fujian Rovos has already started the delivery of such equipment in the fourth quarter of 2024. The number of equipment to be delivered in 2025 is expected to account for approximately 60% of the total sum of such equipment to be delivered under the Manufacturing Framework Agreement;

(c) the unit price of massage equipment as agreed with Fujian Rovos in the bidding document and as advised by Frost & Sullivan, such unit price is generally in line with the market price of similar massage equipment;

(d) the historical quantity and pattern for purchasing massage equipment from manufacturing services providers by the Company; and

(e) the expected growth of our business and the anticipated increased demands for manufacturing services from us.

Reasons for the transactions

Our business primarily focuses on the provision of smart massage services and we purchased massage equipment from Fujian Rovos as well as other independent third parties, which enable us to obtain necessary materials for our business in a cost-efficient way without having to establish our own manufacturing facility. Fujian Rovos is a professional massage equipment manufacturer and has stable cooperation relationships with plenty of well-known enterprises. In addition, Fujian Rovos has a sound track record of providing manufacturing services to us and it is familiar with our requirements. After considering its overall reputation, qualification and industry experience, tender price, response to our tender requirement and other factors, it ranked the first among all the participating bidders and won the bid through the tender process in accordance with the relevant laws.

Implications under the Listing Rules

As at least one of the applicable percentage ratios under the Listing Rules (other than the profits ratio) in respect of the annual caps in relation to the Manufacturing Framework Agreement is expected to be more than 5%, the transactions contemplated under the Manufacturing Framework Agreement are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

WAIVER APPLICATION FOR NON-EXEMPT CONTINUING CONNECTED TRANSACTION

In respect of the transactions contemplated under the Manufacturing Framework Agreement, as at least one of the applicable percentage ratios under the Listing Rules (other than the profits ratio) in respect of the annual caps is expected to be more than 5%, the transactions contemplated thereunder are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

We expect these non-exempt continuing connected transactions to be carried out on a continuing basis and will extend over a period of time, and our Directors consider that strict compliance with the applicable requirement under the Listing Rules would be impractical, unduly burdensome and impose unnecessary administrative costs on our Company.

Accordingly, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the announcement requirements under Chapter 14A of the Listing Rules in respect of the abovementioned partially exempt continuing connected transactions, and the circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the abovementioned non-exempt continuing connected transactions. For details, see the paragraph headed "Waivers from Strict Compliance with the Listing Rules — Continuing Connected Transactions" in this document.

Save for the announcement, circular and/or Shareholders' approval requirements for which waivers have been applied, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTION

R&D Agreement(s) with Fujian Rovos

Principal terms

Our Company has entered into and will continue to enter into research and development agreement(s) ("**R&D Agreement(s)**") with Fujian Rovos, pursuant to which Fujian Rovos would provide support on the R&D of certain application design for improving the usability of our smart massage equipment. The R&D Agreement(s) will be renewable in compliance with the requirements of the Listing Rules.

Pricing policy

The price for the services contemplated under the R&D Agreement(s) is determined based on arm's length negotiation with reference to: (i) the complexity level of the technique; (ii) the expected cost (including material and personnel cost) to be incurred; (iii) the price of similar service offered by independent third parties, but in any event shall not exceed the prices provided to us by independent third parties.

Reasons for the transactions

We have our own R&D department mainly focused on the development of IoT technology and improvement of message service experience. For product development, the Company entrusted the development of hardware functions of some equipment to external service providers on the basis of setting up the overall development design. From time to time, we need to development certain application design and to apply such R&D results to improve the usability of our smart massage equipment. It is more cost efficient for us to outsource the R&D of such application design to massage equipment manufacturers as such technology is closely linked to the massage equipment manufacturing process and the experiments need to be conducted on in-progress massage equipment, and the massage equipment manufacturers can ride on their existing R&D knowhow on massage equipment functions development, instead of us starting from the basic research on the hardware structure of such chairs.

Fujian Rovos is a professional massage equipment manufacturer which has been established since 2007 and focuses on R&D of massage equipment since its establishment. It has a proven track record and mature procedure for providing massage equipment R&D services for its customers. When selecting Fujian Rovos as our R&D service provider, we have considered its past experience and relevant intellectual property rights in similar R&D projects as well as its creditability, our past cooperation record and our mutual trust as confidentiality are usually of great importance on such R&D activities.

Implications under the Listing Rules

As the applicable percentage ratios calculated under Chapter 14A of the Listing Rules will be less than 5% and the total consideration will be less than HK$3,000,000, the transactions contemplated under the R&D Agreement(s) with Fujian Rovos will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1)(c) of the Listing Rules.

GENERAL

In the event that our Group enters into any new transaction or agreement or renews any transaction or agreement with any connected person in the future, we will comply which all the relevant requirements under Chapter 14A of the Listing Rules, including the announcement and/or independent shareholders' approval requirements, where applicable.

DIRECTORS' VIEW

Our Directors, including the independent non-executive Directors, are of the view that (i) the non-exempt continuing connected transactions referred to above have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms or better and such terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the respective proposal annual caps for such non-exempt transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION BY THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the non-exempt continuing connected transactions referred to above have been entered into in the ordinary and usual course of businesses of our Group, on normal commercial terms or better, and such terms are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the respective proposed annual caps for such non-exempt transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

INTERNAL CONTROL MEASURES

In order to further safeguard the interests of the Shareholders as a whole (including the minority Shareholders), our Group has implemented the following internal control measures in relation to the continuing connected transactions:

- our Group has adopted internal guidelines which provide that our Company must establish an independent non-executive directors' committee to express its opinion and appoint an independent financial adviser to advise and issue a report for the approval of our Company's general meeting in the event of a non-exempted connected transaction to ensure that we will comply with the applicable requirements under laws and regulations, the Articles of Associations and the Listing Rules;

- our Company will issue continuing connected transactions monitoring reports for the audit committee's review to ensure that the relevant transactions fall within the approved annual cap and corporate with the auditors for the issuance of auditors' reports and annual reports;

- in accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation in annual reports as to whether the continuing connected transactions have been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and

- in accordance with the requirements under the Listing Rules, the auditors will provide an annual confirmation to the Board as to whether anything has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board, are not in accordance with the pricing policies of our Group in all material respects, are not entered into in accordance with the relevant agreements governing the transactions in all material respects or have exceeded the cap.

BOARD OF DIRECTORS

Our Board of Directors consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board of Directors is responsible and has general powers for the management and conduct of our business.

The following table sets out certain information about our Directors:

Name	Age	Position(s)	Time of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationships with other Directors, Supervisors or senior management
Mr. Han Daohu (韓道虎)	56	Our Chairman and non-executive Director	August 2024*(Note)*	August 2024	Responsible for strategy planning, major decision making, public relations and supervising the management of our Group	None
Mr. Xie Zhonghui (謝忠惠)	49	Our deputy chairman and executive Director	July 2016	December 2016	Responsible for strategy planning, overall management, major decision-making and supervising the management of our Group	None
Mr. Wu Jinghua (吳景華)	43	Non-executive Director	August 2024	August 2024	Responsible for Supervising and providing professional opinion and judgement to our Board	None

Note: Mr. Han became a substantial shareholder of our company in May 2017. The appointment of him as the Chairman and a non-executive Director commenced in August 2024.

Name	Age	Position(s)	Time of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationships with other Directors, Supervisors or senior management
Mr. Feng Baocai (封寶財)	49	Executive Director and the general manager of our Company	December 2016	October 2021	Responsible for strategy planning, overseeing the Group's daily operations and strategic direction	None
Mr. Chen Xing (陳興).	37	Executive Director and deputy general manager	December 2017	October 2021	Responsible for strategy planning and overseeing the technology development of our Group	None
Mr. Lei Zhigang (雷志剛)	51	Independent non-executive Director	[REDACTED]*(Note 1)*	January 2025*(Note 1)*	Responsible for supervising and offering independent judgment to the Board	None
Ms. Dong Hui (董慧).	40	Independent non-executive Director	[REDACTED]*(Note 2)*	December 2024*(Note 2)*	Responsible for supervising and offering independent judgment to the Board	None
Mr. SUEK Ka Lun Ernie (薛家麟) .	46	Independent non-executive Director	[REDACTED]*(Note 2)*	December 2024*(Note 2)*	Responsible for supervising and offering independent judgment to the Board	None

Note 1: Mr. Lei Zhigang was appointed as an independent non-executive Director in January 2025 with effect from the [**REDACTED**].

Note 2: Each of Ms. Dong Hui and Mr. SUEK Ka Lun Ernie was appointed as an independent non-executive Director in December 2024 with effect from the [**REDACTED**].

Mr. Han Daohu (韓道虎), aged 56, is our Chairman and a non-executive Director, primarily responsible for strategy planning, major decision making, public relations and supervising the management of our Group. Mr. Han became a substantial shareholder of our Company in May 2017. Mr. Han was appointed as our Chairman and a non-executive Director in August 2024.

Mr. Han has near 30 years of experience in business operations and business leadership. From November 1998 to October 2003, Mr. Han served as the chairman of Shanghai Jiugong Electromechanical Equipment Engineering Co., Ltd. (上海久工機電設備工程有限公司), responsible for its overall operation and management. From January 2003 to July 2019 and from November 2003 to February 2019, Mr. Han served as the chairman of Shanghai Jiugong Industrial Co., Ltd. (上海久工實業有限公司) and Anhui Jiugong Jianye Co., Ltd. (安徽久工健業有限責任公司), respectively, responsible for corporate strategic planning, enhancing operational efficiency and shareholders' interest protection. From December 2016 to May 2018, Mr. Han served as a director at Anhui Lejin Health Technology Co., Ltd. (安徽樂金健康科技股份有限公司), a company whose A shares are listed on Shenzhen Stock Exchange (Stock Code: 300247.SZ), responsible for overseeing the operation and management of its wholly-owned subsidiary, Anhui Jiugong Jianye Co., Ltd.. Mr. Han has been acting as the chairman of Shanghai Beikeruobao Healthy Technology Co., Ltd. (上海貝氪若寶健康科技有限公司) since December 2022, responsible for its strategy, major decision-making and operations. Mr. Han has been acting as a director of Anhui Zhongsheng Suyuan Biotechnology Co., Ltd. (安徽中盛溯源生物科技有限公司) since August 2023.

Mr. Han completed his study of the Future Technology EMBA program of Economics and Management College of Tsinghua University (清華大學) in the PRC in December 2023. Mr. Han obtained his executive master's degree in Business Administration from Ecole nationale des ponts et chaussées (École nationale des ponts et chaussées) (法國國立路橋學校) in France in March 2024.

Mr. Xie Zhonghui (謝忠惠), aged 49, is our deputy chairman and an executive Director, primarily responsible for strategy planning, overall management, major decision-making and supervising the management of our Group. Mr. Xie joined our Group in July 2016, and has been serving as the executive Director since December 2016. From December 2017 to August 2024, Mr. Xie served as the general manager of our Company. Mr. Xie was appointed as the deputy chairman in August 2024. Mr. Xie has also been serving as the director and general manager of certain subsidiaries of our Company.

Mr. Xie has over 20 years of experience in business leadership and entrepreneurship. Prior to joining our Group, from November 2001 to September 2008, Mr. Xie served as a sales director and the deputy general manager of Truecolor Stationery Co., Ltd. (真彩文具股份有限公司), responsible for sales-related work. From May 2011 to January 2016, Mr. Xie served as the founder and the chairman of Shanghai Fujian Industrial Development Co., Ltd. (上海福健實業發展有限公司), primarily responsible for the overall management, development planning and major decision-making.

Mr. Xie graduated from Jimei University (集美大學) in PRC in July 1998, majoring in mechanical manufacturing process and equipment.

Mr. Wu Jinghua (吳景華), aged 43, is a non-executive Director, mainly responsible for supervising and providing professional opinion and judgement to our Board. Mr. Wu was appointed as a non-executive Director in August 2024.

Mr. Wu has nearly 18 years of experience in business management. From June 2007 to December 2007, Mr. Wu worked at Fu'an Likang Health Appliance Factory (福安市利康保健電器廠), serving as the factory director. From December 2007 to December 2021, Mr. Wu worked at Fujian Honor Fitness Equipment Co., Ltd. (福建榮耀健身器材有限公司), holding positions as the chairman, the executive director and the general manager. Mr. Wu has been working as the chairman of the board and the general manager of Fujian Rovos Health Technology Co., Ltd. (福建榮耀健康科技股份有限公司) (a company quoted on the NEEQ (Stock Code: 873733)) since December 2021.

Mr. Wu graduated from Yang-en University (仰恩大學) in the PRC in July 2003, majoring in marketing.

Mr. Feng Baocai (封寶財), aged 49, is an executive Director and the general manager of our Company, primarily responsible for strategy planning and overseeing the Group's daily operations and strategic direction. Mr. Feng joined our Group in December 2016 as a supervisor. From December 2017 to December 2022, Mr. Feng acted as the sales director of our Company, responsible for supervising and guiding the execution of sales targets across various markets. Since December 2022, Mr. Feng has been serving as the vice president of marketing of our Company, primarily responsible for formulating marketing strategies and overseeing the implementation of marketing goals. Mr. Feng has been acting as a Director since October 2021 and the general manager of our Company since July 2024. Mr. Feng has also been serving as the director, general manager or supervisor positions in certain subsidiaries of our Company.

Mr. Feng has over 12 years of experience in general management and business operations. Prior to joining our Group, from February 2013 to June 2016, Mr. Feng worked as the general manager of Wuxi Fuji General Equipment Co., Ltd. (無錫佛吉斯通用設備有限公司), responsible for its daily operation and management.

Mr. Feng graduated from Jimei University (集美大學) in the PRC, majoring in mechanical manufacturing and equipment in July 1998.

Mr. Chen Xing (陳興), aged 37, is an executive Director and our deputy general manager, primarily responsible for strategy planning and overseeing the technology development of our Group. Mr. Chen joined our Group in December 2017. Mr. Chen has been serving as the technical director of our Company since December 2017, responsible for leading technological research and development and building the IoT platform. Mr. Chen has been acting as an executive Director since October 2021 and the deputy general manager since August 2024. Mr. Chen has also been serving as the supervisor of certain subsidiaries of our Company.

Mr. Chen has over 16 years of experience in software engineering and technology management. From February 2008 to February 2012, Mr. Chen worked as a software engineer of Fuzhou Tong'an Electronics Co., Ltd. (福州通安電子有限公司), responsible for the development of traffic signal control systems. From June 2012 to November 2017, Mr. Chen worked as the development lead of Fuzhou Realm Information Technology Co., Ltd. (福州境界信息技術有限公司), responsible for game framework construction, technical selection and external platform integration. Mr. Chen served as a supervisor at Fuzhou Feidian IoT Technology Co., Ltd. (福州沸點物聯網科技有限公司) since December 2017, responsible for assisting in daily management affairs. Mr. Chen has also been serving as a Supervisor at Hui Chun Tang since April 2023, primarily responsible for supervising its daily operation.

Mr. Chen graduated from Jiangxi Yuzhou Vocational College of Science and Technology (江西渝州科技職業學院) (currently known as Jiangxi University of Engineering) (江西工程學院)) in the PRC in July 2008, majoring in software technology.

Mr. Lei Zhigang (雷志剛), aged 51, was appointed as an Independent non-executive Director in January 2025, mainly responsible for supervising and offering independent judgement to the Board.

Mr. Lei has extensive experience of legal practice. He has been working at Beijing Zhilin Law Firm (北京志霖律師事務所) as its director (主任) since March 2012.

Mr. Lei graduated from Lanzhou University (蘭州大學) in the PRC in June 1995 with a bachelor's degree in materials science. In addition, he obtained a master's degree in law from China University of Political Science and Law (中國政法大學) in the PRC in June 2005. Mr. Lei was first approved by the Beijing Municipal Bureau of Justice (北京市司法局) to practice as a full-time lawyer in May 2006. Mr. Lei obtained a Professional Agent Professional Certificate (專利代理師執業證) issued by the Beijing Municipal Intellectual Property Office (北京市知識產權局) in January 2005.

Ms. Dong Hui (董慧), aged 40, was appointed as an Independent non-executive Director in December 2024, mainly responsible for supervising and offering independent judgement to the Board. Ms. Dong currently serves as an associate professor at the School of Accounting, Shanghai University of Finance and Economics (上海財經大學).

Ms. Dong has over 14 years of experience in the financial fields. From September 2010 to June 2011, Ms. Dong served as an assistant professor at Beijing Normal University-Hong Kong Baptist University United International College (北京師範大學-香港浸會大學聯合國際學院). From February 2023 to December 2023, Ms. Dong was a visiting scholar at the University of California, San Diego. Ms. Dong has been currently serving as an independent non-executive director and member of the audit committee of Wuxi Commercial Mansion GRAND Orient Co., Ltd. (無錫商業大廈大東方股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 600327.SH)). She has also been an independent non-executive Director of Shanghai Chemspec Corporation (上海康鵬科技股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 688602.SH)) and Shanghai Yutiane Guanjia Technology Co., Ltd. (上海毓恬冠佳科技股份有限公司) (a listing applicant which has just obtained the listing approval from Shenzhen Stock Exchange in November 2024). Ms. Dong has been acting as an independent non-executive director of Jiusan Food Co., Ltd. (九三食品股份有限公司) since September 2020. Ms. Dong also has been serving as an independent non-executive director of Suzhou Beiyin Technology Co., Ltd. (蘇州貝茵科技股份有限公司) since August 2022. From January 2022 to August 2023, Ms. Dong served as an independent non-executive director of Shanghai Justiming Electronic Technology Co., Ltd. (上海鴻曄電子科技股份有限公司).

Ms. Dong graduated from Renmin University of China (中國人民大學) in the PRC in July 2005 with a bachelor's degree in marketing. In September 2006, she obtained her master's degree in economics from the University of London (倫敦大學) in the United Kingdom. Ms. Dong graduated from University of Hong Kong (香港大學) in September 2010 with her doctoral degree, majoring in banking and finance.

Mr. SUEK Ka Lun Ernie (薛家麟), aged 46, was appointed as an Independent non-executive Director in December 2024, mainly responsible for supervising and offering independent judgement to the Board.

Mr. SUEK has been the chairman of Neway Group Holdings Limited (a company listed on the Hong Kong Stock Exchange (Stock Code: 0055.HK)) (formerly known as Chung Tai Printing Holdings Limited (中大印刷集團有限公司)) from August 2009 to present, mainly responsible for overseeing, leading and formulating the overall business development of Neway Group. From November 2007 to 31 August 2009, Mr. SUEK served as the chief executive officer of Neway Group Holdings Limited, mainly responsible for formulating and executing the strategic plans and implementing the business objectives. Mr. SUEK has been serving as an executive director of Neway Group Holdings Limited since July 2004, mainly responsible for executing the strategies and business plans for the printing business.

Mr. SUEK graduated from The Hong Kong Polytechnic University (香港理工大學) with a master of science degree in March 2024 majoring in management research studies. Mr. SUEK graduated from The Chinese University of Hong Kong (香港中文大學) majoring in business administration with an EMBA degree in July 2008 and obtained his master's degree in science in December 2003 from the same university. Mr. SUEK graduated from New York University (紐約大學) in the U.S. with a bachelor's degree in science in May 2000.

SUPERVISORY COMMITTEE

Our supervisory committee consists of three members. The following table sets out information in respect of our Supervisors.

Name	Age	Position(s)	Time of joining our Group	Date of appointment as Supervisor	Roles and responsibilities	Relationships with other Directors, Supervisors or senior management
Ms. Yu Xiaohong (余曉洪)	45	Chairwoman of the supervisory committee	February 2017	October 2021	Responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties	None
Ms. Wang Xuezhen (王雪珍)	40	Supervisor	August 2016	August 2024	Responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties	None
Ms. Chen Xia (陳霞)	41	Supervisor	November 2016	August 2024	Responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties	None

Ms. Yu Xiaohong (余曉洪), aged 45, is a Supervisor and chairwoman of our supervisory committee, primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties. Ms. Yu joined our Company in February 2017 and has been serving as our finance manager of our Company since then, primarily responsible for financial management. Ms. Yu has been serving as our Supervisor since October 2021 and was appointed as the chairwoman of our supervisory committee in August 2024.

Ms. Yu has over 10 years of experience in financial management. Prior to joining our Group, from April 2012 to January 2017, Ms. Yu worked as the finance manager at Xiamen Longlixing Environmental Protection Technology Co., Ltd. (廈門隆立信環保科技有限公司), primarily responsible for financial management.

Ms. Yu graduated from Tianjin University (天津大學) in the PRC majoring in financial management in January 2023 through a correspondence program.

Ms. Wang Xuezhen (王雪珍), aged 40, is a Supervisor and primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties. Ms. Wang joined our Company in August 2016. From August 2016 to July 2024, Ms. Wang served as the order supervisor of our Company, mainly responsible for equipment management and optimization of the sales service module of the OA system. Ms. Wang was appointed as a Supervisor in August 2024.

Ms. Wang has over 10 years of experience in administrative and sales service roles. Prior to joining our Group, from April 2006 to July 2016, Ms. Wang worked as an office clerk at Fujian Southeast Focus Enterprise Management Co., Ltd. (福建東南焦點企業管理有限公司), mainly responsible for management of company documents and human resources related matters.

Ms. Wang graduated from Nanping Industrial School (南平工業技術學校) in the PRC in July 2003 majoring in computer studies.

Ms. Chen Xia (陳霞), aged 41, is a Supervisor and primarily responsible for supervising the performance of our Directors and members of senior management and performing other supervisory duties. Ms. Chen joined our Company in November 2016. From November 2016 to October 2018, she served as the head of the after-sales services department of our Company, mainly responsible for handling issues related to the use of equipment. From November 2018 to May 2022, Ms. Chen served as the head of the spare parts department at the operation and maintenance service center of our Company, responsible for the management of the procurement and use of spare parts and the construction of operation and maintenance service systems. Since June 2021, Ms. Chen has been serving as the assistant to the general manager of our Company, primarily responsible for administrative affairs. Ms. Chen was appointed as a Supervisor in August 2024.

Ms. Chen has over 15 years of experience in technology and project management. Prior to joining our Group, from October 2007 to March 2015, Ms. Chen worked as a staff of the mechanism research and development department at Solectron Technology (Suzhou) Co., Ltd. (名碩電腦(蘇州)有限公司), mainly responsible for the mechanism development of computers and peripheral products. From May 2015 to November 2016, Ms. Chen served as an assistant at Fujian Bosikeer Technology Co., Ltd. (福建波士凱爾科技有限公司), responsible for the standardization of various systems and processes required for department construction and tracking the completion of various R&D projects.

Ms. Chen graduated from Nanjing Normal University (南京師範大學) in the PRC, majoring in English in June 2015 through self-taught higher education examination (高等教育自學考試).

SENIOR MANAGEMENT

Our senior management members of our Group are responsible for the day-to-day operations and management of the business of our Group. The following table sets out information in respect of the senior management members of our Company:

Name	Age	Position(s)	Time of joining our Group	Time of appointment as senior management	Roles and responsibilities	Relationships with other Directors, Supervisors or senior management
Mr. Feng Baocai (封寶財)	49	General manager	December 2016	July 2024	Responsible for strategy planning and overseeing the Group's daily operations and strategic direction	None
Mr. Chen Xing (陳興)	37	Vice president	December 2017	August 2024	Responsible for strategy planning and overseeing the technology development of our Group	None
Mr. Lin Zhongyue (林忠躍)	52	Chief financial officer	March 2022	March 2022	Responsible for the overall financial management of our Group	None
Mr. Ye Qiwei (葉其偉)	48	Secretary of our Board	August 2024	August 2024	Responsible for the corporate governance, information disclosure and investor relations management of our Group	None

For biographs of Mr. Feng Baocai (封寶財) and Mr. Chen Xing (陳興), see "— Board of Directors" in this section.

Mr. Lin Zhongyue (林忠躍), aged 52, is our chief financial officer and primarily responsible for the overall financial management of our Group. Mr. Lin joined the Group in March 2022 and has been serving as the chief financial officer of our Company since then. From June 2022 to December 2023, Mr. Lin also served as the assistant to the general manager of our Company. Mr. Lin has also been serving as the chief financial officer of certain subsidiaries of our Company.

Mr. Lin has over 12 years of experience in financial management and corporate governance. Mr. Lin joined West Coast Media Co., Ltd. (西岸傳媒股份有限公司) as a director in March 2012. From February 2018 to March 2019, Mr. Lin served as the deputy general manager and the board secretary at Fujian Kuncai Material Technology Co., Ltd. (福建坤彩材料科技股份有限公司) (a company listed on the Shanghai Stock Exchange (Stock Code: 603826.SH)), responsible for overseeing investor relations and investment project management. From April 2019 and June 2020, Mr. Lin worked as the financial controller of Fuchun Technology Co., Ltd. (富春科技股份有限公司) (a company listed on the Shenzhen Stock Exchange (Stock Code: 300299.SZ)), primarily responsible for its financial management. From July 2020 to February 2022, Mr. Lin worked as a senior manager at Dahua Accounting Firm (大華會計師事務所), responsible for financial consulting for corporate governance.

Mr. Lin graduated from Shanxi University of Finance and Economics (山西財經大學) (formerly known as Shanxi College of Finance and Economics (山西財經學院)) in the PRC with a bachelor's degree, majoring in auditing in July 1996. Mr. Lin was awarded the senior accountant qualification from the Fujian Provincial Department of Human Resources (福建省人事廳) in May 2008.

Mr. Ye Qiwei (葉其偉), aged 48, is the secretary of our Board secretary and primarily responsible for the corporate governance, information disclosure and investor relations management of our Group. Mr. Ye joined the Group in August 2024 as the secretary of our Board.

Mr. Ye has many years of experience in administrative management and asset management. Prior to joining our Group, from February 2015 to November 2021, Mr. Ye worked at Cornerstone Asset Management Co., Ltd. (基石資產管理股份有限公司) with his last position as a director and the general manager, primarily responsible for investments in the entertainment and consumer sectors. Mr. Ye currently also serves as the general manager of Shanghai Qiyan Business Consulting Co., Ltd. (上海麒顏商務諮詢有限公司), responsible for the company's management and business development.

Mr. Ye graduated from China Europe International Business School (中歐國際工商學院) in the PRC with an Executive Master of Business Administration (EMBA) degree in September 2012.

OTHER INFORMATION

Except as disclosed above, each of our Directors, Supervisors and members of senior management has not been a director of any public company whose securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document.

Save as disclosed in this prospects, none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

None of our Directors, Supervisors and members of the senior management is related to other Directors, Supervisors and members of the senior management.

Save for some of our Directors who have held director, supervisor or manager positions in certain entities which have been voluntarily deregistered, to the best knowledge, information and belief of our Directors and Supervisors having made all reasonable inquiries, there was no other matter with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of the Shareholders, and there was no information relating to our Directors and Supervisors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules and no other matters are required to be brought to the attention of Shareholders as of the Latest Practicable Date.

Each of our Directors confirms that he or she (i) has obtained the legal advice referred to under Rule 3.09D of the Listing Rules in January 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Each of the independent non-executive Directors has confirmed (i) his/her independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he/she has no past or present financial or other interest in the business of our Company or its subsidiaries or any connection with any core connected person of our Company under the Listing Rules as of the Latest Practicable Date, and (iii) that there are no other factors that may affect his/her independence at the time of his/her appointments.

Except as disclosed above, none of our Directors has any interests in any business, which competes or is likely to compete, either directly or indirectly, with our business which would require disclosure under Rule 8.10 of the Listing Rules.

JOINT COMPANY SECRETARIES

Ms. Zheng Huiyu (鄭慧鈺), was appointed as one of our joint company secretaries in December 2024, with effect from the [**REDACTED**]. Ms. Zheng joined our Group in June 2022 and has served as our legal supervisor since then. Ms. Zheng has over 4 years of experience in legal affairs. Prior to joining our Group, from March to December 2019, Ms. Zheng worked as a legal officer at Fujian Chuangzhiyuan Industrial Co., Ltd. (福建創之源實業有限公司). From March 2020 to June 2022, Ms. Zhen served as a legal supervisor at Shanghai Jiaqu Property Service Development Co., Ltd. (上海家趣物業服務發展有限公司).

Ms. Zheng graduated from Xiehe College of Fujian Normal University (福建師範大學協和學院) in the PRC with a bachelor's degree in Law in June 2018. Ms. Zheng obtained the legal professional qualification certificate from the Ministry of Justice of the PRC (中華人民共和國司法部) in August 2018.

Ms. Lee Li Li (李莉莉), was appointed as our joint company secretary in December 2024, with effect from the [**REDACTED**]. Ms. Li has over 10 years of extensive experience in corporate secretarial work, with in-depth knowledge of the Hong Kong Stock Exchange Listing Rules, the Companies Ordinance and offshore company compliance. She is currently serving as a manager of Company Secretarial Services of Tricor Services Limited. Ms. Lee is a member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She obtained her master's degree in Corporate Governance from the Hong Kong Polytechnic University (香港理工大學) in October 2008.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various committees. In accordance with the relevant PRC laws and regulations and the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the "**Corporate Governance Code**"), we have established four committees on our Board of Directors, including an audit committee, a remuneration committee, a nomination committee and a strategy committee.

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.4 and paragraph D.3 of Part 2 of the Corporate Governance Code, Appendix C1 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system of our Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee consists of three Directors, namely Ms. Dong Hui, Mr. Lei Zhigang and Mr. Wujinghua, with Ms. Dong Hui acting as the chairman, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules, paragraph E.1 of Part 2 of the Corporate Governance Code, Appendix C1 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration Committee consists of three Directors, namely Mr. SUEK Ka Lun Ernie, Mr. Xie Zhonghui and Ms. Dong Hui, with Mr. SUEK Ka Lun Ernie acting as the chairman.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with Rule 3.27A of the Listing Rules, paragraph B.3 of Part 2 of the Corporate Governance Code, Appendix C1 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee consists of three Directors, namely Mr. Han Daohu, Mr. Lei Zhigang and Mr. SUEK Ka Lun Ernie, with Mr. Han Daohu acting as the chairman.

Strategy Committee

We have established a Strategy Committee with written terms of reference. The primary duties of the Strategy Committee are to make recommendations to our Board on the long-term development strategy and major investments and projects of our Company. The Strategy Committee consists of three Directors, namely Mr. Han Daohu, Mr. Xie Zhonghui and Mr. SUEK Ka Lun Ernie, with Mr. Han Daohu acting as the chairman.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. To accomplish this, our Company intends to comply with Corporate Governance Code set out in Appendix C1 to the Listing Rules and the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules after the [**REDACTED**].

BOARD DIVERSITY POLICY

We are committed to promoting the culture of diversity in our Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted a board diversity policy (the "**Board Diversity Policy**") to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Pursuant to the Board Diversity Policy, in reviewing and assessing suitable candidates to serve as a Director of our Company, the nomination committee will consider a range of diversity perspectives with reference to our Company's business model and specific needs, including but not limited to gender, age, language, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and/or length of service. Our Directors have a balanced mix of knowledge and skills, including three executive Directors, two non-executive Directors and three independent non-executive Directors, with different industry backgrounds. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our board diversity policy.

Upon [**REDACTED**], our Board comprises seven male members and one female member. We 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. We will encourage our incumbent Board members to recommend female candidate directors and take other actions to help achieve greater board diversity, for example inviting some of our outstanding female staff at mid to senior level to attend and observe Board meeting. This will allow our Board to understand more about these potential female candidates before they are nominated to our Board and provide opportunities for potential female candidates to prepare themselves for director duties. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff including but not limited to business operation, management, accounting and finance, legal and compliance. As such, we are of the view that our Board will be offered chances to identify competent female staff at mid to senior level to be nominated as a Director in future with a pipeline of female candidates.

We are committed to adopting a similar approach to promote diversity within management (including but not limited to the senior management) of our Company to enhance the effectiveness of corporate governance of our Company as a whole.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the [**REDACTED**], our Nomination Committee will review the board diversity policy from time to time, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives to ensure its continued effectiveness. We will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules provides that an applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinary resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purposes of Rule 8.12 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, [and the Stock Exchange has agreed to grant,] a waiver from strict compliance with Rule 8.12 of the Listing Rules. For further details, see "Waivers from Strict Compliance with the Listing Rules — Waiver in respect of Management Presence in Hong Kong" in this document.

REMUNERATION AND COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and senior management receive compensation from our Group in the form of salaries, allowances and benefits in kind, discretionary bonuses, retirement scheme contributions and equity settled share-based payments.

The aggregate emoluments received by our Directors were RMB2.18 million, RMB6.94 million, and RMB2.83 million for the two years ended 31 December 2023 and nine months ended 30 September 2024, respectively.

The aggregate emoluments received by our Supervisors were RMB0.47 million, RMB0.53 million and RMB0.73 million for the two years ended 31 December 2023 and nine months ended 30 September 2024, respectively.

The aggregate emoluments paid to our Company's five highest paid individuals, including our Directors and Supervisors were RMB1.43 million, RMB3.23 million and RMB2.84 million for the two years ended 31 December 2023 and nine months ended 30 September 2024, respectively.

For additional information on Directors' and Supervisors' emoluments during the Track Record Period as well as information on the highest paid individuals, please see Notes 8 and 9 of the Accountants' Report set out in Appendix I to this Document.

Pursuant to the arrangements currently in force, the aggregate amount of remuneration (excluding discretionary bonus) payable to and the benefits in kind receivable by our Directors and Supervisors for the year ending 31 December 2025 is estimated to be RMB2.7 million.

We confirmed that during the Track Record Period, no remuneration was paid by our Company to, or receivable by, our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining our Company or as compensation for loss of office in connection with the management positions of any subsidiary of our Company. During the Track Record Period, none of our Directors or Supervisors waived any remuneration. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors, Supervisors or the five highest paid individuals during the Track Record Period.

COMPLIANCE ADVISOR

We have appointed Red Solar Capital Limited as our compliance advisor upon the proposed [**REDACTED**] pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial reports;

- where a transaction, which might be notifiable or connected transaction under Chapters 14 and 14A of the Listing Rules is contemplated, including share issues and share repurchases;

- where we propose to use [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document;

- where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules regarding unusual movements in the price or [**REDACTED**] of our Shares.

Pursuant to Rule 3A.24 of the Listing Rules, our compliance adviser will, on a timely basis, inform our Company of any amendment or supplement to the Listing Rules that are announced by the Hong Kong Stock Exchange. The compliance adviser will also inform our Company of any new or amended law, regulation or code in Hong Kong applicable to us, and advise us on the continuing requirements under the Listing Rules and applicable laws and regulations.

The term of the appointment will commence on the [**REDACTED**] and end on the date on which we distribute our annual report of our financial results for the first full financial year commencing after the [**REDACTED**], and such appointment may be subject to mutual agreement.

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), each of the following persons will have an interest and/or short position in Shares or the underlying Shares which would be required to be disclosed to our Company and the Stock Exchange pursuant to 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:

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)			
Name of Shareholder	Nature of Interest	Number of Shares(1)	Approximate percentage of shareholding in the issued share capital of our Company(2)	Number of Shares(1)	Description of Shares	Approximate percentage of shareholding in the Unlisted Shares/ H Shares(3)	Approximate percentage of shareholding in the total share capital of our Company(3)
Mr. Xie	Beneficial owner	10,487,769	21.0%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]
	Interest in controlled corporations(4)	6,715,321	13.4%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Mr. Han Daohu . .	Beneficial owner	9,762,254	19.5%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Mr. Wu Jinghua . .	Beneficial owner	7,582,439	15.2%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Mr. Li Jianzheng . .	Beneficial owner	4,472,196	8.9%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Zhangchuang Gongying Platform	Beneficial owner	3,663,791	7.3%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Mr. Pan Jianzhong .	Beneficial owner	2,709,424	5.4%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Mr. Li Bin	Beneficial owner	2,533,809	5.1%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Lemo Gongchuang Platform	Beneficial owner	1,897,910	3.8%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]

		As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)			
Name of Shareholder	Nature of Interest	Number of Shares(1)	Approximate percentage of shareholding in the issued share capital of our Company(2)	Number of Shares(1)	Description of Shares	Approximate percentage of shareholding in the Unlisted Shares/ H Shares(3)	Approximate percentage of shareholding in the total share capital of our Company(3)
Cornerstone Yixiang	Beneficial owner	1,304,123	2.6%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Lemo Gongying Platform	Beneficial owner	1,153,620	2.3%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
				[REDACTED]	H Shares	[REDACTED]	[REDACTED]

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of [**REDACTED**] Shares in issue as of the Latest Practicable Date.

(3) The calculation is based on the total number of [**REDACTED**] Shares (consisting of [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares) in issue immediately after the completion of the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(4) As of the Latest Practicable Date, Mr. Xie acts as the general partner of Zhuangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform. Accordingly, Mr. Xie is deemed to be interested in such number of Shares held by Zhuangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform under the SFO.

Save as disclosed above, our Directors are not aware of any persons who will, immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), have an interest and/or short positions in Shares or the underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of 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 of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

OUR SHARE CAPITAL

The following is a description of the share capital of our Company prior to and following the completion of the [**REDACTED**]:

Before the [REDACTED]

As of the Latest Practicable Date, the share capital of our Company was RMB[**REDACTED**] comprising [**REDACTED**] Unlisted Shares with a nominal value of RMB1.0 each.

Upon completion of the [REDACTED]

Immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised, the share capital of our Company will be as follows:

Description of Shares	Number of shares	Approximate percentage to the total share capital of our Company
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]%
H Shares converted from Unlisted Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100%**

Immediately upon completion of the [**REDACTED**], assuming the [**REDACTED**] is fully exercised, the share capital of our Company will be as follows:

Description of Shares	Number of shares	Approximate percentage of the total issued share capital
Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]%
H Shares converted from Unlisted Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	**100%**

RANKING

Upon completion of and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) and conversion of [**REDACTED**] Unlisted Shares into H Shares, our Company would have [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares. The Unlisted Shares which are currently not [**REDACTED**] or [**REDACTED**] on any stock exchange or authorized trading facility. Both Unlisted Shares and H Shares are ordinary shares in the share capital of our Company and are regarded as the same class of Shares.

Apart from certain qualified domestic institutional investors in the PRC, certain qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded among legal and natural persons of the PRC.

Unlisted Shares and H Shares will rank *pari passu* with each other in all other respects and will rank equally for all dividends or distributions declared, paid or made after the date of this document. All dividends in respect of the H Shares are to be paid by us in Hong Kong dollars or in the form of H Shares.

CONVERSION OF UNLISTED SHARES INTO H SHARES

According to the regulations issued by the CSRC and our Articles of Association, the holders of our Unlisted Shares may, at their own option, authorise our Company to file to the CSRC for conversion of their respective Unlisted Shares to H Shares, and such converted Shares may be [**REDACTED**] and [**REDACTED**] on an overseas stock exchange provided that the conversion, [**REDACTED**] and trading of such converted Shares have been approved by the/have completed the filing procedures with securities regulatory authorities, including the CSRC. Additionally, such conversion, trading and [**REDACTED**] shall meet any requirement of internal approval process and in all respects comply with the regulations prescribed by the securities regulatory authorities of the State Council and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Unlisted Shares are to be converted, [**REDACTED**] and traded as H Shares on the Hong Kong Stock Exchange, such conversion, [**REDACTED**] and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange.

[REDACTED] Approval by the Hong Kong Stock Exchange

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of [**REDACTED**] of, and permission to [**REDACTED**] in, our H Shares to be [**REDACTED**] pursuant to the [**REDACTED**], and the H Shares to be converted from [**REDACTED**] Unlisted Shares on the Hong Kong Stock Exchange, which is subject to the approval by the Hong Kong Stock Exchange.

We will perform the following procedures for the Conversion of Unlisted Shares into H Shares after receiving the approval of the Hong Kong Stock Exchange: (i) giving instructions to our [**REDACTED**] regarding relevant share certificates of the converted H Shares; and (ii) enabling the converted H Shares to be accepted as eligible securities by [**REDACTED**] for deposit, clearance and settlement in the [**REDACTED**].

Register with the CSRC and Full Circulation Application

In accordance with the Overseas Listing Trial Measures and related guidelines, H-share listed companies which apply for the conversion of domestic unlisted shares into H shares for [**REDACTED**] and circulation on the Hong Kong Stock Exchange shall register with the CSRC by filing materials on key compliance issues. An unlisted domestic joint-stock company may apply for "full circulation" when applying for an overseas [**REDACTED**].

We applied for a "full circulation" filing when filing with the CSRC for an overseas [**REDACTED**] on the Stock Exchange, and submitted the filing reports, authorization documents of the shareholders of Unlisted Shares which applied for the H-share "full circulation", undertaking on the compliance of share acquisition and other documents in accordance with the requirements of the CSRC.

We [have received] the filing notification from the CSRC dated [●] in relation to the registration of the overseas [**REDACTED**] and "full circulation", pursuant to which (i) we are approved to issue no more than [**REDACTED**] H Shares with a nominal value of RMB1.0 each, which are all ordinary shares, and we may be [**REDACTED**] on the Main Board of the Hong Kong Stock Exchange; (ii) certain Shareholders (the "[**REDACTED**] **Shareholders**") could convert [**REDACTED**] Unlisted Shares into H Shares on a one-for-one basis ("**Conversion of Unlisted Shares into H Shares**") upon the completion of the [**REDACTED**], the details of which are set out as below:

[REDACTED] Shareholders	Number of Converted Shares	Percentage of shareholding in the total share capital of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Mr. Xie	[**REDACTED**]	[**REDACTED**]
Mr. Han Daohu	[**REDACTED**]	[**REDACTED**]
Mr. Wu Jinghua	[**REDACTED**]	[**REDACTED**]
Mr. Li Jianzheng	[**REDACTED**]	[**REDACTED**]

[**REDACTED**] Shareholders	Number of Converted Shares	Percentage of shareholding in the total share capital of our Company immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)
Zhangchuang Gongying Platform	[**REDACTED**]	[**REDACTED**]
Mr. Pan Jianzhong	[**REDACTED**]	[**REDACTED**]
Mr. Li Bin	[**REDACTED**]	[**REDACTED**]
Lemo Gongchuang Platform	[**REDACTED**]	[**REDACTED**]
Mr. Feng Baocai	[**REDACTED**]	[**REDACTED**]
Cornerstone Yixiang	[**REDACTED**]	[**REDACTED**]
Lemo Gongying Platform	[**REDACTED**]	[**REDACTED**]
Shanghai Qimai	[**REDACTED**]	[**REDACTED**]
Mr. Wang Zhenghua	[**REDACTED**]	[**REDACTED**]
Mr. Dai Chusheng	[**REDACTED**]	[**REDACTED**]
Ms. Fang Xin	[**REDACTED**]	[**REDACTED**]
Mr. Chen Guohai	[**REDACTED**]	[**REDACTED**]
Total	[**REDACTED**]	[**REDACTED**]

Domestic Procedures

The [**REDACTED**] Shareholders may only [**REDACTED**] the Shares upon completion of the below arrangement procedures for the registration, deposit and transaction settlement in relation to the conversion and [**REDACTED**]:

(i) We will appoint [**REDACTED**] as the nominal holder to deposit the relevant securities at [**REDACTED**] (Hong Kong), which will then deposit the securities at [**REDACTED**] in its own name. [**REDACTED**], as the nominal holder of the [**REDACTED**] Shareholders, shall handle all custody, maintenance of detailed records, cross-border settlement and corporate actions, etc. relating to the converted H Shares for the [**REDACTED**] Shareholders;

(ii) We will engage a domestic securities company (the "**Domestic Securities Company**") to provide services such as sending orders for [**REDACTED**] of the converted H Shares and receipt of transaction returns. The Domestic Securities Company will engage a Hong Kong securities company (the "**Hong Kong Securities Company**") for settlement of share transactions. We will make an application to [**REDACTED**], Shenzhen Branch for the maintenance of a detailed record of the initial holding of the converted H Shares held by our Shareholders. Meanwhile, we will submit applications for a domestic transaction commission code and abbreviation, which shall be confirmed by [**REDACTED**], Shenzhen Branch as authorized by the Shenzhen Stock Exchange (the "**SZSE**");

(iii) The SZSE shall authorize Shenzhen Securities Communication Co., Ltd. (深圳證券通信有限公司) to provide services relating to transmission of [**REDACTED**] orders and transaction returns in respect of the converted H Shares between the Domestic Securities Company and the Hong Kong Securities Company, and the real-time market forwarding services of the H Shares;

(iv) According to the Notice of SAFE on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》), the [**REDACTED**] Shareholders shall complete the overseas shareholding registration with the local foreign exchange administration bureau before the Shares are sold, and after the overseas shareholding registration, open a specified bank account for the holding of overseas shares by domestic investors at a domestic bank with relevant qualifications and open a fund account for the H Share "Full circulation" at the Domestic Securities Company. The Domestic Securities Company shall open a securities [**REDACTED**] account for the H Share "Full circulation" at the Hong Kong Securities Company; and

(v) The [**REDACTED**] Shareholders shall submit [**REDACTED**] orders of the converted H Shares through the Domestic Securities Company. [**REDACTED**] orders of the [**REDACTED**] Shareholders for the relevant Shares will be submitted to the Stock Exchange through the securities [**REDACTED**] account opened by the Domestic Securities Company at the Hong Kong Securities Company. Upon completion of the transaction, settlements between each of the Hong Kong Securities Company and CSDC (Hong Kong), CSDC (Hong Kong) and CSDC, CSDC and the Domestic Securities Company, and the Domestic Securities Company and the [**REDACTED**] Shareholders, will all be conducted separately.

As a result of the conversion, the shareholding of the relevant [**REDACTED**] Participating Shareholders in our Unlisted Shares shall be reduced by the number of the Unlisted Shares converted and the number of H Shares shall be increased by the number of converted H Shares.

RESTRICTION ON TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

According to the PRC Company Law, the shares issued prior to any public offering 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 the Company prior to the [**REDACTED**] will be subject to such statutory restriction on transfer within a period of one year from the [**REDACTED**].

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the PRC Company Law and the terms of the Articles of Association, our Company may from time to time by special resolution of shareholders, among others, increase its capital or decrease its capital or repurchase of shares. See "Appendix III — Summary of Articles of Association" in this document.

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from holders of the Shares is required for the Company to issue H Shares and seek the [**REDACTED**] of H Shares on the Hong Kong Stock Exchange. The Company has obtained such approval at the Shareholders' meeting held on 23 December 2024.

You should read the following discussion and analysis of our consolidated financial statements as of and for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this document. Our consolidated financial statements have been prepared in accordance with all applicable IFRS Accounting Standards. Potential investors should read the whole of the Accountants' Report set out in Appendix I and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."

OVERVIEW

According to Frost & Sullivan, we ranked first among all intelligent massage service[1] providers in the PRC in terms of transaction value for three consecutive years from 2021 to 2023, representing a market share of 29.4%, 33.9%, and 37.3% in the corresponding year, respectively, as a dominant player in the market. We launched our "lemobar" (樂摩吧) brand in 2016, integrating digitalised customised services with intelligent massage equipment. This combination enables consumers to enjoy more relaxing, convenient, and professional intelligent massage services in various consumption scenarios, including commercial complexes, cinemas and traffic hubs (including airports and high-speed rail stations). As at the Latest Practicable Date, we had established a network of more than 45,000 POS for our intelligent massage service, placing more than 500,000 intelligent massage equipment across 31 provincial-level administrative divisions and 339 cities in China. We expanded our POS network from 21,727 POS as at 31 December 2022 to 32,141 POS as at 31 December 2023, representing a growth of approximately 48% and further expanded to over 45,000 as at the Latest Practicable Date. We have a strong market presence in terms of consumer reach, with a cumulative total of over 150 million identifiable service consumers and more than 28 million registered members as at the Latest Practicable Date.

Our operation modes are mainly categorized into Direct Mode and Partner Mode. Direct Mode is the primary operation mode for our intelligent massage service, with approximately 70% of our POS operating under the Direct Mode as at the Latest Practicable Date. Under the Direct Mode, our in-house operating team manages POS operation, which includes POS site selection, occupancy negotiation, POS site decoration and operation and maintenance of the POS. We also operate through the Partner Mode, whereby we collaborate with Local Partners who leverage their local resources and connection. Under the Partner Mode, our Local Partners are responsible for POS operation, while we provide a comprehensive intelligent massage service solution that includes: (i) the establishment and upgrading of LMB Links; (ii) the

[1] Compared with traditional massage services, intelligent massage services provide massage services through automation technology and intelligent systems, which greatly saves labor costs, ensures consistent, reliable and safe service, improves service efficiency, and reduces the price of a single massage, making it a more cost-effective massage option for consumers.

development of the "lemobar" brand; (iii) providing comprehensive guidance on POS operation and maintenance; (iv) supplying intelligent massage equipment and relevant spare parts; (v) granting access to the LMB Links for necessary operation of the equipment; and (vi) offering customer service assistance to handle consumer complaints. As at the Latest Practicable Date, approximately 30% of our POS were operated under the Partner Mode. Through clear division of responsibilities, collaboration and empowerment, our Local Partners are closely aligned with our business objectives, creating mutually beneficial growth opportunities. As at the Latest Practicable Date, we have established stable partnerships with approximately 80% of our Local Partners for more than 5 years. We believe that our systematic dual-line model of "Direct operation + Local Partner affiliation" is our key differentiation from our competitors, which allows us to efficiently expand our nationwide business coverage while continuously optimizing and improving operational efficiency. For a summary of material aspects of the Direct Mode and Partner Mode, see "Business — Our Business Segments — Intelligent Massage Service — Direct Mode and Partner Mode".

BASIS OF PRESENTATION

The historical financial information, being the consolidated statements of financial position of our Group and the statements of financial position of our Company as at 31 December 2022 and 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2022 and 2023, and material accounting policy information and other explanatory information, has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("**IASB**").

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the historical financial information, the Group has adopted all applicable new and revised IFRS Accounting Standards throughout the years ended 31 December 2022 and 2023, except for any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 January 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on or after 1 January 2024 are set out in Note 33 to the Accountants' Report as set out in Appendix I.

The accounting policies set out below have been applied consistently in preparing the financial information for the years ended 31 December 2022 and 2023 and for the nine months ended 30 September 2024.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including but not limited to, those set out below:

Our Ability to Expand Our POS Network

Our revenue largely depends on the number and geographical coverage of our POS and thus our future financial performance is also reliant on our future ability to maintain and expand our POS network. During the years ended 31 December 2022 and 2023 and nine months ended 30 September 2024, we have been expanding our POS network continuously to cover all 31 provincial-level administrative divisions and 339 cities in the PRC with over 45,000 POS as at the Latest Practicable Date.

Our POS network covers various consumption scenarios. Our POS are substantially located at consumption scenarios with high foot traffic including commercial complexes, cinemas and traffic hubs such as airports and high-speed rail stations. We will continue to establish POS at the existing consumption scenarios, including the commercial complexes, cinemas and airports, as we note that there is still room for expansion of POS coverage, taking in account (i) the expected openings of new commercial complexes and cinemas; (ii) and the expected allocation of more space for intelligent massage services at the existing commercial complexes, cinemas and airports. In addition, we intend to develop the opportunities for establishing new POS in more consumption scenarios such as transportation service and rest areas, e-sports space and office buildings, etc. to further diversify our presence in the market.

During the Track Record Period, our POS were mainly located in relatively developed regions in mainland China, including the tier one cities, the new tier one cities and tier two cities. In the future, we plan to continuously deepen our market penetration in such geographical locations where we have established dominant presence. We also intend to establish more POS in cities other than tier one cities, the new tier one cities and tier two cities, where intelligent massage service space remains less common, for bigger room for expansion in the upcoming years.

Going forward, we will continue to expand our POS network at more geographical locations and consumption scenarios with higher density, so as to maintain our business operation and financial performance.

Seasonality

Our business performance can be affected by seasonality. According to F&S report, the third quarter is a typical peak season for the intelligent massage services market, as various consumption scearnios such as commercial complexes and airports experience increased foot traffic due to the summer vacation. Conversely, the fourth quarter represents a typical off-peak season for the intelligent massage services market, as the heavy clothing worn in winter affects the massage experience, and some consumers would find it inconvenient to remove coats in public, which would lead to a decrease in demand for intelligent massage services. See "Risk Factors — Risks Related to Our Business and Industry — Our results of operation depend on the level of foot traffic and consumption and are thus subject to seasonal fluctuations."

Our Ability to Manage Operating Expenses and Improve Operational Efficiency

Taking into account our POS network and business scale, our ability to manage and control our operating expenses is critical to the success of our business. The major expenses involved in our operations include POS and related expenses, depreciation and amortisation of massage equipment, selling and distribution expenses, administrative expenses, research and development expenses and others.

We have developed and introduced LMB Links, a comprehensive digital platform that supply all aspects of our operations, including POS site selection, design and decoration of POS, operation and maintenance of the POS, marketing and promotion, price and payment management, supply chain management, middle-office operations and back-office data processing. Each intelligent massage equipment operating under both Direct Mode and Partner Mode is equipped with advanced communication technology, connecting to our LMB Links through cloud technology provided by third-party cloud service providers. This enables us to monitor the operational status in real time and perform remote operation and maintenance of the equipment. At the same time, LMB Links also collects and analyzes operational information transmitted from the massage equipment, providing data support to enhance our service levels, optimize operational strategies, and set operational goals.

Going forward, as we expect to continue to expand our POS network and business scale, our profitability will depend on our ability to effectively control our operating expenses.

Our Ability to Efficiently Manage Our Supply Chain of POS Sites and Massage Equipment

We rely on our external suppliers to provide a stable supply of POS sites, massage equipment, spare parts and other essential components for our business operations, so our ability to manage and control costs of sales and maintain mutually beneficial relationships with our suppliers are critical to our success. We mainly source from suppliers (i) sites for operation of our POS; (ii) intelligent massage equipment; and (iii) spare parts for production, maintenance and refurbishment of intelligent massage equipment; (iv) raw materials such as leather, IC chips and IoT communication modules; and (v) decoration materials for use at our POS. Our ability to offer a wide network of POS for intelligent massage service, with massage equipment that match the consumers' needs depends on our ability to develop mutually beneficial relationships with our suppliers. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, our total purchases was RMB204.92 million, RMB422.26 million and RMB408.26 million respectively.

We strategically cultivate and maintain strong relationships with the Site Managers of different consumption scenarios, such as commercial complexes, cinemas and transportation hubs, who are integral to our extensive POS network. We believe that by providing quality intelligent massage services that match with the corresponding consumption scenarios, we target to achieve win-win situations with the Site Managers to further increase foot traffic of the sites. We seek to select our suppliers under a stringent approach to ensure a stable supply of massage equipment, related devices and related raw materials of good quality at reasonable cost. See "Business — Suppliers and Procurement" for details.

Looking forward, we will continue to implement our centralised procurement system, maintain good relationships with our suppliers, and continuously optimize the management of our supply chain in order to control our costs more effectively.

MATERIAL ACCOUNTING POLICY INFORMATION

We have identified certain accounting policies and estimates that are material to the preparation of our financial statements in accordance with IFRS Accounting Standards. Some of our accounting policies involve subjective assumptions, estimates and judgments that affected the application of policies and reported amounts of assets, liabilities, income and expenses, as well as their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could, in the future, result in outcomes that require a material adjustment to the carrying amounts of the assets and liabilities affected. When reviewing our financial statements, the following factors should be considered: (i) our selection of critical accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our material accounting policy information, estimates, assumptions and judgment made by our management which have material effect on our financial condition and results of operations are set forth in Note 2 and Note 3 to the Accountants' Report as set out in Appendix I. Estimates, assumptions and judgments are continually re-evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. We set forth below the accounting policies, estimates and judgments that we believe are critical to the preparation of our financial statements.

Revenue and other income

Income is classified by our Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of our Group's business.

Further details of our Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Revenue from intelligent massage service

The Group generates revenue from the provision of intelligent massage services to customers under the Direct Mode and intelligent massage POS operation support services to Local Partners under the Partner Mode.

– Direct Mode

The Group operates a network of intelligent massage equipment which are located at the Group's POS for providing intelligent massage services to customers under the Direct Mode. Revenue is recognised when the intelligent massage services are rendered to customers at the POS. The payment for service is usually collected from the customer in advance, either immediately before the customer requests the service or when the customer purchases a prepaid massage service package from the Group.

– Partner Mode

The Group supports the Local Partners to operate the intelligent massage POS that are managed by the Local Partners under the Partner Mode. The operating support integrates the continuous access to the Group's intelligent massage equipment, IT technology and business management platform as an integral service during the partner contract period, and it is provided in exchange for a share of the gross transaction value (the "GTV") received by the Local Partners from the relevant POS (subject to a contractual minimum and capped amount where applicable). Revenue amounting to the GTV sharing that is entitled to the Group is recognised when the intelligent massage POS operation support services are rendered to the Local Partners.

The Group has set up its own mini-program and the customers can make advance payments to the Group via the mini-program. The Group mainly receives advance payments from customers in the form of deposits paid by customers to their accounts (which are refundable before they are consumed) and prepaid massage service packages sold to customers (which are non-refundable and entitle customers to have specified quantities of access to intelligent massage services within a fixed period of validity). These amounts can be consumed by customers to pay for the intelligent massage services at the POS they choose to visit, which may be operated by the Group under the Direct Mode or the Group's Local Partners under the Partner Mode.

In cases where the advance payments from customers are consumed at the Local Partners' POS, the Group recognises the portion of its GTV sharing relating to the intelligent massage POS operation support service as revenue according to the policy described under the Partner Mode. The remaining amounts are paid to the relevant Local Partners.

For the non-refundable prepaid massage service packages, the Group does not expect to be entitled to a breakage amount of the customers' unexercised rights. The unused balances are recognised as the breakage revenue upon expiry of the validity period.

(b) Revenue from sales of household massage equipment and massage accessories

The Group sells household massage equipment and massage accessories to retail customers through self-operated online stores. Payment is collected by online e-commerce platform when customers place purchase orders and sales revenue is recognised when customers accept the products upon delivery.

The Group typically offers retail customers a right of return for a period of 7 days upon customer acceptance, which gives rise to variable consideration. The Group estimates and updates the variable consideration (subject to a constraint) and the related right to recover returned goods with all reasonably available information at each reporting date.

(c) Revenue from digital advertising service

Revenue from digital advertising service mainly represents revenue generated from advertisement service in the form of pop-up banners in the Group's mini program and Wechat official accounts. The advertisement contracts are signed between the Group and the advertising agencies to establish the service to be provided by the Group and relevant performance measures, mainly including cost per click (based on the number of clicks of the advertisement and a fixed unit price for each web article). Revenue from digital advertising service is recognised when the services are provided.

(d) Other practical expedients applied

In addition, the Group has applied the following practical expedients: For sales contracts that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(h)(ii) to the Accountants' Report as set out in Appendix I).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives are as follows:

Intangible assets	**Estimated Useful Live**
Software	2-5 years

The useful life of software was assessed based on the expected service life during which relevant software performs its desired functionality.

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Leases

Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policies applicable to investments in non-equity securities carried at amortised cost. Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses:

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives are as follows:

– Properties leased for own use	2 – 5 years
– Massage equipment	2 – 3 years
– Office and other equipment	2 – 5 years
– Motor vehicles	5 years
– Leasehold improvement	The shorter of the lease terms or the estimated useful life of the assets

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

Other investments in securities

The Group's policies for investment in securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("**FVPL**") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(d) to the Accountants' Report as set out in Appendix I. These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

- Fair value through other comprehensive income ("**FVOCI**") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Critical Accounting Judgments and Estimates

Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Determining the lease term

As explained in note 2(g) to the Accountants' Report as set out in Appendix I, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(ii) Value added tax (the "VAT") and income tax

The Group generates revenue from the provision of intelligent massage services to customers under the Direct Mode and intelligent massage POS operation support services to Local Partners under the Partner Mode in mainland China during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024. The Group is subject to VAT and income tax in mainland China. Evaluation of relevant tax positions of the Group involves judgment as to the interpretation and application of the relevant tax laws. The Group has exercised the best judgement of its tax obligations based on current facts and circumstances.

Sources of estimation uncertainty

Notes 26 and 29(d) to the Accountants' Report as set out in Appendix I contain information about the assumptions and their risk factors relating to fair value of share granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expenses. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(ii) Expected credit losses for trade and other receivables

The credit losses for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which are based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 29(a) to the Accountants' Report as set out in Appendix I. Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may be necessary to make additional loss allowances in future periods.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of businesses, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the periods indicated, which have been extracted from the Accountants' Report as set out in Appendix I:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Revenue	330,154	586,836	442,034	614,783
Cost of sales	(244,819)	(341,591)	(238,284)	(369,509)
Gross profit	85,335	245,245	203,750	245,274
Other net income/(loss)	200	(14,489)	(7,692)	(465)
Selling and distribution expenses	(42,749)	(77,114)	(51,007)	(84,670)
Administrative expenses	(18,377)	(29,222)	(21,286)	(28,133)
Research and development expenses	(8,330)	(16,191)	(10,663)	(16,209)
Profit from operations	16,079	108,229	113,102	115,797
Finance costs	(1,329)	(2,008)	(1,212)	(2,543)
Changes in the carrying amount of the redemption liability	(4,985)	(3,007)	(2,756)	(164)
Profit before taxation	9,765	103,214	109,134	113,090
Income tax	(3,284)	(15,874)	(16,400)	(19,980)
Profit and total comprehensive income for the year/period	6,481	87,340	92,734	93,110
Attributable to:				
Equity shareholders of the Company	6,481	87,340	92,734	93,110
Profit and total comprehensive income for the year/period	6,481	87,340	92,734	93,110
Earnings per share				
Basic and diluted (RMB)	0.12	1.69	1.77	1.86

DESCRIPTION OF MAJOR COMPONENTS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we generated revenue mainly from the intelligent massage services and others. All of our revenue was derived from our operations in the PRC during the Track Record Period. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, we recorded revenue of RMB330.15 million, RMB586.84 million, RMB442.03 million and RMB614.78 million.

The table below sets forth the breakdown of our revenue by business segment during the Track Record Period:

	Year ended 31 December				Nine months ended 30 September			
	2022		2023		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000* (unaudited)	%
Intelligent massage services								
– Direct Mode	245,166	74.26	472,125	80.45	356,037	80.55	516,485	84.01
– Partner Mode	70,963	21.49	95,580	16.29	71,613	16.20	87,368	14.21
Subtotal	316,129	95.75	567,705	96.74	427,650	96.75	603,853	98.22
Others*(Note)*	14,025	4.25	19,131	3.26	14,384	3.25	10,930	1.78
	330,154	**100.00**	**586,836**	**100.00**	**442,034**	**100.00**	**614,783**	**100.00**

Note: Others mainly include (i) online sale of household massage equipment and massage accessories and (ii) digital advertising services.

Revenue from intelligent massage services

Provision of intelligent massage services has been the main focus of our business operation. According to F&S Report, the market size of intelligent massage services market in term of transaction value dropped to RMB1,640.4 million for the year ended 31 December 2022 and rose back by 48.90% to RMB2,442.5 million for the year ended 31 December 2023, under the impact of public health incidents. In line with the aforesaid market trend, the financial performance of our intelligent massage services also improved significantly for the year ended 31 December 2023 as compared to that for the year ended 31 December 2022. In view of the revival of consumption activities commencing from 2023 subsequent to the public health incident, we have been continuously expanding our POS network in respect of our intelligent massage services under both Direct Mode and Partner Mode. Due to the revival of market conditions and expansion in business scale, we were able to record increase in the revenue generated from intelligent massage services during the Track Record Period.

We operate our POS under Direct Mode and Partner Mode. Under the Direct Mode, we are responsible for the POS operation which includes POS site selection, occupancy negotiation, POS site decoration and operation and maintenance of the POS. Under the Partner Mode, we will first enter into service agreements with the Local Partners and determine the service fee rate. Local Partners manage the POS operation, while we provide a comprehensive intelligent massage service solution. For details, see "Business — Our Business Segments — Intelligent Massage Service — Direct Mode and Partner Mode".

We would recognize our revenue based on all of the transaction value (after deducting VAT tax) generated from our POS under the Direct Mode. As for the Partner Mode, we would recognize our service fee calculated based on a certain proportion of the transaction value generated from the POS under the Partner Mode as our revenue.

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, revenue generated from intelligent massage services amounted to RMB316.13 million, RMB567.71 million, RMB427.65 million and RMB603.85 million, respectively, representing 95.75%, 96.74%, 96.75% and 98.22% of our total revenue in the same periods, respectively. The increase was mainly due to:

(i) growth of our accessible consumer base as a result of additional POS and massage equipment supported by our continuous expansion of POS, demonstrated by the growth in the number of (a) POS from 21,727 as at 31 December 2022, 32,141 as at 31 December 2023 and from 28,381 as at 30 September 2023 to 42,668 as at 30 September 2024 with a period-to-period growth at 47.93%, and 50.34%, respectively; and (b) massage equipment from 167,066 as at 31 December 2022 to 257,815 as at 31 December 2023, and 216,777 as at 30 September 2023 to 402,121 as at 30 September 2024 with a period-to-period growth at 54.32% and 85.50%, respectively;

(ii) growth in the number of transactions from 41.30 million for the year ended 31 December 2022, 61.27 million for the year ended 31 December 2023, and from 46.88 million for the nine months ended 30 September 2023 to 60.44 million for the nine months ended 30 September 2024, taking into account the steady increase in both number of new consumers and repeated consumers; and/or

(iii) growth in the transaction value per transaction order as more consumers ordered intelligent massage services of higher caliber and/or longer duration as a result of the increased stickiness of our consumers and their greater habituation to using intelligent massage services, while the pricing of our intelligent message services remained relatively stable during the Track Record Period.

Direct Mode

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, revenue generated from our intelligent massage services under the Direct Mode amounted to RMB245.17 million, RMB472.13 million, RMB356.04 million and RMB516.49 million, respectively, representing 74.26%, 80.45%, 80.55% and 84.01% of our total revenue in the same periods, respectively.

The increase in the revenue generated from the Direct Mode was more significant, as we have been expanding the POS network under the Direct Mode more proactively in terms of both POS number and geographical coverage. Under the Direct Mode, our POS grew from 9,917 as at 1 January 2022 by approximately 194.57% to 29,213 as at 30 September 2024.

Partner Mode

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, revenue generated from our intelligent massage services under the Partner Mode amounted to RMB70.96 million, RMB95.58 million, RMB71.61 million and RMB87.37 million, respectively, representing 21.49%, 16.29%, 16.20% and 14.21% of our total revenue in the same periods, respectively.

The growth of the POS network under the Partner Mode remained relatively stable during the Track Record Period given the geographical coverage under the Partner Mode was substantially stable through our stable cooperation relationship with the Local Partners developed after years of operation. Under the Partner Mode, our POS grew from 10,057 as at 1 January 2022 by approximately 33.79% to 13,455 as at 30 September 2024.

Revenue from others

During the Track Record Period, in addition to intelligent massage services, we were also engaged in other business in the health industry, such as online sales of household massage equipment and massage accessories, so as to promote and strengthen our brand image in the health industry and thus bring synergies effect to our intelligent massage services.

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, revenue generated from others amounted to RMB14.03 million, RMB19.13 million, RMB14.38 million and RMB10.93 million, respectively, representing 4.25%, 3.26%, 3.25% and 1.78% of our total revenue in the same periods, respectively. The increase from RMB14.03 million for the year ended 31 December 2022 to RMB19.13 million for the year ended 31 December 2023 was mainly due to improvement in the performance of our other business when the consumption activities substantially recovered subsequent to the public health incident. The decrease from RMB14.38 million for the nine months ended 30 September 2023 to RMB10.93 million for the nine months ended 30 September 2024 was mainly because we focused on the development and promotion of our intelligent massage services in 2024, and thus the development of other business was slowed down.

Cost of Sales

Our cost of sales mainly comprises POS and related expenses (including site occupancy fee, maintenance costs in respect of our POS network etc.), depreciation and amortization of massage equipment, cost of household massage equipment sold, employee benefit expenses, logistics and miscellaneous fee, and others.

With our intelligent massage services being our main business focus and most substantial source of income, the cost in relation thereto would therefore be the most significant. We are responsible for all cost incurred under Direct Mode, while under the Partner Mode, we bear the cost for offering comprehensive intelligent massage service solution (which mainly comprises depreciation of massage equipment). The Local Partner is responsible for POS and related expenses, including site occupancy fee and maintenance cost of POS site under the Partner Mode.

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	Year ended 31 December				Nine months ended 30 September			
	2022		2023		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000* (unaudited)	%
POS and related expenses	158,752	64.85	229,808	67.28	160,970	67.55	257,251	69.63
Depreciation and amortization	57,538	23.50	61,115	17.89	42,401	17.79	73,787	19.97
Employee benefit expenses	16,181	6.61	23,930	7.01	16,885	7.09	18,363	4.97
Logistics and miscellaneous fee	5,689	2.32	17,403	5.09	11,717	4.92	12,679	3.42
Cost of household massage equipment sold	5,335	2.18	6,039	1.77	4,279	1.80	4,324	1.17
Others	1,324	0.54	3,296	0.96	2,032	0.85	3,105	0.84
Total	**244,819**	**100.00**	**341,591**	**100.00**	**238,284**	**100.00**	**369,509**	**100.00**

The increase in our cost of sales during the Track Record Period was due to the growth in our business scale in terms of our POS network and intelligent massage equipment. Taking into account that POS and related expenses (including site occupancy fee and maintenance costs in respect of our POS) has been the most substantial component under our cost of sales, we have striven to maintain stable relationship with the Site Managers. For details of the site occupancy agreement entered into between the Site Managers and our Group, see "Business — Our Business Segments — Intelligent Massage Service — Direct Mode and Partner Mode — Direct Mode".

Depreciation and amortization represents depreciation and amortization of massage equipment placed at POS and owned by us.

Employee benefit expenses refer to the labour costs in relation to the operation and maintenance of our POS network.

Logistics and miscellaneous fee represents the logistics cost for placement and adjustment of our intelligent massage equipment and other miscellaneous charges.

Cost of household massage equipment sold represents the inventory cost for our online sales of household massage equipment and massage accessories.

Others refer to other miscellaneous expenses incurred in the operation of our business.

Gross Profit and Gross Profit Margin

The following table sets forth our gross profit and gross profit margin by business segment for the periods indicated:

	Year ended 31 December				Nine months ended 30 September			
	2022		2023		2023		2024	
	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* (unaudited)	%	*RMB'000* (unaudited)	%
Intelligent massage services								
– Direct Mode	30,319	12.37	162,717	34.46	140,351	39.42	176,740	34.22
– Partner Mode	47,650	67.15	72,733	76.10	55,327	77.26	65,033	74.44
Subtotal	77,969	24.66	235,450	41.47	195,678	45.76	241,773	40.04
Others	7,366	52.52	9,795	51.20	8,072	56.12	3,501	32.03
Total	**85,335**	**25.85**	**245,245**	**41.79**	**203,750**	**46.09**	**245,274**	**39.90**

Our gross profit was RMB85.34 million, RMB245.25 million, RMB203.75 million and RMB245.27 million during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively.

Our gross profit margin was 25.85%, 41.79%, 46.09% and 39.90% for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively.

Gross profit from intelligent massage services

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, gross profit generated from our intelligent massage services amounted to RMB77.97 million, RMB235.45 million, RMB195.68 million and RMB241.77 million, respectively. The increase in gross profit from RMB77.97 million for the year ended 31 December 2022 to RMB235.45 million for the year ended 31 December 2023 was mainly attributable to the increase in our revenue due to expansion of the POS network, especially under Direct Mode and revival of consumption activities in the PRC in general for the year ended 31 December 2023 subsequent to the public health incident. The increase in gross profit from RMB195.68 million for the nine months ended 30 September 2023 to RMB241.77 million for the nine months ended 30 September 2024 was mainly attributable to our POS expansion and the growth in terms of number of consumers and transaction orders for our intelligent massage services.

Our gross profit margin generated from our intelligent massage services was 24.66%, 41.47%, 45.76% and 40.04% for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively. The increase in gross profit margin from 24.66% for the year ended 31 December 2022 to 41.47% for the year ended 31 December 2023 was mainly attributable to the underperformance of consumer activities for the year ended 31 December 2022 due to the impact of the public health incident during which we still incurred considerable costs such as POS and related expenses, and the recovery of consumer activities in the market in 2023 when more public venues were reopened, which led to an increase in average transaction value per POS. The decrease in gross profit margin from 45.76% for the nine months ended 30 September 2023 to 40.04% for the nine months ended 30 September 2024 was mainly attributable to increase in expenses due to (i) initial cost incurred for expansion of our business scale and extension of market penetration in terms of geographical coverage to establish more POS in cities/regions of lower tier/region, where our service fee is generally lower in these areas; and (ii) increased expenditure in respect of operating and maintenance personnel, resulting in a slowdown in gross profit growth.

Direct Mode

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, gross profit generated from our intelligent massage services under the Direct Mode amounted to RMB30.32 million, RMB162.72 million, RMB140.35 million and RMB176.74 million, respectively. For reasons regarding the increase in gross profit from intelligent massage services under the Direct Mode during the Track Record Period, see "— Description of Major Components in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin — Gross profit from intelligent massage services".

We generally recorded gross profit margin of below 40% for our intelligent massage services under the Direct Mode during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, as, in addition to depreciation and amortization that we bear under Direct Mode and Partner Mode, we are responsible for the POS and related expenses (including site occupancy fee and maintenance cost for our POS) and employee benefits expenses. Given POS and related expenses have been the most substantial component under our cost of sales, accounting for 64.85%, 67.28% and 69.63% of our cost of sales for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, we recorded a relatively lower gross profit margin compared to the Partner Mode, although we would recognize our revenue based on all of the transaction value (after deducting VAT tax) generated from our POS under the Direct Mode.

Our gross profit margin generated from our intelligent massage services under the Direct Mode was 12.37%, 34.46%, 39.42% and 34.22% for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively. For the reasons regarding fluctuation of gross profit margin from intelligent massage services under the Direct Mode during the Track Record Period, see "— Description of Major Components in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin — Gross profit from intelligent massage services".

Partner Mode

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, gross profit generated from our intelligent massage services under the Partner Mode amounted to RMB47.65 million, RMB72.73 million, RMB55.33 million and RMB65.03 million, respectively. For the reasons regarding increase in gross profit from intelligent massage services under the Partner Mode during the Track Record Period, see "— Description of Major Components in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin - Gross profit from intelligent massage services".

We generally recorded gross profit margin of 67% or above for our intelligent massage services under the Partner Mode during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024. Under the Partner Mode, our revenue is based on a certain proportion of the transaction value generated by each POS in the form of service fee, without having to incur site occupancy fees and operation and maintenance fees, which constitute the most substantial cost component of operating POS. As a result, our gross profit margin under the Partner Mode is more stable and higher compared to that of the Direct Mode.

Our gross profit margin generated from our intelligent massage services under the Partner Mode was 67.15%, 76.10%, 77.26% and 74.44% for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively. For the reasons of fluctuation of our gross profit margin from our intelligent massage services under the Partner Mode during the Track Record Period, see "— Description of Major Components in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Gross Profit and Gross Profit Margin — Gross profit from intelligent massage services".

Gross profit from others

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, gross profit generated from others amounted to RMB7.37 million, RMB9.80 million, RMB8.07 million and RMB3.50 million, respectively. The increase in gross profit from RMB7.37 million for the year ended 31 December 2022 to RMB9.80 million for the year ended 31 December 2023 was mainly attributable to the increase in our revenue in other business due to revival of consumption activities in the PRC in general in 2023 subsequent to the public health incident. The decrease in gross profit from RMB8.07 million for the nine months ended 30 September 2023 to RMB3.50 million for the nine months ended 30 September 2024 was mainly attributable to our focus on development of intelligent massage services in 2024 which led to slow down in our development in other business.

Our gross profit margin generated from others was 52.52%, 51.20%, 56.12% and 32.03% for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, respectively. The gross profit margin of other business remained relatively stable from 2022 to 2023 at 52.52% and 51.20%, respectively. The decrease in the gross profit margin from 56.12% for the nine months ended 30 September 2023 to 32.03% for the nine months ended 30 September 2024 was mainly attributable to the decrease in the scale of our digital advertising services, which can generate higher gross profit margin taking into account of the minimal costs involved, for the nine months ended 30 September 2024, as we focused on our development in intelligent massage services in the same period.

Other Net Income/(Loss)

Our other net income/(loss) mainly consists of interest income from various deposits at banks, government grants, net fair value changes on financial assets measured at fair value through profit or net loss on disposal of property, plant and equipment, impairment loss on property, plant and equipment and gains on disposal of investment in a subsidiary. We recorded other net income of RMB0.20 million for the year ended 31 December 2022 while other net loss of RMB14.49 million was recorded in 2023, mainly attributable to increase in impairment loss on equipment due to one-off incident regarding quality upgrade of a new product, which was phased-out for repairment at our processing and repair facility and then re-deployed for use at our POS. We recorded other net loss of RMB7.69 million for the nine months ended 30 September 2023 while we recorded other net loss of RMB0.47 million for the nine months ended 30 September 2024, mainly because there was no similar phasing out incident for the nine months ended 30 September 2024, while other net loss was still incurred due to disposal of old massage equipment for enhancement of the service quality of our intelligent massage services.

The table below sets forth a breakdown of our other net income/(loss) during the Track Record Period:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Net fair value changes on financial assets measured at fair value through profit or loss	673	232	116	64
Gain on disposal of investment in a subsidiary	–	26	26	–
Interest income	197	1,034	844	258
Government grants	554	317	13	27
Net loss on disposal of property, plant and equipment	(1,171)	(3,178)	(425)	(906)
Impairment loss on property, plant and equipment	–	(12,352)	(7,832)	–
Others	(53)	(568)	(434)	92
	200	(14,489)	(7,692)	(465)

Selling and Distribution Expenses

Our selling and distribution expenses consist of employee benefit expenses, brand image development expenses, business development and travel expenses, marketing and advertisement expenses, office expenses, depreciation and amortisation and others. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, our selling and distribution expenses amounted to RMB42.75 million, RMB77.11 million, RMB51.01 million and RMB84.67 million, respectively.

The table below sets forth a breakdown of our selling and distribution expenses during the Track Record Period:

	Year ended 31 December				Nine months ended 30 September			
	2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Employee benefit expenses	22,396	52.39	35,200	45.65	24,416	47.87	46,419	54.82
Brand image development expenses	8,871	20.75	15,891	20.61	9,772	19.16	10,888	12.86
Business development and travel expenses	5,070	11.86	14,167	18.37	7,963	15.61	15,806	18.67
Marketing and advertisement expenses	2,711	6.34	5,559	7.21	3,791	7.43	5,341	6.31
Office expenses	1,583	3.70	2,982	3.87	1,938	3.80	2,188	2.58
Depreciation and amortization	1,220	2.85	2,193	2.84	1,196	2.34	1,199	1.42
Others	898	2.11	1,122	1.45	1,931	3.79	2,829	3.34
Total	**42,749**	**100.00**	**77,114**	**100.00**	**51,007**	**100.00**	**84,670**	**100.00**

The increase in selling and distribution expenses during the Track Record Period was attributable to increase in number and salaries of personnel responsible for selling and distribution and intensity of business development and marketing activities in light of the expansion of our business scale, POS network and brand development measures.

Employee benefit expenses under selling and distribution expenses primarily consist of salaries, wages, bonus, social security costs and housing benefits for our sales and marketing personnel and equity-settled share-based payment expenses, arising from grant of share incentive to eligible individuals under the 2021 Share Incentive Scheme and 2023 Share Incentive Scheme. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the equity-settled share-based payment expenses under the selling and distribution expenses were RMB0.88 million, RMB1.48 million, RMB0.81 million and RMB1.46 million, respectively.

Brand image development expenses refer to the design and decoration expenses incurred for the establishment and optimization of POS.

Business development and travel expenses represents the costs arising from business development activities.

Marketing and advertisement expenses represents the expenses relating to promotion of our brand and POS.

Office expenses represent operating lease expenses for our office and warehouses and office expenses.

Depreciation and amortization represent the depreciation and amortization of office lease and warehouse.

Others represent miscellaneous expenses incurred in sales promotion.

Administrative Expenses

Our administrative expenses consist of employee benefit expenses, office and rental expenses, corporate service fees, depreciation and amortisation, administrative travel expenses, [**REDACTED**] expenses and others. During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, our administrative expenses amounted to RMB18.38 million, RMB29.22 million, RMB21.29 million and RMB28.13 million, respectively.

The table below sets forth a breakdown of our administrative expenses during the Track Record Period:

	Year ended 31 December				**Nine months ended 30 September**			
	2022		**2023**		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Employee benefit expenses	7,828	42.60	14,839	50.78	11,875	55.79	12,722	45.22
Office and rental expenses	2,296	12.49	3,671	12.56	2,137	10.04	2,127	7.56
Corporate service fees	2,202	11.98	3,924	13.43	2,594	12.19	4,969	17.66
Depreciation and amortization	1,847	10.05	2,042	6.99	1,693	7.95	1,936	6.88
Administrative and travel expenses	1,712	9.32	3,030	10.37	2,227	10.46	2,034	7.23
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Others	2,492	13.56	1,716	5.87	760	3.57	1,378	4.90
Total	**18,377**	**100.00**	**29,222**	**100.00**	**21,286**	**100.00**	**28,133**	**100.00**

The increase in administrative expenses from RMB18.38 million for the year ended 31 December 2022 to RMB29.22 million for the year ended 31 December 2023 was mainly attributable to expansion of our business scale which led to growth in number of administrative staff and salaries as well as equity-settled share-based payment expenses, of administrative staff. The increase in administrative expenses from RMB21.29 million for the nine months ended 30 September 2023 to RMB28.13 million for the nine months ended 30 September 2024 was mainly attributable to the [**REDACTED**] expenses being incurred in 2024, and increase in corporate service fees for improvement of our business operation and development.

Employee benefit expenses under administrative expenses primarily consist of salaries, wages, bonus, social security costs and housing benefits for our administrative personnel and equity-settled share based payment expenses arising from grant of share incentive to eligible individuals under the 2021 Share Incentive Scheme and 2023 Share Incentive Scheme. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the equity-settled share based payment expenses under the administrative expenses were RMB0.99 million, RMB5.51 million, RMB4.98 million and RMB2.38 million, respectively.

Office and rental expenses represent operating lease expenses for our office and office expenses.

Corporate service fees primarily represent the expenses relating to our consultancy for business operation and development.

Depreciation and amortization represent the depreciation and amortization of office lease and office equipment.

Administrative and travel expenses primarily represents the costs arising from business management activities.

[**REDACTED**] expenses represent the cost in respect of preparation and [**REDACTED**] of the [**REDACTED**].

Others represents other miscellaneous expenses in relation to administrative work.

Research and development expenses

Our research and development expenses primarily consist of employee benefit expenses, materials and office expenses, depreciation and amortization, travel expenses, outsource research expenses and others. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, our research and development expenses amounted to RMB8.33 million, RMB16.19 million, RMB10.66 million and RMB16.21 million, respectively.

The table below sets forth the breakdown of our research and development expenses during the Track Record Period:

	Year ended 31 December				**Nine months ended 30 September**			
	2022		**2023**		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000* (unaudited)	*%*
Employee benefit expenses	7,105	85.29	10,901	67.33	8,392	78.70	8,525	52.59
Materials and office expenses	859	10.31	2,470	15.25	844	7.92	3,722	22.96
Depreciation and amortisation	217	2.61	437	2.70	174	1.63	336	2.07
Travel Expenses	149	1.79	445	2.75	270	2.53	128	0.79
Outsource Research Expenses	–	–	1,868	11.54	934	8.76	3,000	18.51
Others	–	–	70	0.43	49	0.46	498	3.08
Total	**8,330**	**100.00**	**16,191**	**100.00**	**10,663**	**100.00**	**16,209**	**100.00**

The increase in research and development expenses from RMB8.33 million for the year ended 31 December 2022 to RMB16.19 million for the year ended 31 December 2023 was mainly attributable to increase in the number of research and development projects for enhancement of the quality and operational efficiency of our intelligent massage services, which led to increase in number and salaries of research and development personnel and increase in material costs involved in research and development work. The increase in research and development expenses from RMB10.66 million for the nine months ended 30 September 2023 to RMB16.21 million for the nine months ended 30 September 2024 was mainly attributable to the continuous increase in the number of research and development projects, which led to increase in material costs involved in research and development work and outsource research expenses.

Employee benefit expenses under research and development expenses primarily consist of salaries, wages, bonus, social security costs and housing benefits for our research and development personnel and equity-settled share based payment expenses arising from grant of share incentive to eligible individuals under the 2021 Share Incentive Scheme and 2023 Share Incentive Scheme. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the equity-settled share based payment expenses under the research and development expenses were RMB0.18 million, RMB0.25 million, RMB0.15 million and RMB0.29 million, respectively.

Materials and office expenses represent material costs involved in the research and development work conducted by our Group.

Depreciation and amortization represent the depreciation of research and development equipment and amortization of office lease.

Travel expenses represent travel expenses arising from research and development activities.

Outsource research expenses represent fees for engagement of external institution for research and development work.

Others represent other miscellaneous expenses for research and development work.

Finance Costs

Our finance costs consist of interest expenses on bank loans and lease liabilities. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, we recorded finance costs of RMB1.33 million, RMB2.01 million, RMB1.21 million and RMB2.54 million, respectively.

The table below sets forth the breakdown of our finance costs during the Track Record Period:

	Year ended 31 December		**Nine months ended 30 September**	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Interest on bank loans	822	1,355	785	2,092
Interest on lease liabilities	507	653	427	451
	1,329	2,008	1,212	2,543

The increase in finance costs during the Track Record Period was mainly attributable to the increase in bank loans catered for our business expansion.

Changes in the Carrying Amount of the Redemption Liability

Our changes in the carrying amount of the redemption liability mainly consist of the amount of movement in our redemption liability. The redemption liability arose due to certain preferential rights granted to an investor, namely Ma'anshan Cornerstone Yixiang Equity Investment Partnership Enterprise (LLP) ("**Cornerstone Yixiang**"), who was entitled to require the Company to redeem its equity interest, pursuant to the capital increase agreement entered into between Cornerstone Yixiang and the Company in December 2017. See "— Redemption Liability" and Note 24 to the Accountants' Report in Appendix I to this document for details.

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, we recorded our changes in the carrying amount of of the redemption liability RMB4.99 million, RMB3.01 million, RMB2.76 million and RMB0.16 million, respectively. The decrease during the Track Record Period was mainly attributable to settlement of part of the redemption liability in 2023 and the termination of the preferential right by Cornerstone Yixiang in 2024.

Income Tax

Our income tax expenses comprised current tax expense and deferred tax expense. We incurred income tax expenses of RMB3.28 million, RMB15.87 million, RMB16.40 million and RMB19.98 million for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 respectively.

In accordance with relevant rules and regulations of Corporate Income Tax ("CIT") in Chinese Mainland, the Company is subject to PRC CIT at a preferential tax rate of 15% during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

Pingtan Lemo Gongchuang Investment Partnership Enterprise (LLP) ("Lemo Gongchuang") and Pingtan Lemo Gongying Investment Partnership Enterprise (LLP) ("Lemo Gongying"), the special purpose vehicles to hold the ordinary shares for the Company's employees under the employee incentive scheme as disclosed, are not subject to CIT of mainland China.

According to the PRC Corporate Income Tax Law and its implementation regulations, certain subsidiaries of the Company were qualified as "Small Low-profit Enterprise" and enjoyed a reduced corporate income tax rate of 20%. All of the other subsidiaries of the Company are subject to CIT at a statutory rate of 25% during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

According to the relevant tax rules in the mainland China, qualified research and development costs are allowed for bonus deduction for income tax purpose, as a result, an additional 75% to 100% of the qualified research and development costs of the Company could be deemed as deductible expenses during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

The table below sets forth the breakdown of our income tax during the Track Record Period:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Current tax – PRC Corporate Income Tax ("PRC CIT")				
Provision for the year/period	3,840	18,289	18,779	19,391
(Over)/under-provision in respect of prior years	–	(5)	(5)	18
	3,840	18,284	18,774	19,409
Deferred tax				
Origination and reversal of temporary differences	(556)	(2,410)	(2,374)	571
	3,284	15,874	16,400	19,980

Profit and total comprehensive income for the year/period

As a result of the foregoing, we recorded a comprehensive profit of RMB6.48 million for the year ended 31 December 2022, RMB87.34 million for the year ended 31 December 2023, RMB92.73 million for the nine months ended 30 September 2023 and RMB93.11 million for the nine months ended 30 September 2024, respectively.

Non-IFRS Measures

When evaluating our business, we use non-IFRS measures, namely, adjusted net profit or loss, as additional financial measures, which are not required by, or presented in accordance with IFRS accounting standards. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit or loss may not be comparable to similarly titled financial measures presented by other companies. The use of such non-IFRS measures have limitations as analytical tools, and you should not consider them in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define adjusted net profit (non-IFRS measures) as profit for the year/period adjusted for (i) equity-settled share-based payment expenses; and (ii) [**REDACTED**] expenses.

	Year ended 31 December		Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Profit for the year/period	6,481	87,340	92,734	93,110
Add:				
Equity-settled share-based payment expenses	2,053	7,238	5,949	4,123
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted net profit for the year/period (non-IFRS measures)	**8,534**	**94,578**	**98,683**	**100,200**

PERIOD TO PERIOD COMPARISON

Nine Months Ended 30 September 2024 Compared to Nine Months Ended 30 September 2023

Revenue

Our revenue increased by 39.08% from RMB442.03 million for the nine months ended 30 September 2023 to RMB614.78 million for the nine months ended 30 September 2024, mainly due to the increase in revenue generated from our intelligent massage services.

Intelligent massage services

Our revenue from intelligent massage services increased by 41.20% from RMB427.65 million for the nine months ended 30 September 2023 to RMB603.85 million for the nine months ended 30 September 2024 mainly due to (i) the increase in number of consumers attributable to our continuous effort in establishment of new POS with additional massage equipment to reach a wider clientele. Our number of POS expanded from 28,381 as at 30 September 2023 to 42,668 as at 30 September 2024 at a growth of 50.34% and our number of massage equipment increased from 216,777 as at 30 September 2023 to 402,121 as at 30 September 2024 at a growth of 85.50%; and (ii) the increase in number of transactions from 46.88 million for the nine months ended 30 September 2023 to 60.44 million for the nine months ended 30 September 2024 at a growth of 28.92%, attributable to the growth in both new and repeated consumers.

- Direct Mode

  Our revenue from intelligent massage services increased by 45.06% from RMB356.04 million for the nine months ended 30 September 2023 to RMB516.49 million for the nine months ended 30 September 2024. The increase in the revenue generated from the Direct Mode for the nine months ended 30 September 2024 was mainly attributable of our continuous expansion of POS network under the Direct Mode in terms of both POS number and geographical coverage. Under the Direct Mode, our POS grew from 16,699 as at 30 September 2023 to 29,213 as at 30 September 2024, demonstrating a growth of 74.94%.

- Partner Mode

  Our revenue from our Partner Mode increased by 22.00% from RMB71.61 million for the nine months ended 30 September 2023 to RMB87.37 million for the nine months ended 30 September 2024. The geographical coverage of the POS network under the Partner Mode remained stable and thus a steady growth in the revenue under the Partner Mode was also maintained. Under the Partner Mode, our POS grew from 11,682 as at 30 September 2023 to 13,455 as at 30 September 2024, demonstrating a growth of 15.18%.

Revenue from others

Our revenue from others decreased by 24.01% from RMB14.38 million for the nine months ended 30 September 2023 to RMB10.93 million for the nine months ended 30 September 2024, given we focused our resources for further development and promotion of our intelligent massage services, and thus the development of other business was slowed down.

Cost of Sales

Our cost of sales increased by 55.07% from RMB238.28 million for the nine months ended 30 September 2023 to RMB369.51 million for the nine months ended 30 September 2024, while the cost of sales as a percentage of revenue increased from 53.91% for the nine months ended 30 September 2023 to 60.10% for the nine months ended 30 September 2024, mainly because of the increase of the POS number and intelligent massage equipment, which accordingly incurred higher site occupancy fee as well as depreciation and amortisation of massage equipment.

Gross Profit and Gross Profit Margin

Our overall gross profit increased by 20.38%, from RMB203.75 million for the nine months ended 30 September 2023 to RMB245.27 million for the nine months ended 30 September 2024. Our gross profit margin decreased from 46.09% for the nine months ended 30 September 2023 to 39.90% for the nine months ended 30 September 2024.

Intelligent massage services

Our gross profit from intelligent massage services increased by 23.56% from RMB195.68 million for the nine months ended 30 September 2023 to RMB241.77 million for the nine months ended 30 September 2024, mainly because of our POS expansion and the growth in terms of number of consumers and transaction orders for our intelligent massage services.

Our gross profit margin decreased 5.72% from 45.76% for the nine months ended 30 September 2023 to 40.04% for the nine months ended 30 September 2024, mainly because of the increase in expenses due to (i) initial cost incurred for expansion of our business scale and extension of market penetration in terms of geographical coverage to establish more POS in cities/regions of lower tier, where our service fee is generally lower in these areas; and (ii) increased expenditure in respect of operating and maintenance personnel, resulting in a slowdown in gross profit growth.

- Direct Mode

  Our gross profit from intelligent massage services under the Direct Mode increased by 25.93% from RMB140.35 million for the nine months ended 30 September 2023 to RMB176.74 million for the nine months ended 30 September 2024.

  Our gross profit margin under the Direct Mode decreased by 5.20% from 39.42% for the nine months ended 30 September 2023 to 34.22% for the nine months ended 30 September 2024.

  For the reasons regarding the fluctuation of gross profit and gross profit margin from intelligent massage services under the Direct Mode, please see those regarding the overall intelligent massage services above.

- Partner Mode

Our gross profit from intelligent massage services under the Partner Mode increased by 17.54% from RMB55.33 million for the nine months ended 30 September 2023 to RMB65.03 million for the nine months ended 30 September 2024.

Our gross profit margin under the Partner Mode decreased by 2.82% from 77.26% for the nine months ended 30 September 2023 to 74.44% for the nine months ended 30 September 2024.

While the fluctuation of gross profit and gross profit margin from intelligent massage services under the Partner Mode was in line with that of the overall intelligent massage services above. Nonetheless, given we are not required to bear the POS and related expenses and employee benefit expenses under the Partner Mode, the gross profit and gross profit margin from intelligent massage services under the Partner Mode were less affected by the increase in expenses for the nine months ended 30 September 2024.

Others

Our gross profit from others decreased by 56.63% from RMB8.07 million for the nine months ended 30 September 2023 to RMB3.50 million for the nine months ended 30 September 2024, mainly because we focused our resources in development of our intelligent massage services and thus the development of other business was slowed down.

Our gross profit margin from others decreased 24.09% from 56.12% for the nine months ended 30 September 2023 to 32.03% for the nine months ended 30 September 2024, mainly attributable to the decrease in the scale of our digital advertising services, which can generate higher gross profit margin taking into account of the minimal costs involved, for the nine months ended 30 September 2024, as we focused on our development in intelligent massage services in the same period.

Other Net Income/(Loss)

The other net loss of RMB7.69 million for the nine months ended 30 September 2023 decreased by 93.95% to RMB0.47 million for the nine months ended 30 September 2024 as there was a one-off phasing-out incident due to quality upgrade of a new product in 2023 and see "— Description of Major Components in Consolidated Statements of Profit or Loss and Other Comprehensive Income — Other Net Income/(Loss)" for details. Other net loss was still incurred for the nine months ended 30 September 2024 due to net loss on disposal of old massage equipment for enhancement of the service quality of our intelligent massage services.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 66.00% from RMB51.01 million for the nine months ended 30 September 2023 to RMB84.67 million for the nine months ended 30 September 2024 mainly because of (i) the increase in employee benefit expenses by RMB22.00 million, for the increase in number and salaries of personnel responsible for selling and distribution; and (ii) the increase in business development and travel expenses and marketing and advertising expenses by RMB9.39 million in aggregate, for the increased intensity of business development and marketing activities, in light of the expansion of our business scale and brand development measures.

Administrative Expenses

Our administrative expenses increased by 32.17% from RMB21.29 million for the nine months ended 30 September 2023 to RMB28.13 million for the nine months ended 30 September 2024 mainly because the [**REDACTED**] of RMB2.97 million were incurred in 2024 and corporate service fee was increased by RMB2.38 million for improvement of our business expansion and development needs.

Research and Development Expenses

The research and development expenses increased by 52.01% from RMB10.66 million for the nine months ended 30 September 2023 to RMB16.21 million for the nine months ended 30 September 2024, mainly attributable to the increase in materials and office expenses involved in research and development work by RMB2.88 million and outsource research expenses by RMB2.07 million for continuing development of new products.

Finance Costs

Our finance costs increased by 109.82% from RMB1.21 million for the nine months ended 30 September 2023 to RMB2.54 million for the nine months ended 30 September 2024 mainly attributable to the increase in bank loans catered for our business expansion.

Changes in the Carrying Amount of the Redemption Liability

Our changes in the carrying amount of the redemption liability decreased by 94.05% from RMB2.76 million for the nine months ended 30 September 2023 to RMB0.16 million for the nine months ended 30 September 2024 mainly due to the waive of preferential rights by Cornerstone Yixiang in 2024.

Income Tax

Our income tax expenses increased by 21.83% from RMB16.40 million for the nine months ended 30 September 2023 to RMB19.98 million for the nine months ended 30 September 2024, mainly because some of our subsidiaries are subject to higher income tax rates in the year of 2024 compared to the year of 2023.

Profit and Total Comprehensive Income for the Period

Our total comprehensive income for the period increased by 0.41% from RMB92.73 million for the nine months ended 30 September 2023 to RMB93.11 million for the nine months ended 30 September 2024.

Year Ended 31 December 2023 Compared to Year Ended 31 December 2022

Revenue

Our revenue increased by 77.75% from RMB330.15 million for the year ended 31 December 2022 to RMB586.84 million for the year ended 31 December 2023, mainly due to the increase in revenue generated from intelligent massage services.

Intelligent massage services

Our revenue from intelligent massage services increased by 79.58% from RMB316.13 million for the year ended 31 December 2022 to RMB567.71 million for the year ended 31 December 2023 mainly because the foot traffic in public areas resumed to a higher level which led to a revival of consumption activities in 2023 along with our own business expansion in terms of POS and massage equipment as well. According to F&S Report, the market size of intelligent massage services market in term of transaction value dropped to RMB1,640.4 million for the year ended 31 December 2022 and rose back by 48.90% to RMB2,442.5 million for the year ended 31 December 2023. In line with the aforesaid market trend, the financial performance of our intelligent massage services also improved significantly in 2023 as compared to that in 2022. As we were focused on development of our intelligent massage services, we have been expanding our POS network when the consumption activities were resumed to normal in 2023 subsequent to the public health incidents. As such, the revenue growth from the year ended 31 December 2022 to the year ended 31 December 2023 was driven by:

(i) the growth of our accessible consumer base as a result of additional POS and massage equipment supported by our continuous expansion of POS, demonstrated by the growth in the number of (a) POS from 21,727 as at 31 December 2022, to 32,141 as at 31 December 2023 by 47.93%; and (b) massage equipment from 167,066 as at 31 December 2022, to 257,815 as at 31 December 2023 by 54.32%;

(ii) growth in the number of transactions from 41.30 million for the year ended 31 December 2022 to 61.27 million for the year ended 31 December 2023 by 48.35%, taking into account the steady increase in both number of new consumers and repeated consumers; and/or

(iii) growth in the transaction value per transaction order by over 10% as more consumers ordered intelligent massage services of higher caliber and/or longer duration as a result of the increased stickiness of our consumers and their greater habituation to using intelligent massage services.

- Direct Mode

Our revenue from our direct sale of intelligent massage services increased by 92.57% from RMB245.17 million for the year ended 31 December 2022 to RMB472.13 million for the year ended 31 December 2023. The increase in the revenue generated from the Direct Mode in 2023, was more significant, as we have been expanding the POS network under the Direct Mode more proactively in terms of both POS number and geographical coverage. Under the Direct Mode, our POS grew from 11,364 as at 31 December 2022 to 20,038 as at 31 December 2023, demonstrating a growth of 76.33% for the year ended 31 December 2023.

- Partner Mode

  Our revenue from our Partner Mode increased by 34.69% from RMB70.96 million for the year ended 31 December 2022 to RMB95.58 million for the year ended 31 December 2023. The number of city of the POS network under the Partner Mode maintained stable growth and thus a steady growth in the revenue under the Partner Mode was also maintained. Under the Partner Mode, our POS grew from 10,363 as at 31 December 2022 to 12,103 as at 31 December 2023, demonstrating a growth of 16.79% for the year ended 31 December 2023.

Revenue from others

Our revenue from others increased by 36.41% from RMB14.03 million for the year ended 31 December 2022 to RMB19.13 million for the year ended 31 December 2023, mainly due to the growth of our other business in 2023 when the consumption activities substantially recovered subsequent to the public health incident.

Cost of Sales

Our cost of sales increased by 39.53% from RMB244.82 million for the year ended 31 December 2022 to RMB341.59 million for the year ended 31 December 2023, meanwhile the cost of sales as a percentage of revenue decreased from 74.15% for the year ended 31 December 2022 to 58.21% for the year ended 31 December 2023.

The increase is primarily attributed to the growth in the number of POS and related expenses resulting from our expansion of POS under the Direct Mode, partially mitigated by the relatively lower POS occupancy fees, as we entered into agreements with Site Managers for certain POS under the Direct Mode in 2022 at more favourable terms due to the public health incident.

Gross Profit and Gross Profit Margin

Our overall gross profit increased by 187.39% from RMB85.34 million for the year ended 31 December 2022 to RMB245.25 million for the year ended 31 December 2023. Our gross profit margin increased from 25.85% for the year ended 31 December 2022 to 41.79% for the year ended 31 December 2023.

Gross Profit from Intelligent massage services

Our gross profit from intelligent massage services increased by 201.98% from RMB77.97 million for the year ended 31 December 2022 to RMB235.45 million for the year ended 31 December 2023, mainly attributable to the expansion of the POS network, especially under the Direct Mode, for our intelligent massage services under the revival of consumption activities in 2023. Our gross profit margin increased by 16.81% from 24.66% for the year ended 31 December 2022 to 41.47% for the year ended 31 December 2023, mainly attributable to the underperformance of consumer activities in 2022 due to the impact of the public health incident during which we still incurred considerable costs such as POS and related expenses, and the recovery of consumer activities in the market in 2023 when more public venues were reopened, which led to an increase in average transaction value per POS. Due to the public health incident in 2022, the actual operating time of each massage equipment was significantly reduced, such that the revenue generated by our massage equipment was increased when public venues were re-opened in 2023.

- Direct Mode

  Our gross profit from intelligent massage services under the Direct Mode increased by 436.68% from RMB30.32 million for the year ended 31 December 2022 to RMB162.72 million for the year ended 31 December 2023.

  Our gross profit margin under the Direct Mode increased 22.09% from 12.37% for the year ended 31 December 2022 to 34.46% for the year ended 31 December 2023.

  Our number of POS increased from 21,727 as at 31 December 2022 to 32,141 as at 31 December 2023, with the increase in number of POS under Direct Mode and the Partner Mode by 76% and 16%, respectively, from 31 December 2022 to 31 December 2023.

- Partner Mode

  Our gross profit from intelligent massage services under the Partner Mode increased by 52.64% from RMB47.65 million for the year ended 31 December 2022 to RMB72.73 million for the year ended 31 December 2023.

  Our gross profit margin under the Partner Mode increased by 8.95% from 67.15% for the year ended 31 December 2022 to 76.10% for the year ended 31 December 2023.

  While the fluctuation of gross profit and gross profit margin from intelligent massage services under the Partner Mode was in line with that of the overall intelligent massage services above. Nonetheless, given we are only entitled to a service fee calculated based on a certain proportion of the transaction value generated under the Partner Mode, the gross profit and gross profit margin from intelligent massage services under the Partner Mode were less affected by the increase in transaction value for the year ended 31 December 2023.

Gross Profit from Others

Our gross profit from others increased by 32.98% from RMB7.37 million for the year ended 31 December 2022 to RMB9.80 million for the year ended 31 December 2023, mainly because the increase in our revenue in other business due to revival of consumption activities in the PRC in general in 2023 subsequent to the public health incident.

Our gross profit margin from others remained relatively stable at 52.52% for the year ended 31 December 2022 and 51.20% for the year ended 31 December 2023.

Other Net Income/(Loss)

We recorded other net income of RMB0.20 million for the year ended 31 December 2022 while other net loss of RMB14.49 million was recorded for the year ended 31 December 2023, mainly attributable to increase in impairment loss on equipment due to the one-off phasing-out incident in the year of 2023 regarding quality upgrade of a new product which incurred the impairment loss on equipment in 2023.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 80.39% from RMB42.75 million for the year ended 31 December 2022 to RMB77.11 million for the year ended 31 December 2023 mainly because of the expansion of our POS network which led to (i) increase in employee benefit expenses by RMB12.80 million, for the increase in number and salaries of personnel responsible for selling and distribution; and (ii) the increase in business development and travel expenses and marketing and advertising expenses by RMB11.95 million in aggregate, for the increased intensity of business development and marketing activities in light of the expansion of our business scale, POS network and brand development measures.

Administrative Expenses

Our administrative expenses increased by 59.01% from RMB18.38 million for the year ended 31 December 2022 to RMB29.22 million for the year ended 31 December 2023 mainly due to expansion of our business scale which led to growth in number and salaries, as well as equity-settled share based payment expenses of administrative staff. As such, the employee benefit expenses (including equity-settled share-based payment expenses of RMB5.51 million for the year ended 31 December 2023) increased by RMB7.01 million for the year ended 31 December 2023.

Research and Development Expenses

The increase in research and development expenses by 94.37% from RMB8.33 million for the year ended 31 December 2022 to RMB16.19 million for the year ended 31 December 2023 was mainly attributable to the growth in intensity of research and development work, which led to increase in employee benefit expenses by RMB3.80 million for increase in number and salaries of research and development personnel and increase in material costs involved in research and development work by RMB1.61 million.

Finance Costs

Our finance costs increased by 51.09% from RMB1.33 million for the year ended 31 December 2022 to RMB2.01 million for the year ended 31 December 2023, mainly attributable to the increase in bank loans catered for expansion of our business scale.

Changes in the Carrying Amount of the Redemption Liability

Our change in the carrying amount of the redemption liability decreased by 39.68% from RMB4.99 million for the year ended 31 December 2022 to RMB3.01 million for the year ended 31 December 2023 mainly attributable to our settlement of part of the redemption liability.

Income Tax

Our income tax increased by 383.37% from RMB3.28 million for the year ended 31 December 2022 to RMB15.87 million for the year ended 31 December 2023 mainly because of the increased profit before taxation in the year of 2023.

Profit and Total Comprehensive Income for the Year/Period

As result of the above, our profit and total comprehensive income for the year increased by 1,247.63% from RMB6.47 million for the year ended 31 December 2022 to RMB87.35 million for the year ended 31 December 2023.

DESCRIPTION OF CERTAIN KEY ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth our consolidated statements of financial position as at the dates indicated:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Non-current assets			
Property, plant and equipment	94,675	184,618	228,012
Intangible assets	358	271	211
Financial assets measured at fair value through other comprehensive income	–	10,007	10,105
Deferred tax assets	2,292	4,702	4,131
Other non-current assets	4,661	5,554	7,759
	101,986	205,152	250,218
Current assets			
Financial assets measured at fair value through profit or loss	20,519	15,751	19,778
Inventories	5,411	6,198	8,910
Trade and other receivables	46,905	63,594	71,354
Prepayments	39,457	76,228	93,597
Cash and cash equivalents	43,211	38,891	27,804
	155,503	200,662	221,443
Current liabilities			
Trade and other payables	69,752	152,184	135,920
Contract liabilities	2,676	4,244	3,571
Bank loans	18,271	42,425	48,612
Lease liabilities	4,682	8,426	6,740
Redemption liability	75,062	16,009	–
Other current liabilities	33	100	94
Current taxation	2,951	9,116	13,844
	173,427	232,504	208,781
Net current (liabilities)/assets	(17,924)	(31,842)	12,662
Total assets less current liabilities	84,062	173,310	262,880
Non-current liabilities			
Bank loans	–	13,697	14,052
Lease liabilities	6,796	7,728	3,347
	6,796	21,425	17,399
NET ASSETS	77,266	151,885	245,481

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
CAPITAL AND RESERVES			
Paid-in capital/share capital	11,844	10,954	50,000
Reserves	65,422	140,931	195,481
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY AND TOTAL EQUITY	77,266	151,885	245,481

NON-CURRENT ASSET

Property, plant and equipment

As at 31 December 2022 and 2023 and 30 September 2024, we had property, plant and equipment of RMB94.68million, RMB184.62 million and RMB228.01 million, respectively. Our property, plant and equipment mainly comprise massage equipment and properties leased for own use. Our amount of property, plant and equipment increased by 95.00% from RMB94.68 million as at 31 December 2022 to RMB184.62 million as at 31 December 2023, and further increased by 23.50% to RMB228.01 million as at 30 September 2024, mainly attributable to the addition of massage equipment catered for our POS expansion plan during the Track Record Period.

Financial Assets Measured at Fair Value Through Other Comprehensive Income

During the Track Record Period, we invested in financial assets measured at fair value through other comprehensive income, including negotiable deposit of certificate which could be transferable. Our Directors made reasonable estimates about the expected future cash flows including expected future interest return on maturity of the deposit of certificate before making the investments.

As at 31 December 2022 and 2023 and 30 September 2024, our financial assets measured at fair value through other comprehensive income amounted to nil, RMB10.01 million and RMB10.11 million, respectively. The fluctuation was based on our subscription of certificates of deposits for maximizing the use of our surplus fund during the Track Record Period.

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Financial assets measured at fair value through other comprehensive income			
– Negotiable certificate of deposit	–	10,007	10,105

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

During the Track Record Period and up to the Latest Practicable Date, we have funded our working capital principally from cash generated from our business operations, bank borrowings and capital contributions from our shareholders. After the [**REDACTED**], we intend to finance our future capital requirements through similar sources of funds, together with the [**REDACTED**] to be received from the [**REDACTED**]. We do not anticipate any changes to the availability of financing to fund our operations in the future. We currently do not expect any significant changes in the mix and the relative costs of our capital resources. As at 31 December 2022 and 2023 and 30 September 2024, we had cash and cash equivalents of RMB43.21 million, RMB38.89 million and RMB27.80 million, respectively. Our cash and cash equivalents consist of cash at bank, cash on hand and cash balances with payment platforms.

The following table sets forth a summary of our liquidity and working capital as of the dates indicated:

	As at 31 December		As at 30 September	As at 30 November
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Current assets				
Financial assets measured at fair value through profit or loss	20,519	15,751	19,778	3,002
Inventories	5,411	6,198	8,910	6,751
Trade and other receivables	46,905	63,594	71,354	73,689
Prepayments	39,457	76,228	93,597	87,889
Cash and cash equivalents	43,211	38,891	27,804	40,022
	155,503	200,662	221,443	211,353
Current liabilities				
Trade and other payables	69,752	152,184	135,920	142,013
Contract liabilities	2,676	4,244	3,571	3,337
Bank loans	18,271	42,425	48,612	58,452
Lease liabilities	4,682	8,426	6,740	6,282
Redemption liability	75,062	16,009	–	–
Other current liabilities	33	100	94	93
Current taxation	2,951	9,116	13,844	4,511
	173,427	232,504	208,781	214,688
Net current (liabilities)/assets	(17,924)	(31,842)	12,662	(3,335)

We had net current liabilities of RMB17.92 million as at 31 December 2022 mainly attributable to the redemption liability incurred from redemption right of an investor, namely Cornerstone Yixiang, who entered into an investment agreement with our Company in December 2017. Pursuant to the aforesaid investment agreement, Cornerstone Yixiang had been entitled to require the Company to fully redeem its shares. See note 24 to the Accountants' Report as set out in the Appendix I to this document for details of redemption liability.

We had net current liabilities of RMB31.84 million as at 31 December 2023 compared to net current liabilities of RMB17.92 million as at 31 December 2022. The increase in net current liabilities position was mainly attributable to the increase in trade and other payables due to declaration of dividends of RMB23.75 million for the year ended 31 December 2023 (see note 28(b) to the Accountants' Report as set out in the Appendix I to this document for details) and increased acquisition of massage equipment and site occupancy fee for our business expansion, increase in bank loans due to increased acquisition of massage equipment and site occupancy fee for our business expansion, while the aforesaid redemption liability was partially settled in 2023.

We recorded net current assets of RMB12.66 million as at 30 September 2024 compared to the net current liabilities of RMB31.84 million as at 31 December 2023, mainly because redemption liability became nil due to the termination of redemption right by Cornerstone Yixiang in February 2024.

We recorded net current liabilities of RMB3.34 million as at 30 November 2024 compared to net current assets of RMB12.66 million as at 30 September 2024, mainly attributable to our subscription of a certificate of deposit which was recorded as non-current assets and was transferable, with a term of three years, to maximise the use of our surplus fund.

To maintain our working capital sufficiency and improve our liquidity position, we will take the following measures: (i) plan and monitor our cash flow situation on a regular basis to ensure the cash flow of our Group remains at a healthy level; (ii) maintain stable relationships with our principal banks so as to timely obtain or renew bank borrowings and negotiate for better terms of loans; (iii) continue our cost control strategy and tighten cost controls over administrative and other expenses aiming at improving working capital and cash flow position of our Group, including closely monitoring the daily operating expenses.

During the Track Record Period, we had not encountered difficulties in discharging our bank borrowings as they fell due, due to our stable operating cash flows and our proven credit history. Our net current liability position during the Track Record Period did not have impact on our liquidity. During the Track Record Period, we had stable net cash inflow from operating activities, and we expect to have net cash inflow from operating activities in the 12 months from the date of this document.

Cash Flow

The table below sets forth our cash flows during the Track Record Period:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Net cash generated from operating activities	83,312	164,280	155,780	175,414
Net cash used in investing activities	(55,066)	(136,826)	(83,208)	(145,170)
Net cash used in financing activities	(6,418)	(31,774)	(44,381)	(41,331)
Net change in cash and cash equivalents	21,828	(4,320)	28,191	(11,087)
Cash and cash equivalents at the beginning of the year/period	21,383	43,211	43,211	38,891
Cash and cash equivalents at the end of the year/period	43,211	38,891	71,402	27,804

Net Cash Flows from Operating Activities

For the nine months ended 30 September 2024, our net cash generated from operating activities was RMB175.41 million, which was primarily attributable to cash generated from operations of RMB190.10 million, partially offset by income tax paid of RMB14.68 million.

For the year ended 31 December 2023, our net cash generated from operating activities was RMB164.28 million, which was mainly attributable to cash generated from operations of RMB176.40 million, partially offset by income tax paid of RMB12.12 million.

For the year ended 31 December 2022, our net cash generated from operating activities was RMB83.31 million, which was mainly attributable to cash generated from operations of RMB87.14 million, partially offset by income tax paid of RMB3.83 million.

Net Cash Flows Used in Investing Activities

For the nine months ended 30 September 2024, our net cash used in investing activities was RMB145.17 million, which was mainly attributable to (i) payment for purchase of property, plant and equipment and intangible assets of RMB144.98 million; (ii) investment in financial assets measured at fair value through profit or loss of RMB30.00 million; and (iii) investment in financial assets measured at fair value through other comprehensive income of RMB10.07 million, partially offset of (i) proceeds from disposal of financial assets measured at fair value through profit or loss of RMB26.04 million; (ii) proceeds from disposal of property, plant and equipment of RMB3.52 million; (iii) interest received of RMB0.26 million; and (iv) proceeds from disposal of financial assets measured at fair value through other comprehensive income of RMB10.07 million.

For the year ended 31 December 2023, our net cash used in investing activities was RMB136.83 million, which was mainly attributable to (i) payment for purchase of property, plant and equipment and intangible assets of RMB134.63 million; (ii) investment in financial assets measured at fair value through profit or loss of RMB15.00 million; and (iii) investment in financial assets measured at fair value through other comprehensive income of RMB10.00 million, partially offset of (i) proceeds from disposal of financial assets measured at fair value through profit or loss of RMB20.00 million; (ii) proceeds from disposal of property, plant and equipment of RMB1.77 million; and (iii) interest received of RMB1.03 million.

For the year ended 31 December 2022, our net cash used in investing activities was RMB55.07 million, which was mainly attributable to (i) payment for purchase of property, plant and equipment and intangible assets of RMB46.27 million; and (ii) investment in financial assets measured at fair value through profit or loss of RMB35.00 million, partially offset of (i) proceeds from disposal of financial assets measured at fair value through profit or loss of RMB24.61 million; (ii) proceeds from disposal of property, plant and equipment of RMB1.40 million; and (iii) interest received of RMB0.20 million.

Net Cash Used in Financing Activities

For the nine months ended 30 September 2024, our net cash used financing activities was RMB41.33 million, which was mainly attributable to (i) repayment of bank loans of RMB36.48 million; (ii) capital element of lease rentals paid of RMB7.22 million; (iii) interest element of lease rentals paid of RMB0.45 million; (iv) interest paid of RMB1.95 million; (v) dividends paid to equity shareholders of RMB38.03 million; and (vi) payment of [**REDACTED**] of RMB0.08 million, partially offset by proceeds from new bank loans of RMB42.88 million.

For the year ended 31 December 2023, our net cash used in financing activities was RMB31.77 million, which was mainly attributable to (i) repayment of bank loans of RMB31.85 million; (ii) capital element of lease rentals paid of RMB7.47 million; (iii) interest element of lease rentals paid of RMB0.65 million; (iv) interest paid of RMB1.41 million; (v) dividends paid to equity shareholders of RMB3.75 million; and (vi) partially settlement of redemption liability of RMB62.06 million, partially offset by (i) proceeds from new bank loans of RMB69.76 million; (ii) capital contribution from the employee incentive platform of RMB2.67 million; and (iii) other of RMB2.99 million.

For the year ended 31 December 2022, our net cash used in financing activities was RMB6.42 million, which was mainly attributable to (i) repayment of bank loans of RMB23.00 million; (ii) capital element of lease rentals paid of RMB4.03 million; (iii) interest element of lease rentals paid of RMB0.51 million; and (iv) interest paid of RMB0.83 million, partially offset by proceeds from new bank loans of RMB21.25 million and proceed from maturity of restricted bank deposits of RMB0.70 million.

WORKING CAPITAL STATEMENT

Our Directors confirm, and the Joint Sponsors concur, that after taking into account the financial resources presently available to us, including cash flow from operations, bank loans and other borrowings, other internal resources and the estimated [**REDACTED**] from the [**REDACTED**], we have sufficient working capital for our working capital requirements for at least the next 12 months from the date of this document.

Current Asset

Inventories

Our inventories mainly comprise raw materials, work in progress, finished goods (merely comprising those related to online sales of household massage equipment and massage accessories) and goods in transit. The table below sets forth the summary of our inventories as at the dates indicated:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Inventories			
Raw materials	4,845	5,159	7,796
Work in progress	21	18	–
Finished goods	447	953	970
Goods in transit	98	68	144
	5,411	6,198	8,910

As at 31 December 2022 and 2023 and 30 September 2024, our inventories amounted to RMB5.41 million, RMB6.20 million and RMB8.91 million, respectively. Our inventory increased by 14.54% from RMB5.41 million for the year ended 31 December 2022 to RMB6.20 million for the year ended 31 December 2023, mainly attributable to increase in raw materials and spare parts for our enlarged production and operation scale to match with our expansion of POS network and massage equipment in 2023. Our inventories further increased by 43.76% from RMB6.20 million as at 31 December 2023 to RMB8.91 million as at 30 September 2024, mainly attributable to the continuous expansion of production and operation scale in light of the expansion of POS network and massage equipment.

The table below sets forth the turnover days of our inventories during the Track Record Period:

	Year ended 31 December		Nine months ended 30 September
	2022	2023	2024
Average turnover days[(1)]	9.43	6.20	5.52

Note:

(1) Average inventory turnover days equal to the average of the beginning and ending inventory balances of that year/period divided by cost of sales for that year/period and multiplied by the number of calendar days in the relevant year/period.

Our inventories turnover days have been maintained at a low level due to our procurement and inventory control policies. See "Business — Suppliers and Procurement — Inventory management" for details.

Trade and Other Receivables

Our trade and other receivables mainly comprise trade receivables, net of loss allowance, deposits, recoverable value-added tax and other receivables. As at 31 December 2022 and 2023 and 30 September 2024, our trade and other receivables amounted to RMB46.91 million, RMB63.59 million and RMB71.35 million, respectively.

Trade receivables, net of loss allowance mainly derived from our transactions with the Local Partners for providing them with extra massage equipment and spare parts and our online sales of household massage equipment and massage accessories.

Deposits refer to the deposits for our POS sites.

VAT recoverable refers to the deductible input including the purchase of equipment and material and the site occupancy fees that have not been deducted from the VAT.

Other receivables refer to the transaction value entitled by us under intelligent massage services and to be settled with and payable by the external e-payment platform.

The table below sets forth the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Trade receivables, net of loss allowance			
– third parties	2,330	1,346	837
Deposits	26,809	40,787	49,270
VAT recoverable	12,827	12,001	15,762
Other receivables	4,939	9,460	5,485
	46,905	63,594	71,354

Our trade and other receivables increased by 35.58% from RMB46.91 million as at 31 December 2022 to RMB63.59 million as at 31 December 2023. This was mainly attributable to the increase in our deposits by 52.14% from RMB26.81 million as at 31 December 2022 to RMB40.79 million as at 31 December 2023 due to the increase in the amount of deposits for our POS site occupancy for our POS expansion plan. Our other receivables also increased by 91.54% from RMB4.94 million as at 31 December 2022 to RMB9.46 million as at 31 December 2023 mainly attributable to the increase in amount payable to us by the external e-payment platform due to increase in the transaction value of our intelligent massage services.

Our trade and other receivables increased by 12.20% from RMB63.59 million as at 31 December 2023 to RMB71.35 million as at 30 September 2024. Our deposits increased by 20.80% from RMB40.79 million as at 31 December 2023 to RMB49.27 million as at 30 September 2024 mainly because the continuing increase in the number of our POS sites as well as the amount of our deposits of POS site occupancy. Our other receivables decreased by 42.02% from RMB9.46 million as at 31 December 2023 to RMB5.49 million as at 30 September 2024 mainly attributable to the optimization of the settlement efficiency with the external e-payment platforms.

The table below sets forth the ageing analysis of our trade receivables as at the dates indicated:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Current (not past due)	1,215	897	748
Less than 3 months past due	10	28	–
Over 3 months past due	1,105	421	89
	2,330	1,346	837

Taking into account the business nature of our intelligent massage services, we substantially receive our service fee in advance, either immediately paid by the consumers through external e-payment platforms before the service was delivered to consumer or when the consumer purchases a prepaid massage service package from our Group. Trade receivable mainly relates to our transactions with the Local Partners for their purchase of spare parts or accessories for massage equipment and online sales of household massage equipment and massage accessories. As such, trade receivables average turnover days is not meaningful for analysis of our business performance.

As at 30 November 2024, RMB0.25 million or 13.10% of our trade receivables outstanding had been settled.

Prepayments

Our prepayments mainly consist of prepayment of site occupancy fee and others. Prepayments of site occupancy fee mainly consists of site occupancy fee prepaid to the Site Managers for securing the POS sites.

The table below sets forth the breakdown of our prepayments as at the dates indicated:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Prepayments for:			
– occupancy fee of POS	38,576	74,799	91,622
– others	881	1,429	1,975
	39,457	76,228	93,597

As at 31 December 2022 and 2023 and 30 September 2024, our prepayments amounted to RMB39.46 million, RMB76.28 million and RMB93.60 million, respectively. Our prepayments increased by 93.19% from RMB39.46 million as at 31 December 2022 to RMB76.28 million as at 31 December 2023 mainly attributable to the increase in prepayments for site occupancy fee due to the expansion of POS network in 2023. We actively promote the POS network expansion policy, negotiate and obtain more suitable terms for site occupancy with Site Managers by prepayment of site occupancy fee.

Our prepayments increased by 22.79% from RMB76.28 million as at 31 December 2023 to RMB93.60 million as at 30 September 2024 mainly attributable to the further increase in the number of POS sites.

Financial assets at fair value through profit or loss

During the Track Record Period, we invested in financial assets measured at fair value through profit and loss, including wealth management products issued by licensed financial institutions in the PRC which could be redeemable anytime. Our Directors made reasonable estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products before making the investments.

As at 31 December 2022 and 2023 and 30 September 2024, our financial assets measured at fair value through profit and loss amounted to RMB20.52 million, RMB15.75 million and RMB19.78 million, respectively. The fluctuation was based on our subscription of wealth management products for maximizing the use of our surplus fund during the Track Record Period.

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Financial assets measured at fair value through profit or loss – Wealth management products	20,519	15,751	19,778

Cash and Cash Equivalents

Our cash and cash equivalents mainly comprise cash at bank and on hand and cash balances with payment platforms. As at 31 December 2022 and 2023 and 30 September 2024, we had cash and cash equivalents of RMB43.21 million, RMB38.89 million and RMB27.80 million, respectively. Our cash and cash equivalents decreased by 10.00% from RMB43.21 million as at 31 December 2022 to RMB38.89 million as at 31 December 2023 mainly because the payments paid to Cornerstone Yixiang to redeem its Shares in 2023, as well as payment for the cash dividends. Our cash and cash equivalents decreased by 28.51% from RMB38.89 million as at 31 December 2023 to RMB27.80 million as at 30 September 2024 mainly attributable to the increase of procurement of massage equipment, prepayments for POS sites and subscription of certificate of deposit.

As at 31 December 2022 and 2023 and 30 September 2024, all cash and cash equivalents were situated in mainland China. Remittance of funds out of mainland China is subject to relevant rules and regulations of foreign exchange control.

The table below sets forth the breakdown of cash and cash equivalents as at the dates indicated:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Cash at bank and on hand	38,580	36,624	23,050
Cash balances with payment platforms	4,631	2,267	4,754
Cash and cash equivalents	43,211	38,891	27,804

Current Liabilities

Trade and Other Payables

Our trade and other payable mainly consist of trade payables for purchases of massage equipment, spare parts, accessories and POS site occupancy fees, receipts in advance for top up credits by our customers, deposits from Local Partners, salary and welfare payables, dividends payable to equity shareholders, other payables and accruals and other tax payables.

The table below sets forth the breakdown of our trade and other payables as at the dates indicated:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Trade payables	22,492	63,086	54,990
Receipts in advance	23,166	27,670	29,321
Deposits	5,861	5,628	4,873
Salary and welfare payables	10,054	21,118	25,584
Dividends payable to equity shareholders	–	20,000	1,966
Other payables and accruals	6,998	12,516	14,984
Financial liabilities measured at amortised cost	68,571	150,018	131,718
Other tax payables	1,181	2,166	4,202
	69,752	152,184	135,920

As at 31 December 2022 and 2023 and 30 September 2024, our trade and other payables amounted to RMB69.75 million, RMB152.18 million and RMB135.92 million, respectively. Our trade and other payables increased by 118.18% from RMB69.75 million as at 31 December 2022 to RMB152.18 million as at 31 December 2023 mainly because of the growth in business scale, which led to increase in trade payables for procurement of raw materials, massage equipment, POS site occupancy fee. Our trade and other payables decreased by 10.69% from RMB152.18 million as at 31 December 2023 to RMB135.92 million as at 30 September 2024 mainly attributable to changes in seasonal procurement plans such that procurement amount in fourth quarter in 2023 was larger than the third quarter in 2024.

The table below sets forth the ageing analysis of our trade payables as at the dates indicated:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Within 3 months	11,846	47,050	37,517
Over 3 months but within 6 months	3,187	4,294	359
Over 6 months but within 9 months	1,881	2,313	2,604
Over 9 months but within 1 year	1,138	3,229	2,356
Over 1 year	4,440	6,200	12,154
	22,492	63,086	54,990

The table below sets forth our trade payables average turnover days during the Track Record Period:

	Year ended 31 December		Nine months ended 30 September
	2022	**2023**	**2024**
Average turnover days[(1)]	42.60	45.72	43.14

Note:

(1) Average turnover days of trade payable equals to the average of the beginning and ending trade payable balances of that year/period divided by cost of sales for that year/period and multiplied by the number of calendar days in the relevant year/period.

Our trade payables turnover days remained stable at 42.60 days for the year ended 31 December 2022, 45.72 days for the year ended 31 December 2023 and 43.14 days for the nine months ended 30 September 2024.

As at 30 November 2024, we had settled RMB27.38 million or 49.79% of our trade payables.

Contract Liabilities

Contract liabilities mainly represent the advance payments (exclude output VAT) from consumers, for which the underlying services are yet to be provided. The output VAT contained in the advance payments has been classified under other current liabilities. As at 31 December 2022 and 2023 and 30 September 2024, our contract liabilities amounted to RMB2.68 million, RMB4.24 million and RMB3.57 million, respectively. The table below sets forth the breakdown of contract liabilities as at the dates indicated:

	As at 31 December		**As at 30 September**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Receipts in advance	350	1,454	1,657
Unredeemed credits	2,121	2,583	1,758
Others	205	207	156
	2,676	4,244	3,571

Our contract liabilities increased by 58.59% from RMB2.68 million as at 31 December 2022 to RMB4.24 million as at 31 December 2023 mainly attributable to the increase in number of consumers who purchased prepaid cards or packages and loyalty points in advance for our intelligent massage services. Our contract liabilities decreased by 15.86% from RMB4.24 million as at 31 December 2023 to RMB3.57 million as at 30 September 2024 mainly attributable to the change of our loyalty points redemption policy.

As at 31 December 2022 and 2023 and 30 September 2024, the amount of contract liabilities expected to be recognised as income after one year or more is RMB118,000, RMB99,000 and RMB50,000 respectively. All of the other contract liabilities are expected to be recognised as income within one year.

INDEBTEDNESS

During the Track Record Period, our indebtedness mainly consisted of bank loans, lease liabilities and redemption liability. The table below sets forth a breakdown of our indebtedness as of the dates indicated:

	As at 31 December		As at 30 September	As at 30 November
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Included in current liabilities				
– Bank loans	18,271	42,425	48,612	58,479
– Lease liabilities	4,682	8,426	6,740	6,282
– Redemption liability	75,062	16,009	–	–
Subtotal	98,015	66,860	55,352	64,761
Included in non-current liabilities				
– Bank loans	–	13,697	14,052	14,052
– Lease liabilities	6,796	7,728	3,347	2,914
Subtotal	6,796	21,425	17,399	16,966
Total	104,811	88,285	72,751	81,727

Bank Loans

Our bank loans mainly comprise banks loans from financial institutions. Bank borrowings bear interest ranging from 3.95% to 4.95%, from 4.00% to 4.85% and from 3.65% to 4.85% per annum as at 31 December 2022 and 2023 and 30 September 2024.

The table below sets forth the details of our bank loans as at the dates indicated:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Short-term bank loans			
– guaranteed	15,250	35,040	37,939
– unsecured	3,021	–	–
– secured and guaranteed	–	7,385	10,673
	18,271	42,425	48,612
Long-term bank loans			
– secured and guaranteed	–	13,697	14,052
	18,271	56,122	62,664

As at 31 December 2022 and 2023 and 30 September 2024, the bank loans guaranteed by one of the controlling shareholders of the Group, Mr. Xie and/or his spouse were RMB15.25 million, RMB56.12 million and RMB62.66 million respectively. Our Directors confirm that all such guarantees or the corresponding loans will be fully released or repaid before the [**REDACTED**].

As at 30 November 2024, being the latest practicable date for determining our indebtedness, the balance of our bank loans was RMB72.53 million. As at 30 November 2024, we had unutilized bank loans of RMB38.92 million.

The following table sets forth the maturity profile of our bank loans as of the dates indicated:

	As at 31 December		As at 30 September	As at 30 November
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Within 1 year or on demand	18,271	42,425	48,612	58,479
After 1 year but within 2 years	–	7,287	10,425	10,425
After 2 years but within 5 years	–	6,410	3,627	3,627
	18,271	56,122	62,664	72,531

Our Directors confirm that, during the Track Record Period, we did not experience any delay or default in repayment of bank loans and borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us.

Lease Liabilities

As at 31 December 2022 and 2023 and 30 September 2024, our lease liabilities amounted to RMB11.48 million, RMB16.15 million and RMB10.09 million, respectively. As at 30 November 2024, being the latest practicable date for determining our indebtedness, the balance of our lease liabilities was RMB9.20 million.

	As at 31 December		As at 30 September	As at 30 November
	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Within 1 year	4,682	8,426	6,740	6,282
After 1 year but within 2 years	2,780	4,832	2,669	2,317
After 2 years but within 5 years	4,016	2,896	678	597
	11,478	16,154	10,087	9,196

Redemption Liability

As at 31 December 2022 and 2023 and 30 September 2024, our redemption liability amounted to RMB75.06 million, RMB16.01 million and nil, respectively.

In December 2017, the Company entered into an investment agreement with Ma'anshan Cornerstone Yixiang Equity Investment Partnership Enterprise (LLP) ("**Cornerstone Yixiang**"). Pursuant to the investment agreement, Cornerstone Yixiang agreed to inject cash in exchange for 12.50% equity interests of the Company which was fully paid in cash in December 2017.

Upon the occurrence of certain contingent events as stipulated in the investment agreement, Cornerstone Yixiang is entitled to require the Company to fully redeem its equity interest. In April 2023, 80% of Cornerstone Yixiang's initial investment was settled by the Company. The consideration was fully paid in cash within 2023. See note 24 to the Accountants' Report as set out in the Appendix I to this document.

On 28 February 2024, Cornerstone Yixiang waived all preferential rights stipulated under the Capital Increase Agreement and the Repurchase Agreement. As a result, the redemption liability became nil in 2024.

CAPITAL EXPENDITURES

Our capital expenditures mainly comprise the payment for purchase of property, plant and equipment and intangible asset. For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, we incurred capital expenditures of RMB46.27 million, RMB134.63 million and RMB144.98 million, respectively. Such increase was in line with our POS expansion during the Track Record Period.

We plan to fund our future capital expenditures with cash generated from our operating activities, bank loans and other borrowings as well as [**REDACTED**] from the [**REDACTED**].

CONTRACTUAL COMMITMENTS

We had the following capital commitments contracted but not provided for in our consolidated financial statements:

	As at 31 December		As at 30 September
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* **(unaudited)**
Contracted for acquisition of property, plant and equipment	3,854	12,532	6,816
Contracted for short-term leases	7,823	10,262	5,010
	11,677	22,794	11,826

PROVISIONS AND CONTINGENT LIABILITIES

Generally, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Except as disclosed above, 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 or other contingent liabilities as at 31 December 2022, 31 December 2023, 30 September 2024 and 30 November 2024. Our Directors confirmed that since 30 November 2024 and up to the Latest Practicable Date, there had not been any material adverse change to our indebtedness.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

MATERIAL RELATED PARTY TRANSACTION

During the Track Record Period, we entered into certain material related Party transactions, details of which can be found in Note 31 of the Accountants' Report as set out in Appendix I.

The following table sets forth our major related party transaction by nature for the periods indicated:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Trade in nature:				
Purchase of equipment and spare parts	5,023	1,044	770	503

The following table sets forth the outstanding balances with a related party as at the dates indicated:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Trade in nature:			
Trade and other payables			
– Entity controlled by a director of the Group	382	237	153

During the Track Record Period, we purchased equipment and spare parts from Fujian Rovos, which is ultimately controlled by Mr. Wu Jinghua, our non-executive Director and substantial shareholder, and hence such transaction constituted related party transaction. For details, please also see the section headed "Connected Transactions".

Our Directors believe that our transactions with related parties during the Track Record Period were conducted 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.

KEY FINANCIAL RATIOS

The table below sets forth our key financial ratios as at the dates and for the periods indicated:

	As at/Year ended 31 December		As at/Nine months ended 30 September	
	2022	**2023**	**2023**	**2024**
Net profit margin[(1)]	1.96%	14.88%	20.98%	15.15%
Adjust net profit margin (non-IFRS measures)[(2)]	2.58%	16.12%	22.32%	16.30%
Current ratio[(3)]	0.90	0.86	N/A	1.06
Quick ratio[(4)]	0.87	0.84	N/A	1.02
Gearing Ratio[(5)]	135.65%	58.13%	N/A	29.64%

Notes:

(1) Net profit margin equals profit for the year/period divided by revenue for the year/period and multiplied by 100%.

(2) Adjusted net profit margin equals to adjusted net profit for the year divided by revenue for the year/period and multiplied by 100%. See "— Non-IFRS Measures" for details.

(3) Current ratio equals our total current assets divided by the total current liabilities as at the end of the year/period.

(4) Quick ratio equals the total current assets less inventories and divided by the total current liabilities as at the end of the year/period.

(5) Gearing ratio equals toal debt as at the end of the year/period divided by total equity as at the end of the same year/period.

For a discussion of factors affecting our net profit margin and adjust net profit margin (non-IFRS measures) during the respective periods, see "— Period to Period Comparison."

Current Ratio

Our current ratio remained relatively stable at 0.90 as at 31 December 2022 and 0.86 as at 31 December 2023.

Our current ratio increased from 0.86 as at 31 December 2023 to 1.06 as at 30 September 2024 mainly because our redemption liability became nil as Cornerstone Yixiang waived the relevant preferential right in February 2024.

Quick Ratio

Our quick ratio remained relatively stable at 0.87 as at 31 December 2022 and 0.84 as at 31 December 2023.

Our quick ratio increased from 0.84 as at 31 December 2023 to 1.02 as at 30 September 2024 mainly because our redemption liability became nil as Cornerstone Yixiang waived the relevant preferential right in February 2024.

Gearing Ratio

Our gearing ratio decreased from 135.65% as at 31 December 2022 to 58.13% as at 31 December 2023 primarily due to (i) the increase in bank loans; and (ii) decrease in redemption liability.

Our gearing ratio decreased from 58.13% as at 31 December 2023 to 29.64% as at 30 September 2024 primarily due to the (i) decrease in redemption liability; and (ii) decrease in lease liabilities.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT FINANCIAL RISK

We are exposed to financial risks in the normal course of our business, such as credit risks, liquidity risks and interest rate risks. For more information, see Note 29 to the Accountants' Report set out in Appendix I to this document.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions for which the Group considers to represent low credit risk. The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2022 and 2023 and 30 September 2024, 4.00%, 4.58% and nil of the total trade receivables was due from the Group's largest customer respectively within the segment of intelligent massage service under Partner Mode, and 25.22%, 15.93% and 6.81% of the total trade receivables was due from the Group's five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different type of customer, the loss allowance based on past due status is not distinguished among the Group's different customer types.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	As at 31 December 2022		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
		RMB'000	*RMB'000*
Current (not past due)	0.7%	1,224	9
Less than 3 months past due	9.1%	11	1
Past due over 3 months	60.5%	2,795	1,690
		4,030	1,700

	As at 31 December 2023		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
		RMB'000	*RMB'000*
Current (not past due)	1.4%	910	13
Less than 3 months past due	12.5%	32	4
Past due over 3 months	80.3%	2,142	1,721
		3,084	1,738

	As at 30 September 2024 (unaudited)		
	Expected loss rate	**Gross carrying amount**	**Loss allowance**
		RMB'000	*RMB'000*
Current (not past due)	1.7%	761	13
Less than 3 months past due	N/A	–	–
Past due over 3 months	92.3%	1,158	1,069
		1,919	1,082

Expected loss rates are based on actual loss experience over the past 36 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024 is as follows:

	Year ended 31 December		**Nine months ended 30 September**
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000* (*unaudited*)
Balance at 1 January	617	1,700	1,738
Impairment losses recognised/(reversal)	1,083	38	(656)
Balance at 31 December/ 30 September	1,700	1,738	1,082

Deposits and other receivables

Deposits and other receivables mainly represent rental deposits. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The following table provides information about the Group's exposure to credit risk and ECLs for deposits and other receivables:

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Within 1 year	6.2%	28,510	1,757
Over 1 year but within 2 years	13.9%	5,120	713
Over 2 years but within 3 years	50.0%	1,175	587
Over 3 years	100.0%	6,332	6,332
		41,137	9,389

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Within 1 year	4.9%	47,700	2,338
Over 1 year but within 2 years	18.8%	2,162	406
Over 2 years but within 3 years	29.3%	4,428	1,299
Over 3 years	100.0%	3,954	3,954
		58,244	7,997

	As at 30 September 2024 (unaudited)		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Within 1 year	4.7%	51,136	2,411
Over 1 year but within 2 years	12.1%	5,337	645
Over 2 years but within 3 years	43.0%	2,346	1,008
Over 3 years	100.0%	5,283	5,283
		64,102	9,347

Movement in the loss allowance account in respect of deposits and other receivables during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024 is as follows:

	Year ended 31 December		Nine months ended 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* *(unaudited)*
Balance at 1 January	8,182	9,389	7,997
Amounts written off	(202)	(3,070)	(684)
Impairment losses recognised	1,409	1,678	2,034
Balance at 31 December/ 30 September	9,389	7,997	9,347

(b) Liquidity risk

The treasury function of the Group is centrally managed by the Group, which includes the short-term investment of cash surpluses and the raising of funds to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) the date the Group is contractually required to pay, or if the counterparty has the choice of when the amount should be paid (irrespective of the fulfilment of covenants), and the earliest date the Group can be required to pay:

	As at 31 December 2022				
	Contractual undiscounted cash out flow				Carrying amount on consolidated statements of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	18,710	–	–	18,710	18,271
Trade and other payables	69,752	–	–	69,752	69,752
Lease liabilities	5,101	3,037	4,206	12,344	11,478
Redemption liability	75,062	–	–	75,062	75,062
	168,625	3,037	4,206	175,868	174,563

	As at 31 December 2023				
	Contractual undiscounted cash out flow				Carrying amount on consolidated statements of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	44,060	7,775	6,576	58,411	56,122
Trade and other payables	152,184	–	–	152,184	152,184
Lease liabilities	8,971	5,069	2,980	17,020	16,154
Redemption liability	16,009	–	–	16,009	16,009
	221,224	12,844	9,556	243,624	240,469

	As at 30 September 2024 (unaudited)				
	Contractual undiscounted cash out flow				Carrying amount on consolidated statements of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	50,183	10,873	3,699	64,755	62,664
Trade and other payables	135,920	–	–	135,920	135,920
Lease liabilities	7,043	2,764	694	10,501	10,087
	193,146	13,637	4,393	211,176	208,671

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, negotiable certificate deposit, bank loans, redemption liability and lease liabilities. Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group's interest rate risk profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group at the end of each reporting period:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Fixed rate instruments:			
Negotiable certificate of deposit	–	10,007	10,105
Lease liabilities	(11,478)	(16,154)	(10,087)
Bank loans	(9,963)	(42,425)	(43,290)
	(21,441)	(48,572)	(43,272)
Variable rate instruments:			
Bank loans	(8,308)	(13,697)	(19,374)
Cash at bank and on hand	38,580	36,624	23,050
Cash balances with payment platforms	4,631	2,267	4,754
	34,903	25,194	8,430

(ii) Sensitivity analysis

At 31 December 2022 and 2023 and 30 September 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by RMB302,000, RMB221,000, and RMB75,000 respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The sensitivity analyses are performed on the same basis during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024.

DIVIDEND

No dividends have been declared or paid by the Company or the companies comprising the Group to its equity shareholders during the year ended 31 December 2022.

During the years ended 31 December 2023, our Company declared dividends of RMB23,750,000 to its equity shareholders, comprising (i) RMB3.75 million to Zhangchuan Gongying Platform to settle its related party balance with us; and (ii) RMB20.00 million to all shareholders due to the satisfactory financial performance of our Company.

During the nine months ended 30 September 2024, our Company declared dividends of RMB20,000,000 to its equity shareholders, comprising (i) RMB10.00 million to Mr. Xie for his financial needs; and (ii) RMB10.00 million to all shareholders due to the satisfactory financial performance of our Company.

We do not currently have a fixed dividend policy or fixed dividend pay-out ratio and may declare dividends from time to time as our Board considers appropriate in compliance with our Articles of Association and the applicable laws and regulations. Distribution of dividends will be formulated by our Board at is discretion and will be subject to shareholders' approval. Under the PRC Company Law and our Articles of Association, all of our Shareholders holding the same class of shares have equal rights to dividends and other distributions proportionate to their shareholding.

A decision to declare or pay any dividends in the future, and the amount of any dividend, will depend on, a number of factors including, our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under PRC GAAP or IFRS (whichever is lower), our Articles of Association, the PRC Company Law and any other applicable PRC Law and other factors that our Directors may consider relevant.

The minimum allocation to the PRC statutory reserve is 10% of our profit after tax, as determined under PRC GAAP. When the statutory common reserve fund reaches and is maintained at or above 50% of our registered capital, no further allocation to this PRC statutory reserve will be required. Any distributable profits that are not satisfied in any given year will be retained and become available for distribution in subsequent years.

We will, therefore, only be able to declare dividends after we have allocated sufficient net profit to our statutory common reserve fund as described above. Our ability to declare and pay dividends will also depend on the availability of dividends received from group companies in the PRC and other jurisdictions. Distributions from our group companies may be restricted if they incur losses or in accordance with any restrictive covenants in bank borrowing or financing agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVES

As at 30 September 2024, we did not have any statutory reserve and we had retained profit of RMB34.24 million available for distribution to our Shareholders.

[REDACTED]

We estimate that our [**REDACTED**] will be [**REDACTED**], representing [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] (assuming an [**REDACTED**] of [**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]), which consist of (i) [**REDACTED**]-related expenses (including but not limited to [**REDACTED**] and fees) of [**REDACTED**], and (ii) [**REDACTED**]-related expenses of [**REDACTED**], including (a) fees and expenses of legal advisers and accountants of [**REDACTED**], and (b) other fees and expenses of [**REDACTED**]. [**REDACTED**] of the [**REDACTED**] is directly attributable to the [**REDACTED**] of our H Shares to the public and is expected to be recognized directly as a deduction from equity upon the [**REDACTED**], [**REDACTED**] has been expensed during the years ended 31 December 2022 and 2023 and nine months ended 30 September 2024 and the remaining amount of [**REDACTED**] of the [**REDACTED**] is expected to be expensed prior to the [**REDACTED**].

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT

Please refer to the section headed "Summary — Recent Development" in this document for more information of our recent development.

NO MATERIAL CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 September 2024 and there is no event since 30 September 2024 that would materially affect the information shown in the Accountants' Report as set out in Appendix I to this document.

[**REDACTED**]

FUTURE PLANS

See "Business — Our Business Strategies" in this document for a detailed description of our future plans.

[**REDACTED**]

We estimate that we will receive [**REDACTED**] of approximately [**REDACTED**] (equivalent to approximately [**REDACTED**] from the [**REDACTED**], after deducting the [**REDACTED**] and other estimated expenses payable by us in connection with the [**REDACTED**], assuming an [**REDACTED**] of [**REDACTED**] per H Share (being the mid-point of the indicative [**REDACTED**] range) and that the [**REDACTED**] is not exercised.

Our Directors intend to apply the [**REDACTED**] from the [**REDACTED**] for the following purposes:

- approximately [**REDACTED**] (equivalent to approximately [**REDACTED**]), representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**], will be allocated to expanding the coverage and penetration of our POS network.

  We plan to utilise (i) approximately [**REDACTED**] representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] for further increasing our penetration rate in consumption scenarios that we have established a strong presence including the commercial complexes, cinemas and airports; (ii) approximately [**REDACTED**] representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] for development of our presence in other consumption scenarios such as transportation service and rest areas, e-sports spaces and office buildings etc.; and (iii) approximately [**REDACTED**] representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] for extension of our reach to overseas markets in Asia, especially Thailand and other Southeast Asian cities. In addition to increase in number of intelligent massage equipment, we plan to recruit more employees in different departments to support our corresponding expansion plans. For the details, see "Business — Our Business Strategies — Further Expand Our POS Network".

- approximately [**REDACTED**] (equivalent to approximately [**REDACTED**]), representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**], will be allocated for the ongoing enhancement and iteration of our technology.

  This includes utilisation of (i) approximately [**REDACTED**] representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] for advancing research and development of the application of digital intelligent massage technology and systematic solutions by upgrading of our massage equipment and introduction of more customization features; and (ii) approximately [**REDACTED**] representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] for upgrading the software and hardware such as IoT technologies of LMB Links particularly for application in the overseas market. We believe these investments in research and development work will effectively contribute to the growth of our business, and significantly improve service quality and operational efficiency, ultimately fostering greater consumer satisfaction and loyalty. For more details, see "Business — Our Business Strategies — Continue to Iterate and Enhance our Technology, Improve Service Quality and Operational Efficiency".

- approximately [**REDACTED**] (equivalent to approximately [**REDACTED**]), representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**], will be allocated to enhancing our brand awareness and exposure.

  This includes utilisation of (i) approximately [**REDACTED**] representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] for strategic placement of targeted marketing on new media platforms to increase brand exposure and recognition; and (ii) approximately [**REDACTED**] representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**] for upgrade and improvement of the design and image of our POS. Our Directors believe that these targeted marketing efforts will strengthen our presence on new media, enhancing brand visibility and reach. Additionally, the investment in the design and decoration of our POS will elevate our brand image, ensuring a cohesive and appealing presentation to our consumers. For more details, see "Business — Our Business Strategies — Enhance the Awareness and Exposure of our Brand".

- approximately HK$[**REDACTED**] million (equivalent to approximately [**REDACTED**]), representing approximately [**REDACTED**] of the [**REDACTED**] from the [**REDACTED**], will be used as working capital and other general corporate purposes.

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 estimated [**REDACTED**]:

If the [**REDACTED**] is fixed at [**REDACTED**] per H Share, being the high-end of the [**REDACTED**] range stated in this document and assuming no exercise of the [**REDACTED**], the [**REDACTED**] will be increased by approximately [**REDACTED**]. If the [**REDACTED**] is fixed at [**REDACTED**] per H Share, being the low-end of the [**REDACTED**] stated in this document and assuming no exercise of the [**REDACTED**], the [**REDACTED**] will be reduced by approximately [**REDACTED**]. If the [**REDACTED**] is set either above or below the mid-point of the indicative [**REDACTED**], we intend to adjust our allocation of [**REDACTED**] for the above purposes on a pro rata basis.

The additional [**REDACTED**] that we would receive if the [**REDACTED**] is exercised in full would be [**REDACTED**] after deducting the [**REDACTED**] and other estimated expenses payable by us in connection with the [**REDACTED**] (assuming an [**REDACTED**] of [**REDACTED**] per H Share, being the mid-point of the [**REDACTED**] stated in this document). Additional [**REDACTED**] received due to the exercise of any [**REDACTED**] will be utilised according to the allocation of [**REDACTED**] for the above purposes on a pro rata basis.

To the extent that the [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we will only deposit those [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorised financial institutions (as defined under the SFO or the Commercial Banking Law of the People's Republic of China (《中華人民共和國商業銀行法》) and other relevant laws in the PRC).

We will make an appropriate announcement if there is any change to the above proposed use of [**REDACTED**].

[REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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[REDACTED]

The following is the text of a report set out on pages I-1 to I-70, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF 福建樂摩物聯科技股份有限公司 FUJIAN LEMO IOT TECHNOLOGY CO., LTD* (FORMERLY KNOWN AS 福建樂摩物聯科技有限公司 FUJIAN LEMO IOT TECHNOLOGY CO., LTD*), CHINA SECURITIES (INTERNATIONAL) CORPORATE FINANCE COMPANY LIMITED AND SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED

Introduction

We report on the historical financial information of 福建樂摩物聯科技股份有限公司 Fujian Lemo IoT Technology Co., Ltd* (formerly known as 福建樂摩物聯科技有限公司 Fujian Lemo IoT Technology Co., Ltd*) (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-70, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2022 and 2023 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for each of the years ended 31 December 2022 and 2023 (the "Relevant 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-70 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [*date*] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

* *For identification purposes only*

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 the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 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 purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2022 and 31 December 2023 and of the Group's financial performance and cash flows for the Relevant Period in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of interim financial information

We have reviewed the interim financial information of the Group which comprises the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 September 2024, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the nine months ended 30 September 2023 and 2024 and other explanatory information (the "Interim Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the

Interim 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 enquiries, 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 Interim Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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 28(b) to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Period.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[*Date*]

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 Relevant Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP Xiamen Branch in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi)

	Note	Year ended 31 December		Nine months ended 30 September	
		2022	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Revenue	*4(a)*	330,154	586,836	442,034	614,783
Cost of sales		(244,819)	(341,591)	(238,284)	(369,509)
Gross profit		85,335	245,245	203,750	245,274
Other net income/(loss)	*5*	200	(14,489)	(7,692)	(465)
Selling and distribution expenses		(42,749)	(77,114)	(51,007)	(84,670)
Administrative expenses		(18,377)	(29,222)	(21,286)	(28,133)
Research and development expenses		(8,330)	(16,191)	(10,663)	(16,209)
Profit from operations		16,079	108,229	113,102	115,797
Finance costs	*6(a)*	(1,329)	(2,008)	(1,212)	(2,543)
Changes in the carrying amount of the redemption liability	*18(c)*	(4,985)	(3,007)	(2,756)	(164)
Profit before taxation	*6*	9,765	103,214	109,134	113,090
Income tax	*7(a)*	(3,284)	(15,874)	(16,400)	(19,980)
Profit and total comprehensive income for the year/period		6,481	87,340	92,734	93,110
Attributable to:					
Equity shareholders of the Company		6,481	87,340	92,734	93,110
Profit and total comprehensive income for the year/period		6,481	87,340	92,734	93,110
Earnings per share					
Basic and diluted (RMB)	*10*	0.12	1.69	1.77	1.86

The Notes on pages I-14 to I-70 form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Renminbi)

	Note	As at 31 December 2022	As at 31 December 2023	As at 30 September 2024
		RMB'000	*RMB'000*	*RMB'000* (unaudited)
Non-current assets				
Property, plant and equipment	*11*	94,675	184,618	228,012
Intangible assets	*12*	358	271	211
Financial assets measured at fair value through other comprehensive income	*15*	–	10,007	10,105
Deferred tax assets	*27(b)*	2,292	4,702	4,131
Other non-current assets	*14*	4,661	5,554	7,759
		101,986	205,152	250,218
Current assets				
Financial assets measured at fair value through profit or loss	*15*	20,519	15,751	19,778
Inventories	*16*	5,411	6,198	8,910
Trade and other receivables	*17*	46,905	63,594	71,354
Prepayments	*17*	39,457	76,228	93,597
Cash and cash equivalents	*18(a)*	43,211	38,891	27,804
		155,503	200,662	221,443
Current liabilities				
Trade and other payables	*20*	69,752	152,184	135,920
Contract liabilities	*21*	2,676	4,244	3,571
Bank loans	*22*	18,271	42,425	48,612
Lease liabilities	*23*	4,682	8,426	6,740
Redemption liability	*24*	75,062	16,009	–
Other current liabilities		33	100	94
Current taxation	*27(a)*	2,951	9,116	13,844
		173,427	232,504	208,781
Net current (liabilities)/assets		(17,924)	(31,842)	12,662
Total assets less current liabilities		84,062	173,310	262,880
Non-current liabilities				
Bank loans	*22*	–	13,697	14,052
Lease liabilities	*23*	6,796	7,728	3,347
		6,796	21,425	17,399
NET ASSETS		77,266	151,885	245,481
CAPITAL AND RESERVES				
Paid-in capital/share capital	*28(c)*	11,844	10,954	50,000
Reserves		65,422	140,931	195,481
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY AND TOTAL EQUITY		77,266	151,885	245,481

The Notes on pages I-14 to I-70 form part of the Historical Financial Information.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

(Expressed in Renminbi)

	Note	As at 31 December 2022	As at 31 December 2023	As at 30 September 2024
		RMB'000	*RMB'000*	*RMB'000* (unaudited)
Non-current assets				
Property, plant and equipment	*11*	93,759	175,967	220,132
Intangible assets		355	271	211
Investments in subsidiaries	*13*	4,700	10,950	12,380
Financial assets measured at fair value through other comprehensive income	*15*	–	10,007	10,105
Deferred tax assets		2,110	3,592	2,103
Other non-current assets	*14*	4,490	3,029	1,785
		105,414	203,816	246,716
Current assets				
Financial assets measured at fair value through profit or loss	*15*	20,519	15,750	19,778
Inventories	*16*	3,865	4,799	5,058
Trade and other receivables	*17*	46,605	50,429	48,545
Amounts due from subsidiaries	*19*	4,341	31,824	29,690
Prepayments	*17*	39,305	52,487	50,838
Cash and cash equivalents	*18(a)*	37,653	32,762	22,813
		152,288	188,051	176,722
Current liabilities				
Trade and other payables	*20*	67,972	135,639	112,754
Amounts due to subsidiaries	*19*	2,272	755	10,154
Contract liabilities	*21*	2,676	4,244	3,571
Bank loans	*22*	16,971	42,425	45,612
Lease liabilities	*23*	4,641	6,852	4,750
Redemption liability	*24*	75,062	16,009	–
Other current liabilities		33	100	94
Current taxation		2,874	8,792	6,018
		172,501	214,816	182,953
Net current liabilities		(20,213)	(26,765)	(6,231)
Total assets less current liabilities		85,201	177,051	240,485
Non-current liabilities				
Bank loans	*22*	–	13,697	14,052
Lease liabilities	*23*	6,796	5,052	1,888
		6,796	18,749	15,940
NET ASSETS		78,405	158,302	224,545
CAPITAL AND RESERVES				
Paid-in capital/share capital	*28(c)*	11,844	10,954	50,000
Reserves		66,561	147,348	174,545
TOTAL EQUITY		78,405	158,302	224,545

The Notes on pages I-14 to I-70 form part of the Historical Financial Information.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company						
	Note	**Paid-in capital**	**Capital reserve**	**Equity interests held for employee incentive scheme**	**Share-based payment reserve**	**Statutory reserve**	**Retained profits**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 28(c))	*(Note 28(d)(i))*	*(Note 26)*	*(Note 28(d)(ii))*	*(Note 28(d)(iii))*		
Balance at 1 January 2022		11,844	41,375	(1,593)	159	2,283	14,603	68,671
Changes in equity for 2022:								
Profit and total comprehensive income for the year		–	–	–	–	–	6,481	6,481
Equity settled share-based transactions	*26*	–	221	61	1,832	–	–	2,114
Appropriation to statutory reserve	*28(d)(iii)*	–	–	–	–	882	(882)	–
Balance at 31 December 2022		11,844	41,596	(1,532)	1,991	3,165	20,202	77,266

The Notes on pages I-14 to I-70 form part of the Historical Financial Information.

		Attributable to equity shareholders of the Company						
	Note	**Paid-in capital**	**Capital reserve**	**Equity interests held for employee incentive scheme**	**Share-based payment reserve**	**Statutory reserve**	**Retained profits**	**Total equity**
		RMB'000 *(Note 28(c))*	*RMB'000* *(Note 28(d)(i))*	*RMB'000* *(Note 26)*	*RMB'000* *(Note 28(d)(ii))*	*RMB'000* *(Note 28(d)(iii))*	*RMB'000*	*RMB'000*
Balance at 1 January 2023		11,844	41,596	(1,532)	1,991	3,165	20,202	77,266
Changes in equity for 2023:								
Profit and total comprehensive income for the year		–	–	–	–	–	87,340	87,340
Partial settlement of the redemption liability	*24*	(1,143)	1,143	–	–	–	–	–
Equity settled share-based transactions	*26*	253	6,715	(1,868)	2,944	–	–	8,044
Appropriation to statutory reserve	*28(d)(iii)*	–	–	–	–	10,163	(10,163)	–
Dividends declared to equity shareholders	*28(b)*	–	–	–	–	–	(23,750)	(23,750)
Others		–	2,985	–	–	–	–	2,985
Balance at 31 December 2023		10,954	52,439	(3,400)	4,935	13,328	73,629	151,885

The Notes on pages I-14 to I-70 form part of the Historical Financial Information.

(Unaudited)	*Note*	Attributable to equity shareholders of the Company						
		Paid-in capital	**Capital reserve**	**Equity interests held for employee incentive scheme**	**Share-based payment reserve**	**Statutory reserve**	**Retained profits**	**Total equity**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 28(c))	*(Note 28(d)(i))*	*(Note 26)*	*(Note 28(d)(ii))*	*(Note 28(d)(iii))*		
Balance at 1 January 2023		11,844	41,596	(1,532)	1,991	3,165	20,202	77,266
Changes in equity for nine months ended 30 September 2023:								
Profit and total comprehensive income for the period		–	–	–	–	–	92,734	92,734
Partial settlement of the redemption liability	*24*	(1,143)	1,143	–	–	–	–	–
Equity settled share-based transactions	*26*	–	4,294	–	1,655	–	–	5,949
Dividends declared to equity shareholder	*28(b)*	–	–	–	–	–	(3,750)	(3,750)
Others		–	2,985	–	–	–	–	2,985
Balance at 30 September 2023		10,701	50,018	(1,532)	3,646	3,165	109,186	175,184

The Notes on pages I-14 to I-70 form part of the Historical Financial Information.

(Unaudited)	Note	Attributable to equity shareholders of the Company									
		Paid-in capital	Share capital	Capital reserve	Share premium	Equity interests held for employee incentive scheme	Shares held for employee incentive scheme	Share-based payment reserve	Statutory reserve	Retained profits	Total equity
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Note 28(c))	*(Note 28(c))*	*(Note 28(d)(i))*	*(Note 28(d)(i))*	*(Note 26)*	*(Note 26)*	*(Note 28(d)(ii))*	*(Note 28(d)(iii))*		
Balance at 1 January 2024		10,954	–	52,439	–	(3,400)	–	4,935	13,328	73,629	151,885
Changes in equity for nine months ended 30 September 2024:											
Profit and total comprehensive income for the period		–	–	–	–	–	–	–	–	93,110	93,110
Cancellation of the redemption liability	*24*	–	–	16,173	–	–	–	–	–	–	16,173
Equity settled share-based transactions	*26*	–	–	441	362	122	68	3,320	–	–	4,313
Conversion to a joint stock limited liability company	*28(c)*	(10,954)	50,000	(69,053)	155,202	3,278	(3,278)	–	(12,691)	(112,504)	–
Dividends declared to the shareholders	*28(b)*	–	–	–	–	–	–	–	–	(20,000)	(20,000)
Balance at 30 September 2024		–	50,000	–	155,564	–	(3,210)	8,255	637	34,235	245,481

The Notes on pages I-14 to I-70 form part of the Historical Financial Information.

CONSOLIDATED CASH FLOW STATEMENTS

(Expressed in Renminbi)

	Note	Year ended 31 December		Nine months ended 30 September	
		2022	2023	2023	2024
		RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Operating activities					
Cash generated from operations	*18(b)*	87,140	176,399	163,442	190,095
Income tax paid		(3,828)	(12,119)	(7,662)	(14,681)
Net cash generated from operating activities		83,312	164,280	155,780	175,414
Investing activities					
Payment for purchase of property, plant and equipment and intangible assets		(46,272)	(134,626)	(91,251)	(144,984)
Proceeds from disposal of property, plant and equipment		1,396	1,766	2,199	3,517
Investment in financial assets measured at fair value through profit or loss		(35,000)	(15,000)	(15,000)	(30,000)
Investment in financial assets measured at fair value through other comprehensive income		–	(10,000)	–	(10,072)
Proceeds from disposal of financial assets measured at fair value through profit or loss		24,613	20,000	20,000	26,037
Proceeds from disposal of financial assets measured at fair value through other comprehensive income		–	–	–	10,074
Interest received	*5*	197	1,034	844	258
Net cash used in investing activities		(55,066)	(136,826)	(83,208)	(145,170)

		Year ended 31 December		Nine months ended 30 September	
	Note	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Financing activities					
Capital element of lease rentals paid	*18(c)*	(4,031)	(7,466)	(5,466)	(7,221)
Interest element of lease rentals paid	*18(c)*	(507)	(653)	(427)	(451)
Proceeds from new bank loans	*18(c)*	21,250	69,760	51,160	42,880
Repayment of bank loans	*18(c)*	(23,000)	(31,854)	(26,062)	(36,477)
Proceeds from maturity of restricted bank deposits		700	–	–	–
Partial settlement of the redemption liability	*18(c)*	–	(62,060)	(62,060)	–
Payment of [**REDACTED**]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Interest paid	*18(c)*	(830)	(1,410)	(761)	(1,953)
Capital contribution from the employee incentive platform		–	2,674	–	–
Dividends paid to equity shareholders		–	(3,750)	(3,750)	(38,034)
Others		–	2,985	2,985	–
Net cash used in financing activities		(6,418)	(31,774)	(44,381)	(41,331)
Net change in cash and cash equivalents		21,828	(4,320)	28,191	(11,087)
Cash and cash equivalents at the beginning of the year/period		21,383	43,211	43,211	38,891
Cash and cash equivalents at the end of the year/period	*18(a)*	43,211	38,891	71,402	27,804

The Notes on pages I-14 to I-70 form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

Fujian Lemo IoT Technology Co., Ltd (福建樂摩物聯科技股份有限公司) (formerly known as Fujian Lemo IoT Technology Co., Ltd (福建樂摩物聯科技有限公司)) (the "Company") was established in the People's Republic of China (the "PRC") on 29 May 2014 as a limited liability company under the Companies laws of the PRC. The Company was converted into a joint stock limited liability company on 29 August 2024.

The Company and its subsidiaries (together, "the Group") are principally engaged in providing intelligent massage service.

The audited financial statements of the Company for the years ended 31 December 2022 and 2023 were prepared in accordance with the Accounting Standards for Business Enterprises applicable to the enterprises in the PRC and audited by Fujian Zhongzhenghengrui Certified Public Accountants Co., Ltd (福建中正恒瑞會計師事務所有限公司) and Fujian Zhonghenghongxin Certified Public Accountants Co., Ltd (福建中恒宏信會計師事務所有限公司) respectively.

The Company has direct or indirect interests in the following principal subsidiaries since their establishment, which are private companies:

Company Name	Place and date of establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by the subsidiary	
Fu'an Lemo Health Technology Co., Ltd (福安樂摩健康科技有限公司) *(notes (a) and (b))*	PRC/16 March 2021	RMB500,000	100%	–	Refurbishment and repairment of massage equipment
Fuzhou Lemo Selected Life Service Technology Co., Ltd (福州樂摩優選生活服務科技有限公司) *(notes (a) and (b))*	PRC/24 November 2022	RMB350,000	100%	–	Online sale of household massage chairs and massage accessories
Lemo IoT Technology (Hangzhou) Co., Ltd. (樂摩物聯科技(杭州)有限公司) *(notes (a) and (b))*	PRC/30 November 2022	RMB500,000	100%	–	Provision of intelligent massage service
Lemo IoT Technology (Suzhou) Co., Ltd. (樂摩物聯科技(蘇州)有限公司) *(notes (a) and (b))*	PRC/8 December 2022	RMB500,000	100%	–	Provision of intelligent massage service
Lemo IoT Technology (Chengdu) Co., Ltd. (樂摩物聯科技(成都)有限公司) *(notes (a) and (b))*	PRC/28 December 2022	RMB500,000	100%	–	Provision of intelligent massage service
Lemobar (Shanghai) IoT Technology Co., Ltd. (樂摩吧(上海)物聯科技有限公司) *(notes (a) and (b))*	PRC/9 February 2023	RMB500,000	100%	–	Provision of intelligent massage service

Notes:

(a) The official name of this entity is in Chinese. The English translation is for identification purpose only. The company was registered as a limited liability company under the PRC Law.

(b) No audited financial statements have been prepared for this entity from the date of establishment to 31 December 2022 or the date of establishment to 31 December 2023, or for the years ended 31 December 2022 and 2023.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB"). Further details of the material accounting policy information are set out in note 2.

The IASB has issued a number of new and revised IFRS Accounting Standards. For the purpose of preparing the Historical Financial Information, the Group has adopted all applicable new and revised IFRS Accounting Standards throughout the Relevant Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 January 2024. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning on or after 1 January 2024 are set out in note 33.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

The Interim Financial Information has been prepared in accordance with the same basis of preparation and presentation adopted in respect of the Historical Financial Information.

2 MATERIAL ACCOUNTING POLICY INFORMATION

(a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for certain financial assets are stated at their fair value as explained in note 2(d).

The Historical Financial Information and the Interim Financial Information are presented in Renminbi ("RMB"), rounded to the nearest thousand ("RMB'000"), unless otherwise indicated. All of the companies comprising the Group are operating in Chinese Mainland and their functional currency is RMB, hence, RMB is used as the presentation currency of the Group.

(b) Use of estimates and judgements

The preparation of Historical Financial Information in conformity with IFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of IFRS Accounting Standards that have significant effect on the Historical Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(d) Other investments in securities

The Group's policies for investment in securities, other than investments in subsidiaries, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 29(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Non-equity investments

Non-equity investments are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(s)(ii)(a)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– Fair value through other comprehensive income ("FVOCI") — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

– FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see note 2(h)(ii)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2(g)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(t)).

Items may be produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling any such items and the related costs are recognised in profit or loss.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives are as follows:

– Properties leased for own use	2 – 5 years
– Massage equipment	2 – 3 years
– Office and other equipment	2 – 5 years
– Motor vehicles	5 years
– Leasehold improvement	The shorter of the lease terms or the estimated useful life of the assets

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(f) Intangible assets

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(h)(ii)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives are as follows:

– Software	2 – 5 years

The useful life of software was assessed based on the expected service life during which relevant software performs its desired functionality.

Amortisation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(e) and 2(h)(ii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policies applicable to investments in non-equity securities carried at amortised cost (see notes 2(d)(i), 2(s)(ii)(a) and 2(h)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case, the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses ("ECL"s) on financial assets measured at amortised cost (including cash and cash equivalents, negotiable certificate deposit, trade receivables and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

– lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or being more than 90 days past due;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, 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 CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Inventories

Inventories are measured at the lower of cost and net realisable value as follows:

Costs is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(s)(i)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also be recognised (see note 2(k)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see note 2(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(h)(i)).

(m) Trade and other payables (other than refund liabilities)

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(n) Redemption liability

A contract that contains an obligation for the Company to purchase its own equity instruments for cash or another financial asset gives rise to a financial liability even if the Company's obligation to purchase is conditional on the counterparty exercising its right to redeem. The redemption liability is initially measured at the present value of the redemption amount and subsequently measured at amortised cost with any gains or losses on remeasurement of the redemption liability being recognised in profit or loss as changes in the carrying amount of the redemption liability. As the Company does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period, the amounts are classified as current liability.

The then carrying amount of the redemption liability is reclassified to equity upon a termination of the counterparty's redemption right.

(o) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(t).

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Share-based payments

The grant-date fair value of equity-settled share-based payments granted to employees and directors is measured using the equity allocation method, of which underlying equity value is measured using the discounted cash flow ("DCF") method, taking into account any transfer restrictions imposed on the vested equity instruments, and based on the most likely outcome of the performance condition where there are mutually exclusive vesting alternatives. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related vesting conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related vesting conditions at the vesting date. The equity amounts are recognised in the share-based payment reserve until the awarded shares are vested (when it is transferred to the capital reserve). The subscription price received from the grantees, which is refundable when the awards are forfeited, is recognised as a deposit liability until the share-based payments vests.

(q) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(r) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax or other sales taxes.

(a) Revenue from intelligent massage service

The Group generates revenue from the provision of intelligent massage services to customers under the Direct Mode and intelligent massage POS operation support services to entities who are responsible for sourcing and establishing POS in local region ("Local Partners") under the Partner Mode.

– Direct Mode

The Group operates a network of intelligent massage equipment or pads which are located at the Group's points of service (the "POS") for providing intelligent massage services to customers under the Direct Mode. Revenue is recognised when the intelligent massage services are rendered to customers at the POS. The payment for service is usually collected from the customer in advance, either immediately before the customer requests the service or when the customer purchases a prepaid massage service package from the Group.

– Partner Mode

The Group supports the Local Partners to operate the intelligent massage POS that are managed by the Local Partners under the Partner Mode. The operating support integrates the continuous access to the Group's intelligent massage equipment, IT technology and business management platform as an integral service during the partner contract period, and it is provided in exchange for a share of the gross transaction value (the "GTV") received by the Local Partners from the relevant POS (subject to a contractual minimum and capped amount where applicable). Revenue amounting to the GTV sharing that is entitled to the Group is recognised when the intelligent massage POS operation support services are rendered to the Local Partners.

The Group has set up its own mini-program and the customers can make advance payments to the Group via the mini-program. The Group mainly receives advance payments from customers in the form of deposits paid by customers to their accounts (which are refundable before they are consumed) and prepaid massage service packages sold to customers (which are non-refundable and entitle customers to have specified quantities of access to intelligent massage services within a fixed period of validity). These amounts can be consumed by customers to pay for the intelligent massage services at the POS they choose to visit, which may be operated by the Group under the Direct Mode or the Group's Local Partners under the Partner Mode.

In cases where the advance payments from customers are consumed at the Local Partners' POS, the Group recognises the portion of its GTV sharing relating to the intelligent massage POS operation support service as revenue according to the policy described under the Partner Mode. The remaining amounts are paid to the relevant Local Partners.

For the non-refundable prepaid massage service packages, the Group does not expect to be entitled to a breakage amount of the customers' unexercised rights. The unused balances are recognised as the breakage revenue upon expiry of the validity period.

(b) Revenue from sales of household massage equipment and massage accessories

The Group sells household massage equipment and massage accessories to retail customers through self-operated online stores. Payment is collected by online e-commerce platform when customers place purchase orders and sales revenue is recognised when customers accept the products upon delivery.

The Group typically offers retail customers a right of return for a period of 7 days upon customer acceptance, which gives rise to variable consideration. The Group estimates and updates the variable consideration (subject to a constraint) and the related right to recover returned goods with all reasonably available information at each reporting date.

(c) Revenue from digital advertising service

Revenue from digital advertising service mainly represents revenue generated from advertisement service in the form of pop-up banners in the Group's mini program and Wechat official accounts. The advertisement contracts are signed between the Group and the advertising agencies to establish the service to be provided by the Group and relevant performance measures, mainly including cost per click (based on the number of clicks of the advertisement and a fixed unit price for each web article). Revenue from digital advertising service is recognised when the services are provided.

(d) Other practical expedients applied

In addition, the Group has applied the following practical expedients: For sales contracts that had an original expected duration of one year or less, the Group has not disclosed the information related to the aggregated amount of the transaction price allocated to the remaining performance obligations in accordance with paragraph 121(a) of IFRS 15.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical accounting judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

(i) Determining the lease term

As explained in note 2(g), the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(ii) Value added tax (the "VAT") and income tax

The Group generates revenue from the provision of intelligent massage services to customers under the Direct Mode and intelligent massage POS operation support services to Local Partners under the Partner Mode in Chinese Mainland during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024. The Group is subject to VAT and income tax in Chinese Mainland. Evaluation of relevant tax positions of the Group involves judgment as to the interpretation and application of the relevant tax laws. The Group has exercised the best judgement of its tax obligations based on current facts and circumstances.

(b) Sources of estimation uncertainty

Notes 26 and 29(d) contain information about the assumptions and their risk factors relating to fair value of share granted and financial instruments. Other significant sources of estimation uncertainty are as follows:

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives and residual values of the assets regularly in order to determine the amount of depreciation expenses. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted prospectively if there are significant changes from previous estimates.

(ii) Expected credit losses for trade and other receivables

The credit losses for trade and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, which are based on the Group's past collection history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see note 29(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may be necessary to make additional loss allowances in future periods.

(iii) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of businesses, less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. It could change significantly as a result of changes in customer preferences and competitor actions in response to severe industry cycles. Management reassesses these estimates at the end of each reporting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are providing intelligent massage services. Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Revenue from contracts with customers within the scope of IFRS 15				
Disaggregated by major products or service lines				
Revenue from intelligent massage services				
– Direct Mode	245,166	472,125	356,037	516,485
– Partner Mode	70,963	95,580	71,613	87,368
Revenue from sales of household massage equipment and massage accessories	7,943	9,073	6,149	6,348
Revenue from digital advertising service	3,098	376	373	1,155
Others#	2,984	9,682	7,862	3,427
	330,154	586,836	442,034	614,783

Others mainly include revenue of massage service generated from offline massage centre operated by the Group.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in notes 4(b)(i) and 4(b)(iii), respectively.

The Group's customer base is diversified and decentralised and the Group does not have any single customer with whom transactions have exceeded 10% of the Group's revenue during the years ended 31 December 2022 and 2023, and the nine months ended 30 September 2023 and 2024.

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Intelligent massage service under Direct Mode: this segment engaged in providing intelligent massage service to customers through its massage equipment located at the POS operated by the Group itself.

– Intelligent massage service under Partner Mode: this segment engaged in providing intelligent massage service to customers through its massage equipment located at the POS operated by the Local Partners.

– Others: this segment mainly engaged in sales of household massage equipment and massage accessories and providing digital advertising service.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and direct expenses incurred by those segments respectively. The measure used for reporting segment result is gross profit which is calculated based on revenue less cost of sales for the relevant segment. No inter-segment sales have occurred during the years ended 31 December 2022 and 2023, and the nine months ended 30 September 2023 and 2024. Assistance provided by one segment to another, including sharing of assets and technical know-how, is not measured.

The Group's other operating income and expenses, such as other net income/(loss), selling and distribution expenses, administrative expenses, research and development expenses, finance costs, changes in the carrying amount of the redemption liability and assets and liabilities are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, other operating income and expenses is presented.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 is set out below.

	Year ended 31 December 2022			
	Intelligent massage service under Direct Mode	**Intelligent massage service under Partner Mode**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
– Over time	245,166	70,963	5,861	321,990
– Point in time	–	–	8,164	8,164
Reportable segment revenue	245,166	70,963	14,025	330,154
Reportable segment profit	30,319	47,650	7,366	85,335

	Year ended 31 December 2023			
	Intelligent massage service under Direct Mode	**Intelligent massage service under Partner Mode**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
– Over time	472,125	95,580	9,910	577,615
– Point in time	–	–	9,221	9,221
Reportable segment revenue	472,125	95,580	19,131	586,836
Reportable segment profit	162,717	72,733	9,795	245,245

	Nine months ended 30 September 2023 (unaudited)			
	Intelligent massage service under Direct Mode	**Intelligent massage service under Partner Mode**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
– Over time	356,037	71,613	8,217	435,867
– Point in time	–	–	6,167	6,167
Reportable segment revenue	356,037	71,613	14,384	442,034
Reportable segment profit	140,351	55,327	8,072	203,750

	Nine months ended 30 September 2024 (unaudited)			
	Intelligent massage service under Direct Mode	Intelligent massage service under Partner Mode	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Disaggregated by timing of revenue recognition				
– Over time	516,485	87,368	3,539	607,392
– Point in time	–	–	7,391	7,391
Reportable segment revenue	516,485	87,368	10,930	614,783
Reportable segment profit	176,740	65,033	3,501	245,274

(ii) Reconciliation of reportable segment profit or loss

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Total reportable segment gross profit	85,335	245,245	203,750	245,274
Other net income/(loss)	200	(14,489)	(7,692)	(465)
Selling and distribution expenses	(42,749)	(77,114)	(51,007)	(84,670)
Administrative expenses	(18,377)	(29,222)	(21,286)	(28,133)
Research and development expenses	(8,330)	(16,191)	(10,663)	(16,209)
Finance costs	(1,329)	(2,008)	(1,212)	(2,543)
Changes in the carrying amount of the redemption liability	(4,985)	(3,007)	(2,756)	(164)
Consolidated profit before taxation	9,765	103,214	109,134	113,090

(iii) Geographic information

The Group generated all of its revenue in Chinese Mainland and its non-current assets are all located in Chinese Mainland, and accordingly, no analysis of geographic information is presented.

5 OTHER NET INCOME/(LOSS)

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Net fair value changes on financial assets measured at fair value through profit or loss	673	232	116	64
Gain on disposal of investment in a subsidiary	–	26	26	–
Interest income	197	1,034	844	258
Government grants	554	317	13	27
Net loss on disposal of property, plant and equipment	(1,171)	(3,178)	(425)	(906)
Impairment loss on property, plant and equipment	–	(12,352)	(7,832)	–
Others	(53)	(568)	(434)	92
	200	(14,489)	(7,692)	(465)

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
(a) Finance costs				
Interest on bank loans *(note 18(c))*	822	1,355	785	2,092
Interest on lease liabilities *(note 18(c))*	507	653	427	451
	1,329	2,008	1,212	2,543

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
(b) Staff costs				
Salaries, wages allowances and other benefits in kind	49,997	77,792	59,346	83,763
Retirement scheme contributions	2,005	4,213	2,822	5,185
Equity-settled share-based payment expenses *(note 26)*	2,053	7,238	5,949	4,123
	54,055	89,243	68,117	93,071

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
(c) Other items				
Amortisation of intangible assets *(note 12)*	77	87	69	60
Depreciation charge *(note 11)*				
– owned property, plant and equipment	58,368	65,404	46,322	78,409
– right-of-use assets	4,977	7,286	4,653	6,563
Impairment loss on trade and other receivables	2,492	1,716	753	1,378
Impairment loss on property, plant and equipment	–	12,352	7,832	–
[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Cost of inventories *(note 16)*	17,576	24,493	15,823	18,130

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Current tax – PRC Corporate Income Tax ("PRC CIT")				
Provision for the year/period	3,840	18,289	18,779	19,391
(Over)/under-provision in respect of prior years	–	(5)	(5)	18
	3,840	18,284	18,774	19,409
Deferred tax				
Origination and reversal of temporary differences *(note 27(b))*	(556)	(2,410)	(2,374)	571
	3,284	15,874	16,400	19,980

(i) In accordance with relevant rules and regulations of Corporate Income Tax ("CIT") in Chinese Mainland, the Company is subject to PRC CIT at a preferential tax rate of 15% during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

(ii) Pingtan Lemo Gongchuang Investment Partnership Enterprise (LLP) ("Lemo Gongchuang") and Pingtan Lemo Gongying Investment Partnership Enterprise (LLP) ("Lemo Gongying"), the special purpose vehicles to hold the ordinary shares for the Company's employees under the employee incentive scheme as disclosed in note 26, are not subject to CIT of Chinese Mainland.

(iii) According to the PRC Corporate Income Tax Law and its implementation regulations, certain subsidiaries of the Company were qualified as "Small Low-profit Enterprise" and enjoyed a reduced corporate income tax rate of 20%. All of the other subsidiaries of the Company are subject to CIT at a statutory rate of 25% during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

(iv) According to the relevant tax rules in the Chinese Mainland, qualified research and development costs are allowed for bonus deduction for income tax purpose, as a result, an additional 75% to 100% of the qualified research and development costs of the Company could be deemed as deductible expenses during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Profit before taxation	9,765	103,214	109,134	113,090
Notional tax on profit before taxation, calculated at the applicable rates in the jurisdictions concerned	2,441	25,804	27,284	28,273
Tax effect of non-deductible expenses	3,559	5,648	4,281	2,622
Tax effect of additional deduction for qualified research and development expenses	(1,438)	(3,680)	(2,670)	(3,565)
Utilisation of previously unrecognised tax losses	–	(100)	(100)	(85)
Tax effect of unused tax losses not recognised	281	897	752	595
Statutory tax concession	(2,123)	(13,025)	(13,111)	(7,329)
Effect of change of tax rate on deferred tax balances	–	–	–	(343)
Tax effect of unrecognised deductible temporary differences	564	335	(31)	(206)
(Over)/under-provision in respect of prior years	–	(5)	(5)	18
Actual tax expense	3,284	15,874	16,400	19,980

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' and supervisors' emoluments during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 are as follows:

	Year ended 31 December 2022						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and executive director							
Mr. Xie Zhonghui	–	538	236	8	782	242	1,024
Executive directors							
Mr. Chen Xing	–	382	161	5	548	–	548
Mr. Feng Baocai	–	376	223	4	603	–	603
Non-executive directors							
Mr. Xu Wei	–	–	–	–	–	–	–
Mr. Li Jianzheng	–	–	–	–	–	–	–
Supervisor							
Ms. Yu Xiaohong	–	209	16	–	225	242	467
	–	1,505	636	17	2,158	484	2,642

	Year ended 31 December 2023						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and executive director							
Mr. Xie Zhonghui	–	553	479	8	1,040	4,294	5,334
Executive directors							
Mr. Chen Xing	–	471	229	5	705	–	705
Mr. Feng Baocai	–	505	394	5	904	–	904
Non-executive directors							
Mr. Xu Wei	–	–	–	–	–	–	–
Mr. Li Jianzheng	–	–	–	–	–	–	–
Supervisor							
Ms. Yu Xiaohong	–	257	29	2	288	242	530
	–	1,786	1,131	20	2,937	4,536	7,473

	Nine months ended 30 September 2023 (unaudited)						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and executive director							
Mr. Xie Zhonghui	–	413	360	6	779	4,294	5,073
Executive directors							
Mr. Chen Xing	–	353	172	4	529	–	529
Mr. Feng Baocai	–	376	295	4	675	–	675
Non-executive directors							
Mr. Xu Wei	–	–	–	–	–	–	–
Mr. Li Jianzheng	–	–	–	–	–	–	–
Supervisor							
Ms. Yu Xiaohong	–	188	21	1	210	181	391
	–	1,330	848	15	2,193	4,475	6,668

	Nine months ended 30 September 2024 (unaudited)						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments *(note)*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Chairman and non-executive director							
Mr. Han Daohu (appointed on 29 August 2024)	–	–	–	–	–	–	–
Executive directors							
Mr. Xie Zhonghui (resigned as chairman on 29 August 2024)	–	413	360	7	780	846	1,626
Mr. Chen Xing	–	350	172	5	527	–	527
Mr. Feng Baocai	–	374	295	5	674	–	674
Non-executive directors							
Mr. Li Jianzheng (resigned on 29 August 2024)	–	–	–	–	–	–	–
Mr. Wu Jinghua (appointed on 29 August 2024)	–	–	–	–	–	–	–
Mr. Xu Wei (resigned on 29 August 2024)	–	–	–	–	–	–	–
Supervisors							
Ms. Yu Xiaohong	–	235	21	5	261	181	442
Ms. Chen Xia (appointed on 29 August 2024)	–	33	–	5	38	60	98
Ms. Wang Xuezhen (appointed on 29 August 2024)	–	91	–	5	96	91	187
	–	1,496	848	32	2,376	1,178	3,554

Note: These represent the estimated value of restricted shares granted to the directors and supervisors under the Group's share award scheme. The value of these share awards is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(p)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of shares granted, are disclosed in note 26.

Pursuant to resolutions of shareholders on 23 December 2024, Mr. Lei Zhigang, Ms. Dong Hui, and Ms. Suek Ka Lun Ernie will be appointed as independent non-executive directors of the Company upon [**REDACTED**] of the Company.

During the years ended 31 December 2022 and 2023 and nine months ended 30 September 2023 and 2024, no director, chief executive or supervisor has waived or agreed to waive any emoluments and no amounts were paid or payable by the Group to the directors, the chief executive and the supervisors as an inducement to join or upon joining the Group or as compensation for loss of any office in connection with the management of the affairs of any member of the Group.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 3, 2, 2 (unaudited) and 2 (unaudited) are directors whose emoluments are disclosed in note 8 for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 respectively. The aggregate of the emoluments in respect of the other 2, 3, 3 (unaudited) and 3 (unaudited) individuals for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 are as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Salaries, allowances and benefits in kind	661	1,336	999	1,095
Discretionary bonuses	440	986	739	268
Equity-settled share-based payments	323	886	444	1,464
Retirement scheme contributions	9	23	18	17
	1,433	3,231	2,200	2,844

The emoluments of the 2, 3, 3 (unaudited) and 3 (unaudited) individuals with the highest emoluments for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 are within the following bands:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	Number of individuals	*Number of individuals*	*Number of individuals* (unaudited)	*Number of individuals* (unaudited)
Nil – HK$1,000,000	2	1	2	2
HK$1,000,001 – HK$1,500,000	–	2	1	1

10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 is based on the profit attributable to ordinary equity shareholders of the Company and the weighted average number of ordinary shares in issue or deemed to be in issue for the respective year/period. The profit attributable to unvested ordinary shares held for employee incentive scheme with employees (see note 26) and the number of such shares have been excluded from the calculation of basic earnings per share.

As described in note 28(c), the Company converted from a limited liability company into a joint stock limited liability company on 29 August 2024, with a registered capital of RMB50,000,000 divided into 50,000,000 shares with a nominal value of RMB1.00 each. For the purpose of computing basic and diluted earnings per share, the weighted average number of ordinary shares were deemed to be in issue before the Company's conversion into a joint stock limited liability company as if the above conversion had occurred on 1 January 2022 at the exchange ratio established on 29 August 2024.

(i) Profit attributable to ordinary equity shareholders of the Company

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Profit for the year/period attributable to all equity shareholders of the Company	6,481	87,340	92,734	93,110
Allocation of profit for the year/period attributable to shares with redemption rights *(note 24)*	(782)	(6,783)	(8,720)	(523)
Allocation of profit for the year/period attributable to unvested shares held for employee incentive scheme *(note 26)*	(102)	(1,636)	(1,471)	(2,992)
Profit for the year/period attributable to ordinary equity shareholders of the Company	5,597	78,921	82,543	89,595

(ii) Weighted average number of ordinary shares

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	'000	*'000*	*'000* (unaudited)	*'000* (unaudited)
Ordinary shares deemed to be in issue at 1 January	54,063	54,063	54,063	50,000
Effect of shares deemed to be issued	–	196	–	–
Effect of shares deemed to be repurchased	–	(2,501)	(1,586)	–
Effect of unvested shares held for employee incentive scheme *(note 26)*	(851)	(969)	(832)	(1,607)
Effect of shares with redemption rights *(note 24)*	(6,521)	(4,020)	(4,935)	(281)
Weighted average number of ordinary shares at 31 December/30 September	46,691	46,769	46,710	48,112

(b) Diluted earnings per share

For the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the unvested ordinary shares held for employee incentive scheme with employees and the shares with redemption rights were not included in the calculation of diluted earnings per share because their inclusion would have been anti-dilutive. The Company does not have other potential ordinary shares and therefore the amounts of diluted earnings per share are the same as basic earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

The Group

	Properties leased for own use	Massage equipment	Office and other equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2022	11,149	252,158	2,143	521	5,386	5,364	276,721
Additions	8,040	–	776	–	2,970	28,703	40,489
Transfer from construction in progress	–	32,108	17	–	–	(32,125)	–
Disposals	(2,962)	(35,589)	–	–	(141)	–	(38,692)
At 31 December 2022 and 1 January 2023	16,227	248,677	2,936	521	8,215	1,942	278,518
Additions	16,287	–	410	13	10,590	156,626	183,926
Transfer from construction in progress	–	146,518	–	–	–	(146,518)	–
Disposals	(9,028)	(59,697)	(381)	–	(944)	–	(70,050)
At 31 December 2023 and 1 January 2024	23,486	335,498	2,965	534	17,861	12,050	392,394
Additions (unaudited)	2,356	–	353	5	10,041	121,168	133,923
Transfer from construction in progress (unaudited)	–	131,185	–	–	–	(131,185)	–
Transfer to construction in progress (unaudited)	–	(4,403)	–	–	–	4,403	–
Write off (unaudited)	–	(14,066)	–	–	–	–	(14,066)
Disposals (unaudited)	(2,973)	(42,090)	–	–	(1,023)	–	(46,086)
At 30 September 2024 (unaudited)	22,869	406,124	3,318	539	26,879	6,436	466,165
Accumulated depreciation:							
At 1 January 2022	(2,743)	(152,024)	(607)	(51)	(521)	–	(155,946)
Charge for the year	(4,977)	(55,284)	(672)	(99)	(2,313)	–	(63,345)
Written back on disposals	2,234	33,073	–	–	141	–	35,448
At 31 December 2022 and 1 January 2023	(5,486)	(174,235)	(1,279)	(150)	(2,693)	–	(183,843)
Charge for the year	(7,286)	(59,402)	(757)	(99)	(5,146)	–	(72,690)
Written back on disposals	5,318	55,404	146	–	241	–	61,109
At 31 December 2023 and 1 January 2024	(7,454)	(178,233)	(1,890)	(249)	(7,598)	–	(195,424)
Charge for the period (unaudited)	(6,563)	(71,450)	(392)	(76)	(6,491)	–	(84,972)
Write off (unaudited)	–	4,338	–	–	–	–	4,338
Written back on disposals (unaudited)	1,933	38,144	–	–	452	–	40,529
At 30 September 2024 (unaudited)	(12,084)	(207,201)	(2,282)	(325)	(13,637)	–	(235,529)
Impairment:							
At 1 January 2022, 31 December 2022 and 1 January 2023	–	–	–	–	–	–	–
Impairment loss recognised in profit or loss	–	(12,352)	–	–	–	–	(12,352)
At 31 December 2023 and 1 January 2024	–	(12,352)	–	–	–	–	(12,352)
Write off (unaudited)	–	9,728	–	–	–	–	9,728
At 30 September 2024 (unaudited)	–	(2,624)	–	–	–	–	(2,624)
Net book value:							
At 31 December 2022	10,741	74,442	1,657	371	5,522	1,942	94,675
At 31 December 2023	16,032	144,913	1,075	285	10,263	12,050	184,618
At 30 September 2024 (unaudited)	10,785	196,299	1,036	214	13,242	6,436	228,012

The Company

	Properties leased for own use	Massage equipment	Office and other equipment	Motor vehicles	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2022	10,911	252,532	2,092	521	5,386	5,364	276,806
Additions	8,042	–	776	–	1,492	28,700	39,010
Transfer from construction in progress	–	32,108	17	–	–	(32,125)	–
Disposals	(2,962)	(35,589)	–	–	(141)	–	(38,692)
At 31 December 2022 and 1 January 2023	15,991	249,051	2,885	521	6,737	1,939	277,124
Additions	11,028	–	351	13	5,208	156,084	172,684
Transfer from construction in progress	–	146,471	–	–	–	(146,471)	–
Disposals	(8,791)	(59,697)	(381)	–	(241)	–	(69,110)
At 31 December 2023 and 1 January 2024	18,228	335,825	2,855	534	11,704	11,552	380,698
Additions (unaudited)	111	–	289	–	6,235	121,043	127,678
Transfer from construction in progress (unaudited)	–	131,185	–	–	–	(131,185)	–
Transfer to construction in progress (unaudited)	–	(4,403)	–	–	–	4,403	–
Write off (unaudited)	–	(14,066)	–	–	–	–	(14,066)
Disposals (unaudited)	(1,535)	(42,090)	–	–	(294)	–	(43,919)
At 30 September 2024 (unaudited)	16,804	406,451	3,144	534	17,645	5,813	450,391
Accumulated depreciation:							
At 1 January 2022	(2,703)	(152,024)	(597)	(51)	(521)	–	(155,896)
Charge for the year	(4,819)	(55,284)	(658)	(99)	(2,057)	–	(62,917)
Written back on disposals	2,234	33,073	–	–	141	–	35,448
At 31 December 2022 and 1 January 2023	(5,288)	(174,235)	(1,255)	(150)	(2,437)	–	(183,365)
Charge for the year	(6,360)	(58,821)	(738)	(99)	(3,868)	–	(69,886)
Written back on disposals	5,081	55,404	146	–	241	–	60,872
At 31 December 2023 and 1 January 2024	(6,567)	(177,652)	(1,847)	(249)	(6,064)	–	(192,379)
Charge for the period (unaudited)	(4,952)	(71,182)	(393)	(76)	(2,943)	–	(79,546)
Write off (unaudited)	–	4,338	–	–	–	–	4,338
Written back on disposals (unaudited)	1,514	38,144	–	–	294	–	39,952
At 30 September 2024 (unaudited)	(10,005)	(206,352)	(2,240)	(325)	(8,713)	–	(227,635)
Impairment:							
At 1 January 2022, 31 December 2022 and 1 January 2023	–	–	–	–	–	–	–
Impairment loss recognised in profit or loss	–	(12,352)	–	–	–	–	(12,352)
At 31 December 2023 and 1 January 2024	–	(12,352)	–	–	–	–	(12,352)
Write off (unaudited)	–	9,728	–	–	–	–	9,728
At 30 September 2024 (unaudited)	–	(2,624)	–	–	–	–	(2,624)
Net book value:							
At 31 December 2022	10,703	74,816	1,630	371	4,300	1,939	93,759
At 31 December 2023	11,661	145,821	1,008	285	5,640	11,552	175,967
At 30 September 2024 (unaudited)	6,799	197,475	904	209	8,932	5,813	220,132

In the second half of 2023, the Group identified some components of certain new models of massage equipment deployed in cinemas had quality problems, and decided to phase-out these massage equipment for repairment. As a result, the expected usage of these message equipment were lower than originally budgeted. The Group assessed the recoverable amounts of these massage equipment comprising the CGU in relation to its intelligent massage service under Direct Mode.

The recoverable amount of the CGU is determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a two-year period. The key assumptions used in estimating the recoverable amount are as follows:

	2023
Expected usage during the forecast period	77%-88%
Annual revenue growth rate during the forecast period	2.5%
Gross profit margin	36.5%
Pre-tax discount rate	9.8%

An impairment loss of RMB12,352,000 was recognised in "Other net income/(loss)" during the year ended 31 December 2023. As at 31 December 2023, the carrying amount of the CGU was written down to their recoverable amount of RMB8,103,000, any adverse change in the assumptions used in the calculation of recoverable amount would result in further impairment losses.

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Included in "Property, plant and equipment":			
Properties leased for own use, carried at depreciated cost	10,741	16,032	10,785

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Depreciation charge of right-of-use assets by class of underlying asset:				
Properties leased for own use	4,977	7,286	4,653	6,563
Interest on lease liabilities *(note 6(a))*	507	653	427	451
Expense relating to short-term leases	13,888	13,674	11,398	15,357
COVID-19-related rent concessions received	(88)	–	–	–
Variable lease payments not included in the measurement of lease liabilities	106	230	271	307

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, additions to right-of-use assets were RMB8,040,000, RMB16,287,000, and RMB2,356,000 (unaudited), respectively. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 18(d) and 23 respectively.

The Group has obtained the right to use properties as its POS, manufacturing facilities and administrative offices through tenancy agreements. The leases typically run for an initial period of 1 to 5 years. Lease payments are usually increased every 1 year to reflect market rentals.

The Group leased a number of POS which contain variable lease payment terms that are based on revenue generated from the POS and minimum annual lease payment terms that are fixed. These payment terms are common in POS in Chinese Mainland where the Group operates. The amount of fixed and variable lease payments for the years/periods is summarised below:

	Year ended 31 December 2022		
	Fixed payments	Variable payments	Total payments
	RMB'000	*RMB'000*	*RMB'000*
POS	2,264	106	2,370
Manufacturing facilities and administrative offices	2,329	–	2,329
	4,593	106	4,699

	Year ended 31 December 2023		
	Fixed payments	Variable payments	Total payments
	RMB'000	*RMB'000*	*RMB'000*
POS	4,887	230	5,117
Manufacturing facilities and administrative offices	4,074	–	4,074
	8,961	230	9,191

	Nine months ended 30 September 2023 (unaudited)		
	Fixed payments	Variable payments	Total payments
	RMB'000	*RMB'000*	*RMB'000*
POS	2,144	271	2,415
Manufacturing facilities and administrative offices	2,846	–	2,846
	4,990	271	5,261

	Nine months ended 30 September 2024 (unaudited)		
	Fixed payments	Variable payments	Total payments
	RMB'000	*RMB'000*	*RMB'000*
POS	1,422	307	1,729
Manufacturing facilities and administrative offices	3,092	–	3,092
	4,514	307	4,821

At 31 December 2022 and 2023 and 30 September 2023 and 2024, it is estimated that an increase in sales generated from these POS by 5% would have increased the lease payments by RMB25,000, RMB33,000, RMB21,000 (unaudited) and RMB23,000 (unaudited), respectively.

12 INTANGIBLE ASSETS

	Software
	RMB'000
Cost:	
At 1 January 2022	100
Additions	395
At 31 December 2022, 31 December 2023 and 30 September 2024 (unaudited)	495
Accumulated amortisation:	
At 1 January 2022	(60)
Charge for the year	(77)
At 31 December 2022 and 1 January 2023	(137)
Charge for the year	(87)
At 31 December 2023 and 1 January 2024	(224)
Charge for the period (unaudited)	(60)
At 30 September 2024 (unaudited)	(284)
Net book value:	
At 31 December 2022	358
At 31 December 2023	271
At 30 September 2024 (unaudited)	211

The amortisation charge for the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 is included in administrative expenses and selling and distribution expenses in the consolidated statements of profit or loss and other comprehensive income.

13 INVESTMENT IN SUBSIDIARIES

The carrying amounts of investments in subsidiaries of the Company is listed below:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Investments in subsidiaries	4,700	10,950	12,380

Further details of the principal subsidiaries of the Group are set out in note 1.

14 OTHER NON-CURRENT ASSETS

Other non-current assets mainly represent prepayments for POS rentals and expenses.

15 FINANCIAL ASSETS MEASURED AT FAIR VALUE

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Financial assets measured at fair value through profit or loss			
– Wealth management products *(note (i))*	20,519	15,751	19,778
Financial assets measured at fair value through other comprehensive income			
– Negotiable certificate of deposit *(note (ii))*	–	10,007	10,105

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Financial assets measured at fair value through profit or loss			
– Wealth management products *(note (i))*	20,519	15,750	19,778
Financial assets measured at fair value through other comprehensive income			
– Negotiable certificate of deposit *(note (ii))*	–	10,007	10,105

(i) The amount represents investments in wealth management products issued by reputable financial institutions in Chinese Mainland. There are no fixed or determinable returns of these wealth management products.

(ii) Annual interest rate of negotiable certificate of deposit held by the Group as at 31 December 2023 and 30 September 2024 is 2.85% and 2.60% (unaudited) with maturity date of December 2026 and May 2026 (unaudited) respectively.

16 INVENTORIES

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Inventories			
Raw materials	4,845	5,159	7,796
Work in progress	21	18	–
Finished goods	447	953	970
Goods in transit	98	68	144
	5,411	6,198	8,910

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Inventories			
Raw materials	3,299	3,765	4,634
Work in progress	21	18	–
Finished goods	447	952	350
Goods in transit	98	64	74
	3,865	4,799	5,058

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Carrying amount of inventories sold	5,639	6,171	4,279	5,178
Carrying amount of inventories recognised as research and development expenses	576	1,281	297	2,836
Carrying amount of inventories recognised as selling and distribution expenses	8,520	12,807	8,718	8,115
Carrying amount of inventories consumed as cost of sales	2,640	4,193	2,491	1,988
Write-down of inventories	201	41	38	13
	17,576	24,493	15,823	18,130

17 TRADE RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

(a) Trade and other receivables

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Trade receivables, net of loss allowance – third parties	2,330	1,346	837
Deposits *(note (i))*	26,809	40,787	49,270
VAT recoverable	12,827	12,001	15,762
Other receivables	4,939	9,460	5,485
	46,905	63,594	71,354

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Trade receivables, net of loss allowance			
– third parties	2,229	1,346	825
Deposits *(note (i))*	26,735	28,502	28,547
VAT recoverable	12,802	11,997	15,346
Other receivables	4,839	8,584	3,827
	46,605	50,429	48,545

(i) Deposits mainly include the deposits paid to the site owners of POS which is refundable upon termination of the occupancy agreement.

As at 31 December 2022 and 2023 and 30 September 2024, deposits of RMB20,078,000, RMB26,140,000 and RMB19,247,000 (unaudited) of the Group were expected to be recovered or recognised as expense after more than one year. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

As at 31 December 2022 and 2023 and 30 September 2024, the ageing analysis of trade receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Current (not past due)	1,215	897	748
Less than 3 months past due	10	28	–
Over 3 months past due	1,105	421	89
	2,330	1,346	837

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Current (not past due)	1,113	897	748
Less than 3 months past due	10	28	–
Over 3 months past due	1,106	421	77
	2,229	1,346	825

Trade receivables are due within 30 to 90 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in note 29(a).

(b) Prepayment

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Prepayments for:			
– occupancy fee of POS	38,576	74,799	91,622
– others	881	1,429	1,975
	39,457	76,228	93,597

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Prepayments for:			
– occupancy fee of POS	38,424	51,360	49,612
– others	881	1,127	1,226
	39,305	52,487	50,838

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Cash at bank and on hand	38,580	36,624	23,050
Cash balances with payment platforms	4,631	2,267	4,754
Cash and cash equivalents	43,211	38,891	27,804

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Cash at bank and on hand	33,171	30,662	20,417
Cash balances with payment platforms	4,482	2,100	2,396
Cash and cash equivalents	37,653	32,762	22,813

Cash balances with payment platforms represents cash balances kept with third party payment platforms, which can be withdrawn on demand.

As at 31 December 2022 and 2023 and 30 September 2024, all cash and cash equivalents were situated in Chinese Mainland. Remittance of funds out of Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

(b) Reconciliation of profit before taxation to cash generated from operations:

		Year ended 31 December		Nine months ended 30 September	
	Note	**2022**	**2023**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Profit before taxation		9,765	103,214	109,134	113,090
Adjustments for:					
Depreciation	*6(c)*	63,345	72,690	50,975	84,972
Amortisation of intangible assets	*6(c)*	77	87	69	60
Finance costs	*6(a)*	1,329	2,008	1,212	2,543
Changes in the carrying amount of the redemption liability	*18(c)*	4,985	3,007	2,756	164
Interest income	*5*	(197)	(1,034)	(844)	(258)
Write-down of inventories	*16*	201	41	38	13
Loss on disposal of property, plant and equipment	*5*	1,171	3,178	425	906
Net fair value changes on financial assets measured at fair value through profit or loss	*5*	(673)	(232)	(116)	(64)
Gain on disposal of investment in a subsidiary	*5*	–	(26)	(26)	–
Equity-settled share-based payment expenses	*6(b)*	2,053	7,238	5,949	4,123
Impairment loss on trade and other receivables	*6(c)*	2,492	1,716	753	1,378
Impairment loss on property, plant and equipment	*6(c)*	–	12,352	7,832	–
COVID-19-related rent concessions received	*11(b)*	(88)	–	–	–
Others		–	(7)	–	(100)
Changes in working capital:					
Decrease/(increase) in inventories		1,633	(828)	(2,543)	(2,725)
Increase in trade and other receivables and prepayments		(2,933)	(55,298)	(76,756)	(26,500)
(Increase)/decrease in other non-current assets		(5,416)	(917)	678	(2,526)
Increase in trade and other payables		9,162	27,575	63,568	15,698
Increase/(decrease) in contract liabilities		1,324	1,568	308	(673)
(Decrease)/increase in other current liabilities		(1,090)	67	30	(6)
Cash generated from operations		87,140	176,399	163,442	190,095

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank loans	Lease liabilities	Redemption liability	Total
	RMB'000 *(Note 22)*	*RMB'000* *(Note 23)*	*RMB'000* *(Note 24)*	*RMB'000*
At 1 January 2022	20,029	8,282	70,077	98,388
Changes from financing cash flows:				
Proceeds from new bank loans	21,250	–	–	21,250
Repayment of bank loans	(23,000)	–	–	(23,000)
Capital element of lease rentals paid	–	(4,031)	–	(4,031)
Interest element of lease rentals paid	–	(507)	–	(507)
Interest paid	(830)	–	–	(830)
Total changes from financing cash flows	(2,580)	(4,538)	–	(7,118)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	7,992	–	7,992
Decrease in lease liabilities from termination of lease contracts	–	(677)	–	(677)
COVID-19-related rent concessions received *(note 11(b))*	–	(88)	–	(88)
Changes in the carrying amount of the redemption liability	–	–	4,985	4,985
Interest expenses *(note 6(a))*	822	507	–	1,329
Total other changes	822	7,734	4,985	13,541
At 31 December 2022	18,271	11,478	75,062	104,811

	Bank loans	Lease liabilities	Redemption liability	Total
	RMB'000 *(Note 22)*	*RMB'000* *(Note 23)*	*RMB'000* *(Note 24)*	*RMB'000*
At 1 January 2023	18,271	11,478	75,062	104,811
Changes from financing cash flows:				
Proceeds from new bank loans	69,760	–	–	69,760
Repayment of bank loans	(31,854)	–	–	(31,854)
Partial settlement of the redemption liability	–	–	(62,060)	(62,060)
Capital element of lease rentals paid	–	(7,466)	–	(7,466)
Interest element of lease rentals paid	–	(653)	–	(653)
Interest paid	(1,410)	–	–	(1,410)
Total changes from financing cash flows	36,496	(8,119)	(62,060)	(33,683)

	Bank loans	Lease liabilities	Redemption liability	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 23)*	*(Note 24)*	
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	16,139	–	16,139
Decrease in lease liabilities from termination of lease contracts	–	(3,997)	–	(3,997)
Changes in the carrying amount of the redemption liability	–	–	3,007	3,007
Interest expenses *(note 6(a))*	1,355	653	–	2,008
Total other changes	1,355	12,795	3,007	17,157
At 31 December 2023	56,122	16,154	16,009	88,285

	Bank loans	Lease liabilities	Redemption liability	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 23)*	*(Note 24)*	
(unaudited)				
At 1 January 2023	18,271	11,478	75,062	104,811
Changes from financing cash flows:				
Proceeds from new bank loans	51,160	–	–	51,160
Repayment of bank loans	(26,062)	–	–	(26,062)
Partial settlement of the redemption liability	–	–	(62,060)	(62,060)
Capital element of lease rentals paid	–	(5,466)	–	(5,466)
Interest element of lease rentals paid	–	(427)	–	(427)
Interest paid	(761)	–	–	(761)
Total changes from financing cash flows	24,337	(5,893)	(62,060)	(43,616)
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	9,137	–	9,137
Decrease in lease liabilities from termination of lease contracts	–	(2,669)	–	(2,669)
Changes in the carrying amount of the redemption liability	–	–	2,756	2,756
Interest expenses *(note 6(a))*	785	427	–	1,212
Total other changes	785	6,895	2,756	10,436
At 30 September 2023 (unaudited)	43,393	12,480	15,758	71,631

	Bank loans	Lease liabilities	Redemption liability	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 23)*	*(Note 24)*	
(unaudited)				
At 1 January 2024	56,122	16,154	16,009	88,285
Changes from financing cash flows:				
Proceeds from new bank loans	42,880	–	–	42,880
Repayment of bank loans	(36,477)	–	–	(36,477)
Capital element of lease rentals paid	–	(7,221)	–	(7,221)
Interest element of lease rentals paid	–	(451)	–	(451)
Interest paid	(1,953)	–	–	(1,953)
Total changes from financing cash flows	4,450	(7,672)	–	(3,222)
Other changes:				
Increase in lease liabilities from entering into new leases during the period	–	2,288	–	2,288
Decrease in lease liabilities from termination of lease contracts	–	(1,134)	–	(1,134)
Changes in the carrying amount of the redemption liability	–	–	164	164
Interest expenses *(note 6(a))*	2,092	451	–	2,543
Cancellation of the redemption liability *(note 24)*	–	–	(16,173)	(16,173)
Total other changes	2,092	1,605	(16,009)	(12,312)
At 30 September 2024 (unaudited)	62,664	10,087	–	72,751

(d) Total cash outflow for leases

Amounts included in the consolidated cash flow statements for leases comprise the following, which are related to lease rentals paid:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	(unaudited)
Within operating cash flows	13,888	13,674	11,398	15,357
Within financing cash flows	4,538	8,119	5,893	7,672
	18,426	21,793	17,291	23,029

19 AMOUNTS DUE FROM/TO SUBSIDIARIES

The Company

Amounts due from subsidiaries of RMB4,104,000, RMB31,139,000 and RMB27,300,000 (unaudited) as at 31 December 2022 and 2023 and 30 September 2024 respectively, were non-trade in nature, and were unsecured, interest-free and repayable on demand. The remaining amounts due from subsidiaries of RMB237,000, RMB685,000 and RMB2,390,000 (unaudited) as at 31 December 2022 and 2023 and 30 September 2024 respectively, were trade in nature and were expected to be settled within one year.

Amounts due to subsidiaries of RMB2,272,000, RMB755,000 and RMB10,001,000 (unaudited) as at 31 December 2022 and 2023 and 30 September 2024 respectively, were trade in nature and were repayable on demand. The remaining amounts due to subsidiaries of nil, nil and RMB153,000 (unaudited) as at 31 December 2022 and 2023 and 30 September 2024 respectively, were non-trade in nature, and were unsecured, interest-free and repayable on demand.

20 TRADE AND OTHER PAYABLES

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Trade payables	22,492	63,086	54,990
Receipts in advance	23,166	27,670	29,321
Deposits *(note (i))*	5,861	5,628	4,873
Salary and welfare payables	10,054	21,118	25,584
Dividends payable to equity shareholders	–	20,000	1,966
Other payables and accruals	6,998	12,516	14,984
Financial liabilities measured at amortised cost	68,571	150,018	131,718
Other tax payables	1,181	2,166	4,202
	69,752	152,184	135,920

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Trade payables	21,469	58,902	47,386
Receipts in advance	23,157	27,626	29,288
Deposits *(note (i))*	5,861	5,628	4,822
Salary and welfare payables	9,590	11,202	13,005
Dividends payable to equity shareholders	–	20,000	1,966
Other payables and accruals	6,933	11,170	13,144
Financial liabilities measured at amortised cost	67,010	134,528	109,611
Other tax payables	962	1,111	3,143
	67,972	135,639	112,754

(i) Deposits mainly represent deposits paid by Local Partners, which is refundable upon termination of the cooperation agreement.

All trade and other payables are expected to be settled or recognised as income within one year or are payable on demand.

As of the end of the reporting period, the ageing analysis of trade payables (which are included in trade and other payables), based on the invoice date, is as follows:

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Within 3 months	11,846	47,050	37,517
Over 3 months but within 6 months	3,187	4,294	359
Over 6 months but within 9 months	1,881	2,313	2,604
Over 9 months but within 1 year	1,138	3,229	2,356
Over 1 year	4,440	6,200	12,154
	22,492	63,086	54,990

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Within 3 months	11,012	44,328	32,152
Over 3 months but within 6 months	3,184	4,118	262
Over 6 months but within 9 months	1,881	2,221	2,283
Over 9 months but within 1 year	1,137	3,222	1,385
Over 1 year	4,255	5,013	11,304
	21,469	58,902	47,386

21 CONTRACT LIABILITIES

The Group and the Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Receipts in advance#	350	1,454	1,657
Unredeemed credits	2,121	2,583	1,758
Others	205	207	156
	2,676	4,244	3,571

\# This mainly represents the advance payments (exclude output VAT) from customers, for which the underlying services are yet to be provided. The output VAT contained in the advance payments has been classified under other current liabilities.

Movement in contract liabilities

The Group and the Company

	Year ended 31 December		Nine months ended 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Balance at 1 January	1,352	2,676	4,244
Decrease in contract liabilities as a result of recognising revenue during the year/period that was included in the contract liabilities at the beginning of the year/period	(1,294)	(2,558)	(4,104)
Increase in contract liabilities as a result of receiving advances from customers during the year/period	2,618	4,126	3,431
Balance at 31 December/30 September	2,676	4,244	3,571

As at 31 December 2022 and 2023 and 30 September 2024, the amount of contract liabilities expected to be recognised as income after one year or more is RMB118,000, RMB99,000 and RMB50,000 (unaudited) respectively. All of the other contract liabilities are expected to be recognised as income within one year.

22 BANK LOANS

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Short-term bank loans			
– unsecured and guaranteed	15,250	35,040	37,939
– unsecured and unguaranteed	3,021	–	–
– secured and guaranteed	–	7,385	10,673
	18,271	42,425	48,612
Long-term bank loans			
– secured and guaranteed	–	13,697	14,052
	18,271	56,122	62,664

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Short-term bank loans			
– unsecured and guaranteed	15,250	35,040	34,939
– unsecured and unguaranteed	1,721	–	–
– secured and guaranteed	–	7,385	10,673
	16,971	42,425	45,612
Long-term bank loans			
– secured and guaranteed	–	13,697	14,052
	16,971	56,122	59,664

Bank loans bear interest ranging from 3.95% to 4.95% per annum, 4.00% to 4.85% per annum and 3.65% to 4.85% (unaudited) per annum as at 31 December 2022 and 2023 and 30 September 2024, respectively.

(a) Assets pledged as security for bank loans

As at 31 December 2022 and 2023 and 30 September 2024, bank loans of nil, RMB21,082,000 and RMB24,725,000 (unaudited) of the Group were secured by property, plant and equipment of the Group with carrying amount of nil, RMB41,251,000 and RMB47,122,000 (unaudited) (note 11(a)).

As at 31 December 2022 and 2023 and 30 September 2024, bank loans of RMB15,250,000, RMB56,122,000 and RMB62,664,000 (unaudited) of the Group were guaranteed by one of the controlling shareholders (note 31(d)) and one affiliated individual.

(b) The analysis of the repayment schedule of bank loans is as follows:

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Within 1 year or on demand	18,271	42,425	48,612
After 1 year but within 2 years	–	7,287	10,425
After 2 years but within 5 years	–	6,410	3,627
	–	13,697	14,052
	18,271	56,122	62,664

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Within 1 year or on demand	16,971	42,425	45,612
After 1 year but within 2 years	–	7,287	10,425
After 2 years but within 5 years	–	6,410	3,627
	–	13,697	14,052
	16,971	56,122	59,664

23 LEASE LIABILITIES

As at 31 December 2022 and 2023 and 30 September 2024, the lease liabilities were repayable as follows:

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Within 1 year	4,682	8,426	6,740
After 1 year but within 2 years	2,780	4,832	2,669
After 2 years but within 5 years	4,016	2,896	678
	6,796	7,728	3,347
	11,478	16,154	10,087

The Company

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Within 1 year	4,641	6,852	4,750
After 1 year but within 2 years	2,780	3,581	1,675
After 2 years but within 5 years	4,016	1,471	213
	6,796	5,052	1,888
	11,437	11,904	6,638

24 REDEMPTION LIABILITY

In December 2017, Ma'anshan Cornerstone Yixiang Equity Investment Partnership Enterprise (LLP) ("Cornerstone Yixiang") entered into a capital increase agreement ("the Capital Increase Agreement") with the Company to subscribe for approximately RMB1,428,571 paid-in capital in the Company at the consideration of RMB50.0 million, which was fully settled in December 2017. As a result, Cornerstone Yixia had an equity interest of 12.5% in the Company with preferential rights.

In addition to voting rights and dividend rights which are the same for all shareholders of the Company, certain key preferential rights granted to Cornerstone Yixiang stipulated under the Capital Increase Agreement are summarised as follows:

Cornerstone Yixiang has a right to require the Company and/or its founding shareholders to purchase all of the paid-in capital in the Company held under the Capital Increase Agreement upon the occurrence of certain events including but not limited to (i) its failure to consummate a qualified [**REDACTED**] within five years from the date of closing, or (ii) the total equity interest of the Company held by its founding shareholders is less than 30%. The redemption price shall be the higher of the following: (i) the consideration paid by Cornerstone Yixiang plus a simple interest of 10% per annum for the period from the payment date of the consideration up to the redemption date; or (ii) a pro-rata share of the Company's latest audited book net assets at that time.

In addition, upon the occurrence of a liquidation of the Company before a qualified [**REDACTED**], Cornerstone Yixiang is entitled to receive, prior and in preference in any distribution of assets of the Company to other shareholders, an amount equal to the consideration paid plus a simple interest of 10% per annum for the period from the payment date of the consideration up to the liquidation date. Any remaining net assets of the Company are distributed amongst all shareholders rateably.

The redemption liability is classified as a current liability as explained in note 2(n).

In April 2023, Cornerstone Yixiang entered into a repurchase agreement ("the Repurchase Agreement") with the Company to require the Company to repurchase RMB1,142,857 paid-in capital of the Company held by way of capital reduction. The consideration was RMB62,060,000 which was determined pursuant to the redemption price as set out in the Capital Increase Agreement and was fully settled in 2023. According to the Repurchase Agreement, Cornerstone Yixiang and the Company extended the due date of the qualified [**REDACTED**] for three years.

As at 31 December 2022 and 2023, the carrying amounts of redemption liability of RMB75,062,000 and RMB16,009,000 are calculated based on the higher of the consideration paid plus an interest of 10% per annum or the pro-rata share of the Company's net assets at that date.

On 28 February 2024, Cornerstone Yixiang waived all preferential rights stipulated under the Capital Increase Agreement and the Repurchase Agreement. As a result, the Company derecognised the redemption liability and included its carrying amount in equity.

The movements of the redemption liability of the Company during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024 are set out in note 18(c).

25 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plan

As stipulated by the regulations of the Chinese Mainland, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans based on certain percentage of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the contributions described above.

26 EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Group has adopted employee incentive schemes on 1 December 2021 (the "Employee Incentive Scheme 2021") and 8 September 2023 (the "Employee Incentive Scheme 2023"), respectively. The purpose of the employee incentive schemes is to provide incentives and rewards to eligible participants for their past and future contributions to the Group. In connection with the Employee Incentive Scheme 2021 and Employee Incentive Scheme 2023, Lemo Gongchuang and Lemo Gongying were established in Chinese Mainland respectively as the employee incentive vehicles to respectively subscribe RMB415,804 and RMB252,741 registered capital of the Company. Eligible participants as approved by the Company were granted the equity interests in the form of registered capital of the Company through holding the limited partnership interests in Lemo Gongchuang or Lemo Gongying (referred to as "Restricted Equity Interests"). The employee incentive vehicles are treated as the subsidiaries of the Company because their relevant activities are directed by the Company so as to suit the Group's obligations in relation to the employee incentive schemes.

On 29 August 2024, the Company was converted into a joint stock limited liability company (note 28(c)(i)), and therefore, the total registered capital of the Company, amounting to RMB668,545, indirectly granted to the eligible participants of the employee incentive schemes were converted into 3,051,530 restricted shares of the Company on the same terms and conditions without a change in the underlying economic interests.

(a) Details of terms and conditions of the respective Restricted Equity Interests granted:

Employee Incentive Scheme 2021

On 1 December 2021, 29 July 2022 and 7 June 2024, certain directors of the Company were granted the Restricted Equity Interests in the form of the Company's registered capital of RMB226,139, RMB7,295 and RMB14,590, respectively, at a subscription price of RMB8.4 per each registered capital. These share awards were vested immediately at the corresponding dates of grant.

On 1 December 2021, 16 employees of the Company were granted the Restricted Equity Interests in the form of the Company's registered capital of RMB189,665 at a subscription price of RMB8.4 per each registered capital, which would be vested on the completion of the required service period of 36 months from the date of grant, subject to the employee's annual performance evaluation each year. The Company has the right to repurchase the Restricted Equity Interests at the original subscription price if the service requirement is not satisfied. As at 31 December 2022 and 2023 and 30 September 2024, the deposit liabilities recognised under the Employee Incentive Scheme 2021 were RMB1,532,000, RMB1,532,000 and RMB1,409,000 (unaudited) respectively.

The directors and employees are only allowed to transfer their vested Restricted Equity Interests to the other eligible participants of the Employee Incentive Scheme 2021. If the employees' services are terminated before [**REDACTED**], the employees are required to surrender the share award at a specified price or transfer it to other eligible participants. This transfer restriction will be released after three years upon completion of the [**REDACTED**].

Employee Incentive Scheme 2023

On 8 September 2023, one director of the Company was granted the Restricted Equity Interests in the form of the Company's registered capital of RMB76,163 at a subscription price of RMB10.58 per each registered capital. Further, on 31 August 2024, the same director of the Company was granted the Restricted Equity Interests in the form of the Company's shares at a subscription price of RMB2.32 per share. The share awards granted to the directors were vested immediately at the corresponding dates of grant.

On 8 September 2023, 12 employees of the Company were granted the Restricted Equity Interests in the form of the Company's registered capital of RMB176,578 at a subscription price of RMB10.58 per each registered capital, which would vest on the completion of the required service period of 36 months from the date of grant or the end of the A-share [**REDACTED**] lock-up period as mandated by stock exchanges in Chinese Mainland, whichever is later, and it is subject to the employee's annual performance evaluation each year. On 14 December 2023, the Group modified the share awards granted to the employees to remove the requirement of the occurrence of A-share [**REDACTED**] during the vesting period. From the date of the modification, the Group would take into account the revised vesting condition and recognises the grant-date fair value during the revised vesting period with adjusting the recognised share-based payment cost in the period of the modification to the amount that would have been recognised if the revised vesting conditions had always existed.

On 26 September 2024, 1 director and 4 employees of the Company were granted the Restricted Equity Interests in the form of the Company's shares at a subscription price of RMB4.09 per share. These share awards would vest on the completion of the required service period of 36 months from the date of grant, subject to the employee's annual performance evaluation each year.

The Company has the right to repurchase the share awards at the original subscription price if the service requirement is not satisfied. As at 31 December 2022 and 2023 and 30 September 2024, the deposit liabilities recognised under Employee Incentive Scheme 2023 were nil, RMB1,868,000 and RMB1,800,000 (unaudited) respectively.

(b) Movements in numbers and weighted average fair value of the Restricted Equity Interests granted to directors and employees of the Company are as follows:

	2022		2023		30 September 2024			
	Amount of registered capital	Weighted average fair value per RMB1 registered capital	Amount of registered capital	Weighted average fair value per RMB1 registered capital	Amount of registered capital	Number of shares	Weighted average fair value per RMB1 registered capital	Weighted average fair value per share
		RMB		*RMB*			*RMB*	*RMB*
As at 1 January	415,804	38.64	415,804	38.64	668,545	–	49.34	N/A
Granted and subscribed during the year/period	7,295	38.64	252,741	66.96	14,590	404,431	66.96	14.98
Forfeited during the year/period	(7,295)	38.64	–	N/A	(14,590)	(29,308)	66.96	14.67
Effect of conversion to a joint stock limited liability company	–	N/A	–	N/A	(668,545)	3,051,530	N/A	N/A
As at 31 December/ 30 September	415,804	38.64	668,545	49.34	–	3,426,653	N/A	12.22

As at 31 December 2022 and 2023, the unvested registered capital under Employee Incentive Scheme 2021 and Employee Incentive Scheme 2023 were RMB 182,370 and RMB358,948 respectively. As at 30 September 2024, the unvested shares Employee Incentive Scheme 2021 and Employee Incentive Scheme 2023 were 1,917,615 shares.

(c) Fair value of the share awards and assumptions

The fair value of services received in return for the Restricted Equity Interests granted is measured by reference to the fair value of Restricted Equity Interests granted at the corresponding dates of grant. No adjustment is required for expected dividends as the directors and employees are entitled to receive dividends paid during the vesting period. Except for those ordinary shares granted on 26 September 2024, whose fair value is measured with reference to the issuance price of a recent transaction of the Company's fundraising activity, discounted cash flow method was used to determine the underlying equity fair value of the Company with following key assumptions at the respective dates of share grant:

	Employee Incentive Scheme 2021	Employee Incentive Scheme 2023
Annual growth rate of revenue during five-year forecast period		
• 1 December 2021 and 29 July 2022	-4.25%-76.21%	
• 8 September 2023		2.82%-27.96%
• 7 June 2024	2.82%-27.96%	
Estimated weighted average growth rate beyond the five-year period		
• 1 December 2021 and 29 July 2022	2.50%	
• 8 September 2023		4.88%
• 7 June 2024	4.88%	
Gross profit margin revenue during five-year forecast period		
• 1 December 2021 and 29 July 2022	28.99%-46.04%	
• 8 September 2023		34.90%-38.78%
• 7 June 2024	34.90%-38.78%	
Weighted average cost of capital ("WACC")		
• 1 December 2021 and 29 July 2022	11.50%	
• 8 September 2023		10.30%
• 7 June 2024	10.30%	
Discount for lack of marketability ("DLOM")		
• 1 December 2021 and 29 July 2022	26.46%	
• 8 September 2023		15.56%
• 7 June 2024	15.56%	

27 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(a) Current taxation in the consolidated statements of financial position represents:

The Group

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
PRC CIT payable	2,951	9,116	13,844

(b) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax (assets)/liabilities recognised in the consolidated statements of financial position and the movements during the years/period are as follows:

	Credit loss allowance	Write-down of inventories	Impairment loss on property, plant and equipment	Unrealised inter-group profit	Accumulated tax losses	Accruals	Right-of-use assets	Lease liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:									
At 1 January 2022	(1,322)	–	–	(220)	–	(253)	1,273	(1,214)	(1,736)
(Credited)/charged to profit or loss	(342)	(28)	–	93	–	(109)	333	(503)	(556)
At 31 December 2022 and 1 January 2023	(1,664)	(28)	–	(127)	–	(362)	1,606	(1,717)	(2,292)
Charged/(credited) to profit or loss	271	1	(1,853)	(102)	(96)	(710)	360	(281)	(2,410)
At 31 December 2023 and 1 January 2024	(1,393)	(27)	(1,853)	(229)	(96)	(1,072)	1,966	(1,998)	(4,702)
(Credited)/charged to profit or loss (unaudited)	(259)	(1)	1,459	(83)	96	(830)	(387)	576	571
At 30 September 2024 (unaudited)	(1,652)	(28)	(394)	(312)	–	(1,902)	1,579	(1,422)	(4,131)

(ii) Reconciliation to the consolidated statements of financial position

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Net deferred tax asset in the consolidated statements of financial position	(2,292)	(4,702)	(4,131)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(q), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB1,122,000, RMB4,308,000, and RMB5,105,000 (unaudited) as at 31 December 2022 and 2023 and 30 September 2024 as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses expire within 5 years under current tax legislation.

28 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

The Company

	Note	Paid-in capital	Capital reserve	Equity interests held for employee incentive scheme	Share-based payment reserve	Statutory reserve	Retained profits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2022		11,844	41,375	(1,593)	159	2,190	14,453	68,428
Changes in equity for 2022:								
Profit and total comprehensive income for the year		–	–	–	–	–	7,863	7,863
Equity settled share-based transactions	*26*	–	221	61	1,832	–	–	2,114
Appropriation to statutory reserve	*28(d)(iii)*	–	–	–	–	882	(882)	–
Balance at 31 December 2022		11,844	41,596	(1,532)	1,991	3,072	21,434	78,405

	Note	Paid-in capital	Capital reserve	Equity interests held for employee incentive scheme	Share-based payment reserve	Statutory reserve	Retained profits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2023		11,844	41,596	(1,532)	1,991	3,072	21,434	78,405
Changes in equity for 2023:								
Profit and total comprehensive income for the year		–	–	–	–	–	92,618	92,618
Partial settlement of the redemption liability	*24*	(1,143)	1,143	–	–	–	–	–
Equity settled share-based transactions	*26*	253	6,715	(1,868)	2,944	–	–	8,044
Appropriation to statutory reserve	*28(d)(iii)*	–	–	–	–	9,619	(9,619)	–
Dividends declared to equity shareholders	*28(b)*	–	–	–	–	–	(23,750)	(23,750)
Others		–	2,985	–	–	–	–	2,985
Balance at 31 December 2023		10,954	52,439	(3,400)	4,935	12,691	80,683	158,302

	Note	Paid-in capital	Capital reserve	Equity interests held for employee incentive scheme	Share-based payment reserve	Statutory reserve	Retained profits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)								
Balance at 1 January 2023		11,844	41,596	(1,532)	1,991	3,072	21,434	78,405
Changes in equity for nine months ended 30 September 2023:								
Profit and total comprehensive income for the period		–	–	–	–	–	92,439	92,439
Partial settlement of the redemption liability	*24*	(1,143)	1,143	–	–	–	–	–
Equity settled share-based transactions	*26*	–	4,294	–	1,655	–	–	5,949
Dividends declared to equity shareholders	*28(b)*	–	–	–	–	–	(3,750)	(3,750)
Others		–	2,985	–	–	–	–	2,985
Balance at 30 September 2023		10,701	50,018	(1,532)	3,646	3,072	110,123	176,028

	Note	Paid-in capital	Share capital	Capital reserve	Share premium	Equity interests held for employee incentive scheme	Shares held for employee incentive scheme	Share-based payment reserve	Statutory reserve	Retained profits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)											
Balance at 1 January 2024		10,954	–	52,439	–	(3,400)	–	4,935	12,691	80,683	158,302
Changes in equity for nine months ended 30 September 2024:											
Profit and total comprehensive income for the period		–	–	–	–	–	–	–	–	65,757	65,757
Cancellation of the redemption liability	*24*	–	–	16,173	–	–	–	–	–	–	16,173
Equity settled share-based transactions	*26*	–	–	441	362	122	68	3,320	–	–	4,313
Conversion to a joint stock limited liability company	*28(c)*	(10,954)	50,000	(69,053)	155,202	3,278	(3,278)	–	(12,691)	(112,504)	–
Dividends declared to equity shareholders	*28(b)*	–	–	–	–	–	–	–	–	(20,000)	(20,000)
Balance at 30 September 2024		–	50,000	–	155,564	–	(3,210)	8,255	–	13,936	224,545

(b) Dividends

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024, the Company declared dividends of nil, RMB23,750,000, RMB3,750,000 (unaudited) and RMB20,000,000 (unaudited), respectively to its equity shareholders.

(c) Paid-in capital and share capital

	Note	**No. of ordinary shares issued and fully paid**	**Paid-in capital**	**Share capital**
		'000	*RMB'000*	*RMB'000*
At 1 January 2022, 31 December 2022 and 1 January 2023		–	11,844	–
Capital injection from equity shareholders under Employee Incentive Scheme 2023	*26*	–	253	–
Partial settlement of the redemption liability	*24*	–	(1,143)	–
At 31 December 2023 and 1 January 2024		–	10,954	–
Issue of ordinary shares upon conversion into a joint stock limited liability company (unaudited)	*(i)*	50,000	(10,954)	50,000
At 30 September 2024 (unaudited)		50,000	–	50,000

Note:

(i) Pursuant to the shareholders' resolutions dated 26 August 2024 and the promoters' agreement dated 28 August 2024, the shareholders of the Company agreed to convert the Company into a joint stock limited liability company. The net assets of the Company as of the conversion base date, which is 29 February 2024, including paid-in capital, capital reserve, statutory reserve and retained profits were converted into 50,000,000 ordinary shares at RMB1.00 each. The excess of the net assets converted over the nominal value of the ordinary shares was credited to the Company's share premium. Upon the completion of registration with the Pingtan Administration for Industry and Commerce on 29 August 2024, the Company was converted into a joint stock limited liability company under PRC Company Law.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Capital reserve and share premium

The capital reserve of the Group represents contribution from shareholders in excess of the registered paid-in capital of the Company before its conversion into a joint stock limited liability company in August 2024.

The share premium of the Group represents the difference between the nominal value of the ordinary shares of the Company and its net assets value as of the conversion base date upon the conversion into a joint stock limited liability company in August 2024.

(ii) Share-based payment reserve

The share-based payment reserve comprises the portion of difference between the fair value of shares granted and the consideration paid by the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for equity settled share-based payments in note 2(p)(ii).

(iii) Statutory reserve

Pursuant to the Articles of Association of the Group's Chinese Mainland companies and relevant statutory regulations, appropriations to the statutory reserve fund were made at 10% of profit after tax determined in accordance with accounting rules and regulations of the Chinese Mainland until the reserve balance reaches 50% of the registered capital. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Chinese Mainland companies provided that the balance after such conversion is not less than 25% of their registered capital, and is non-distributable other than in liquidation.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions for which the Group considers to represent low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group has established a credit risk management policy under which individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group has no significant concentration of credit risk in industries or countries in which the customers operate. Significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2022 and 2023 and 30 September 2024, 4.00%, 4.58% and nil (unaudited) of the total trade receivables was due from the Group's largest customer respectively within the segment of intelligent massage service under the Partner Mode, and 25.22%, 15.93% and 6.81% (unaudited) of the total trade receivables was due from the Group's five largest customers respectively.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different type of customer, the loss allowance based on past due status is not distinguished among the Group's different customer types.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Current (not past due)	0.7%	1,224	9
Less than 3 months past due	9.1%	11	1
Past due over 3 months	60.5%	2,795	1,690
		4,030	1,700

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Current (not past due)	1.4%	910	13
Less than 3 months past due	12.5%	32	4
Past due over 3 months	80.3%	2,142	1,721
		3,084	1,738

	As at 30 September 2024 (unaudited)		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Current (not past due)	1.7%	761	13
Less than 3 months past due	N/A	–	–
Past due over 3 months	92.3%	1,158	1,069
		1,919	1,082

Expected loss rates are based on actual loss experience over the past 36 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024 is as follows:

	Year ended 31 December		Nine months ended 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Balance at 1 January	617	1,700	1,738
Impairment losses recognised/(reversal)	1,083	38	(656)
Balance at 31 December/30 September	1,700	1,738	1,082

Deposits and other receivables

Deposits and other receivables mainly represent rental deposits. The expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The following table provides information about the Group's exposure to credit risk and ECLs for deposits and other receivables:

	As at 31 December 2022		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Within 1 year	6.2%	28,510	1,757
Over 1 year but within 2 years	13.9%	5,120	713
Over 2 years but within 3 years	50.0%	1,175	587
Over 3 years	100.0%	6,332	6,332
		41,137	9,389

	As at 31 December 2023		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Within 1 year	4.9%	47,700	2,338
Over 1 year but within 2 years	18.8%	2,162	406
Over 2 years but within 3 years	29.3%	4,428	1,299
Over 3 years	100.0%	3,954	3,954
		58,244	7,997

	As at 30 September 2024 (unaudited)		
	Expected loss rate	Gross carrying amount	Loss allowance
		RMB'000	*RMB'000*
Within 1 year	4.7%	51,136	2,411
Over 1 year but within 2 years	12.1%	5,337	645
Over 2 years but within 3 years	43.0%	2,346	1,008
Over 3 years	100.0%	5,283	5,283
		64,102	9,347

Movement in the loss allowance account in respect of deposits and other receivables during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024 is as follows:

	Year ended 31 December		Nine months ended 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Balance at 1 January	8,182	9,389	7,997
Amounts written off	(202)	(3,070)	(684)
Impairment losses recognised	1,409	1,678	2,034
Balance at 31 December/30 September	9,389	7,997	9,347

(b) Liquidity risk

The treasury function of the Group is centrally managed by the Group, which includes the short-term investment of cash surpluses and the raising of funds to cover expected cash demands. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) the date the Group is contractually required to pay, or if the counterparty has the choice of when the amount should be paid (irrespective of the fulfilment of covenants), and the earliest date the Group can be required to pay:

	As at 31 December 2022				
	Contractual undiscounted cash out flow				Carrying amount on consolidated statements of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	18,710	–	–	18,710	18,271
Trade and other payables	69,752	–	–	69,752	69,752
Lease liabilities	5,101	3,037	4,206	12,344	11,478
Redemption liability	75,062	–	–	75,062	75,062
	168,625	3,037	4,206	175,868	174,563

	As at 31 December 2023				
	Contractual undiscounted cash out flow				Carrying amount on consolidated statements of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	44,060	7,775	6,576	58,411	56,122
Trade and other payables	152,184	–	–	152,184	152,184
Lease liabilities	8,971	5,069	2,980	17,020	16,154
Redemption liability	16,009	–	–	16,009	16,009
	221,224	12,844	9,556	243,624	240,469

	As at 30 September 2024 (unaudited)				
	Contractual undiscounted cash out flow				Carrying amount on consolidated statements of financial position
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	50,183	10,873	3,699	64,755	62,664
Trade and other payables	135,920	–	–	135,920	135,920
Lease liabilities	7,043	2,764	694	10,501	10,087
	193,146	13,637	4,393	211,176	208,671

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, negotiable certificate deposit, bank loans, redemption liability and lease liabilities. Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk, respectively. The Group's interest rate risk profile as monitored by management is set out in (i) below.

(i) Interest rate risk profile

The following table, as reported to the management of the Group, details the interest rate risk profile of the Group at the end of each reporting period:

		As at 31 December		As at 30 September
	Note	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000* (unaudited)
Fixed rate instruments:				
Negotiable certificate of deposit	*15*	–	10,007	10,105
Lease liabilities	*23*	(11,478)	(16,154)	(10,087)
Bank loans	*22*	(9,963)	(42,425)	(43,290)
		(21,441)	(48,572)	(43,272)
Variable rate instruments:				
Bank loans	*22*	(8,308)	(13,697)	(19,374)
Cash at bank and on hand	*18(a)*	38,580	36,624	23,050
Cash balances with payment platforms	*18(a)*	4,631	2,267	4,754
		34,903	25,194	8,430

(ii) Sensitivity analysis

At 31 December 2022 and 2023 and 30 September 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately RMB302,000, RMB221,000, and RMB75,000 (unaudited) respectively.

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) is estimated as an annualised impact on interest expense or income of such a change in interest rates. The sensitivity analyses are performed on the same basis during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value at 31 December	Fair value measurements as at 31 December 2022 categorised into		
	2022	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Asset:				
Wealth management products	20,519	–	20,519	–

	Fair value at 31 December	Fair value measurements as at 31 December 2023 categorised into		
	2023	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
Wealth management products	15,751	–	15,751	–
Negotiable certificate of deposit	10,007	–	10,007	–

	Fair value at 30 September	Fair value measurements as at 30 September 2024 categorised into		
	2024	Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(unaudited)				
Recurring fair value measurements				
Assets:				
Wealth management products	19,778	–	19,778	–
Negotiable certificate of deposit	10,105	–	10,105	–

During the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

Valuation method used for wealth management products and negotiate certificate deposit

The fair value of wealth management products and negotiate certificate of deposit in level 2 is determined by using the DCF models. Future cash flows are estimated based on contractual terms of the wealth management products and negotiate certificate of deposit and discounted at a rate that reflects the credit risk of counterparties.

(ii) Fair value of financial assets and liabilities carried at amortised cost

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2022 and 2023 and 30 September 2024.

30 COMMITMENTS

Commitments outstanding at 31 December 2022 and 2023 and 30 September 2024 not provided for in the financial statements were as follows:

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Contracted for acquisition of property, plant and equipment	3,854	12,532	6,816
Contracted for short-term leases	7,823	10,262	5,010
	11,677	22,794	11,826

31 MATERIAL RELATED PARTY TRANSACTIONS

The Group entered into the following material related party transactions during the years ended 31 December 2022 and 2023 and the nine months ended 30 September 2023 and 2024.

Name of related parties	Relationship
Fujian Rovos Fitness Co., Ltd. (福建榮耀健康科技股份有限公司)*	Entity controlled by a director of the Group
Mr. Xie Zhonghui (謝忠惠)	One of the Controlling Shareholders

* The English translation of the company's name is for reference only. The official name of this company is in Chinese. The English translation is for reference only.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Salaries, wages allowances and other benefits in kind	2,631	3,592	2,684	2,923
Retirement scheme contributions	21	25	19	38
Equity-settled share-based payment expenses	484	4,978	4,586	2,174
	3,136	8,595	7,289	5,135

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Other transactions with related parties

	Year ended 31 December		Nine months ended 30 September	
	2022	2023	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Trade in nature:				
Purchase of equipment and spare parts				
– Entity controlled by a director of the Group	5,023	1,044	770	503

(c) Balances with related parties

	As at 31 December		As at 30 September
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000* (unaudited)
Trade in nature:			
Trade and other payables			
– Entity controlled by a director of the Group	382	237	153

(d) As at 31 December 2022 and 2023 and 30 September 2024, the bank loans guaranteed by one of the controlling shareholders and one affiliated individual of the Group were RMB15,250,000, RMB56,122,000 and RMB62,664,000 (unaudited) respectively (note 22(a)).

32 ULTIMATE CONTROLLING PARTY

The directors of the Company considered the ultimate controlling party of the Company as at 31 December 2022 and 2023 and 30 September 2024 was Mr. Xie Zhonghui.

33 POSSIBLE IMPACT OF NEW OR AMENDMENTS STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2024

Up to the date of issue of the Historical Financial Information, the IASB has issued a number of new or amended standards, which are not yet effective for the accounting period beginning on 1 January 2024 and which have not been adopted in the Historical Financial Information. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 21, *The effects of changes in foreign exchange rates – Lack of exchangeability*	1 January 2025
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: disclosures – Amendments to the classification and measurement of financial instruments*	1 January 2026
Annual Improvements to IFRS Accounting Standards – Volume 11	1 January 2026
IFRS 18, *Presentation and disclosure in financial statements*	1 January 2027
IFRS 19, *Subsidiaries without public accountability: disclosures*	1 January 2027
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined by the IASB

The Group is in the process of making an assessment of what the impact of these developments are expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group.

34 SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

[No significant subsequent events have been occurred to the Company and its subsidiaries in respect of any period subsequent to 30 September 2024.]

SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 September 2024.]

The information set forth in this appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set forth in Appendix I to this document, and is included herein for illustrative purpose only.

The unaudited [**REDACTED**] *financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set forth in Appendix I to this document.*

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

This Appendix mainly provides investors with an overview of the Articles of Association. As the following information is in summary form, it does not contain all the information that may be important to investors.

SHARES AND REGISTERED CAPITAL

The shares of the Company shall be issued in an open, fair and equal manner. Each share of the same class shall rank pari passu with each other. Shares of a class in each issuance shall be issued under the same terms and at the same price. Each of the shares shall be subscribed for at the same price by any entity or individual.

INCREASE, DECREASE, REPURCHASE AND TRANSFER OF SHARES

Increase and Decrease of Shares

According to the operation and development needs of the Company, subject to the laws, regulations and the Articles of Association, the Company may increase the capital by the following ways upon approval of special resolutions at the Shareholders' meeting:

(1) public issuance of shares;

(2) non-public issuance of shares;

(3) distribution of bonus shares to existing shareholders;

(4) convert the reserve to increase registered capital;

(5) other means stipulated by laws and administrative regulations or approved by relevant regulatory bodies such as the state council department in charge of securities or the supervisory and authorities of the place where the Company's shares are [**REDACTED**].

The Company may reduce its registered capital. Any reduction of registered capital shall be handled in accordance with the Company Law and other relevant provisions and the procedures set forth in these Articles of Association.

Repurchase of Shares

Company shall not repurchase its own shares, unless otherwise under the circumstances:

(1) reducing the Company's registered capital;

(2) merging with other companies holding our shares;

(3) using the shares as an employee stock ownership plan or equity incentive plan;

(4) purchasing its shares from Shareholders who have voted against the resolutions on the merger or division of the Company at a Shareholders' meeting upon their request;

(5) use of shares for conversion of convertible corporate bonds issued by the Company;

(6) necessary for the Company to maintain its value and protect the interests of the shareholders;

(7) other circumstances permitted by laws, administrative regulations, and regulatory rules of the place where the company's shares are [**REDACTED**].

A resolution shall be passed at the Shareholders' meeting when the Company is to repurchase its own shares under the circumstances (1) and (2) set out above. In case of the circumstances stipulated in (3), (5), and (6) above, a resolution of the Company's Board shall be passed by more than two-thirds of the Directors attending the Board meeting, in accordance with the provisions of the Articles of Association or the authorization of Shareholders' meeting, and subject to compliance with the applicable securities regulatory rules of the stock exchange where the Company's shares are [**REDACTED**]. After the Company has repurchased its own shares in accordance with the circumstances (1) to (7) set out above, the shares so repurchased shall be canceled within ten days from the date of purchase under the circumstance set out in (1) above), or shall be transferred or canceled within six months under the circumstances set out in (2) and (4) above. If the Company repurchases its shares under the circumstances set out in (3), (5) and (6) above, the total number of shares held by the Company shall not exceed ten percent of the total issued shares of the Company, and such shares shall be transferred or canceled within three years.

Subject to the approval by the relevant competent authorities of the State, the Company may repurchase its shares in one of the following ways:

(1) open centralized trading or offer;

(2) other ways recognized by laws, administrative regulations, the CSRC and other stock exchanges of the place where the Company's shares are [**REDACTED**], and shall comply with the provisions of applicable laws, administrative regulations, departmental rules and securities regulatory rules of the place where the Company's shares are [**REDACTED**].

In case of the circumstances stipulated in (3), (5), and (6) above, the Company shall repurchase its shares in open centralized trading.

After the acquisition of the Company's shares, the Company shall fulfill its disclosure obligations in accordance with the provisions of the Securities Law, regulations of the securities exchange where the company's stock is [**REDACTED**], and other securities regulatory rules.

Transfer of Shares

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 [**REDACTED**] and [**REDACTED**] on the stock exchange.

The Directors, Supervisors and senior management of the Company shall notify the Company of their holdings of shares in the Company and the changes therein. The shares transferrable by them during each year of their tenures shall not exceed 25% of their total holdings of shares in the Company. The shares in the Company held by them shall not be transferred within one year from the date on which the Company's shares are [**REDACTED**] for [**REDACTED**]. The shares in the Company held by them shall not be transferred within half a year from their departure from the Company. Where the listing rules of the place where the Company's shares are [**REDACTED**] provide otherwise in respect of the restrictions on the transfer of overseas [**REDACTED**] shares, such rules shall prevail.

All transfers of H Shares shall be effected by instruments of transfer in writing in a general or common form or in any other form acceptable to the Board of Directors, including the standard transfer form or form of transfer specified by the Hong Kong Stock Exchange from time to time. The instruments of transfer may be signed by hand only or (where the transferor or transferee is a corporation) stamped with the corporation's chop. If the transferor or transferee is a recognized clearing house as defined by the relevant provisions that come into effect from time to time according to the laws of Hong Kong or its nominee, the instruments of transfer may be signed by hand or in a machine imprinted format. All instruments of transfer shall be deposited with the legal address of the Company or such places as the Board of Directors may designate from time to time.

If there are additional regulations on the transfer of company shares in the listing rules of the stock exchange where the company's stock is [**REDACTED**], those regulations shall apply.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders

The Company shall establish a register of Shareholders based on the certificates provided by the securities registration authority and the register of Shareholders is sufficient evidence to prove that the Shareholders hold the shares of the Company. The original register of Shareholders of overseas [**REDACTED**] foreign shares [**REDACTED**] in Hong Kong is kept in Hong Kong and is available for inspection by Shareholders, but the Company may suspend the registration of Shareholders in accordance with provisions equivalent to section 632 of the Companies Ordinance of the Hong Kong. Shareholders shall enjoy rights and assume obligations according to the class and number of shares they hold. Shareholders holding shares of the same class shall enjoy the same rights and assume the same obligations.

Shareholders of the Company enjoy the following rights:

(1) to receive dividends and other forms of interest distributions in proportion to the shares they hold;

(2) to file a petition of, to convene, hold and attend the Shareholders' meetings either in person or by proxy and exercise their corresponding voting right and speaking right according to laws;

(3) to supervise, present suggestions on or make inquiries about the business operations of the Company;

(4) to transfer, donate or pledge their shares in accordance with laws, administrative regulations and the Articles of Association;

(5) to inspect and copy the Articles of Association, register of Shareholders, minutes of Shareholders' meetings, resolutions of the Board meetings, resolutions of the meetings of Board of Supervisors, financial and accounting reports;

(6) to participate in the distribution of the remaining properties of the Company in proportion to their shareholdings in the event of the termination or liquidation of the Company;

(7) to request the Company to purchase their shares for the Shareholders who object to the Company's resolution on merger or division made by the Shareholders' meetings;

(8) the shareholders who separately or aggregately hold 3% or more of the company's shares for 180 consecutive days or more may request to consult the accounting books or accounting vouchers of the company; and

(9) to enjoy other rights stipulated by laws, administrative regulations, departmental rules, the Articles of Association or securities regulatory rules of the place where the Company's shares are [**REDACTED**].

In the event that any resolution of the Shareholders' meeting or resolution of the Board of Directors violates laws or administrative regulations, the Shareholder is entitled to request the People's Court to deem it as invalid. In the event that the convening procedure or voting method of the Shareholders' meeting or the Board meeting violates any of laws, administrative regulations or the Articles of Association, or any resolution of which violates the Articles of Association, the Shareholder is entitled to request the People's Court to overturn the resolution within 60 days upon the resolution was adopted.

Shareholders of the Company shall assume the following obligations:

(1) to abide by the laws, administrative regulations and the Articles of Association;

(2) to pay subscription monies according to the number of shares subscribed and the method of subscription;

(3) not to withdraw the shares unless required by the laws and administrative regulations;

(4) not to abuse their shareholders' rights to jeopardize the interests of the Company or other shareholders, and not to abuse the status of the Company as an independent legal entity and the limited liability of shareholders to jeopardize the interests of any creditors of the Company; Where any shareholder of the Company abuses the shareholders' rights and incur losses to the Company or other shareholders, such shareholder shall be liable for the damages according to laws. Where shareholders of the Company abuse the Company's status as an independent legal entity and the limited liability of shareholders for the purposes of evading 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;

(5) other obligations imposed by the laws, administrative regulations, department rules, regulatory documents or the listing rules of the place where the company's shares are [**REDACTED**];

General Provisions for Shareholders' Meetings

The Shareholders' meeting is the organ of authority of the Company, which exercises its powers in accordance with applicable laws and regulations.

(1) to elect or replace the Directors and Supervisors (other than the employee representatives) and to decide on matters relating to the remuneration of Directors and Supervisors;

(2) to examine and approve reports of the Board of Directors;

(3) to examine and approve reports of the Board of Supervisors;

(4) to examine and approve the Company's proposals for profit distribution plans and loss recovery plans;

(5) to decide on any increase or decrease of the Company's registered capital;

(6) to decide on the issue of corporate bonds by the Company;

(7) to decide on matters such as merger, division, dissolution and liquidation or change of corporate form of the Company;

(8) to amend the Articles of Association;

(9) to decide on appointment and dismissal of an accounting firm by the Company;

(10) to examine and approve the provision of guarantees stipulated in Article 41;

(11) to examine matters relating to the purchases and disposals of the Company's material assets within one year, which exceed 30% of the Company's total assets derived from the Company's latest audited financial statements;

(12) to examine and approve matters relating to changes in the [**REDACTED**];

(13) to examine and approve the equity incentive plans and employee stock ownership plans;

(14) to examine other matters as required by the laws, administrative regulations, departmental rules, the Articles of Association of the Company or the securities regulatory rules of the place where the Company's shares are [**REDACTED**], which shall be decided by the Shareholders' meeting.

The following provision of guarantees to third parties by the Company are subject to the consideration and approval by the Shareholders' meeting:

(1) any guarantee provided after the total amount of guarantee to third parties provided by the Company and its controlled subsidiaries has exceeded 50% of the Company's net assets derived from the Company's latest audited financial statements;

(2) any guarantee provided after the total amount of guarantee to third parties provided by the Company and its controlled subsidiaries has exceeded 30% of the Company's total assets derived from the Company's latest audited financial statements;

(3) the cumulative guarantee amount in the last 12 months has exceeded 30% of the Company's total assets derived from the Company's latest audited financial statements;

(4) a guarantee provided to a party with an asset-liability ratio of over 70% as shown in its latest financial statement;

(5) a single guarantee that exceeds 10% of the Company's net assets derived from the Company's latest audited financial statements;

(6) the guarantee to be provided to shareholders, beneficial controllers and their related parties;

(7) other guarantees required by the laws, administrative regulations, rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**] or the Articles of Association.

Shareholders' meetings are divided into annual meetings and extraordinary meetings. The annual meeting is convened once a year and shall be held within six months after the end of the previous accounting year.

The Company shall convene an extraordinary meeting within two months from the date of the occurrence of any of the following circumstances:

(1) where the number of directors is less than the number provided for in the Company Law or less than two-thirds of the number prescribed in these Articles of Association;

(2) where the losses of the Company that have not been made up reach one-third of its total paid in share capital;

(3) where it is requested by a shareholder alone or shareholders together holding more than 10 percent of the Company's shares;

(4) the Board of Directors considers it necessary;

(5) the Board of Supervisors proposes that such a meeting shall be held;

(6) other circumstances conferred by the laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**] and the Articles of Association.

If an extraordinary meeting is convened in accordance with the provisions of the securities regulatory rules for the company's stock [**REDACTED**], the actual convening date of the extraordinary meeting may be adjusted based on the approval progress of the securities exchange where the company's stock is [**REDACTED**].

Convening of Shareholders' Meetings

The board of directors is responsible for convening the Shareholders' meeting.

Shareholders who individually or collectively hold more than 10% of the shares of the Company and independent director shall have the right to request the Board of Directors to convene an extraordinary meeting, and shall submit such request in writing to the Board of Directors. The Board of Directors shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, provide written feedback on whether or not to convene the extraordinary meeting within 10 days after receiving the request.

Where the Board of Directors agrees to convene an extraordinary meeting, it shall issue a notice of convening the meeting within 5 days after the resolution of the Board of Directors is made, and changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Directors does not agree to convene an extraordinary meeting, or fails to give feedback within 10 days after receiving the request, shareholders who individually or collectively hold more than 10% of the Company's shares have the right to propose to the Board of Supervisors to hold an extraordinary meeting, and shall make a written request to the Board of Supervisors.

Where the Board of Supervisors agrees to convene an extraordinary meeting, it shall issue a notice of convening the meeting within 5 days of receiving the request, and any changes to the original request in the notice shall be subject to the consent of the relevant shareholders. Where the Board of Supervisors fails to issue a notice of the meeting within the prescribed time limit, it shall be deemed that the Board of Supervisors has not convened and presided over the meeting, and shareholders who individually or collectively hold more than 10% of the Company's shares for more than 90 consecutive days may convene and preside over it on their own.

Where the Board of Supervisors or shareholders decide to convene a Shareholders' meeting by themselves, they shall notify the Board of Directors in writing and file with the stock exchange where the company's shares are [**REDACTED**] at the same time. Prior to the announcement of the resolution of the Shareholders' meeting, the shareholding ratio of the convening shareholders shall not be less than 10%. The Board of Supervisors or the convening shareholders shall submit relevant supporting materials to the stock exchange where the company's shares are [**REDACTED**] when issuing the notice of the meeting and the announcement of the resolutions of the Shareholders' meeting.

The expenses necessary for the Shareholders' meeting convened by the Board of Supervisors or the shareholders themselves shall be borne by the Company.

The Shareholders' meeting shall be chaired by the chairman. When the chairman is unable to perform his duties or fails to perform his duties, the meeting is chaired by the Vice Chairman. When the Vice chairman is unable to perform his duties or fails to perform his duties, the chairman shall be presided over by a director jointly elected by more than half of the directors.

Notice of Shareholders' Meeting

The convener shall notify all Shareholders by way of announcement 21 days prior to the convening of the annual meeting, and each Shareholder shall be notified by way of announcement 15 days prior to the convening of the extraordinary meeting. The date of the meeting shall not be included in the calculation of the commencement period. Where it is otherwise provided for in any law, regulation or the security regulatory authorities of the place where the Company's shares are [**REDACTED**], such provisions shall prevail.

The notice of a Shareholders' meeting shall include the following:

(1) the time, place and duration of the meeting;

(2) matters and proposals submitted to the meeting for consideration;

(3) in plain language: all Shareholders have the right to attend the meeting of shareholders, and may entrust a proxy in writing to attend the meeting and vote. Such a proxy does not need to be a shareholder of the Company;

(4) other matters required to be set out by laws, administrative regulations, departmental rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**] and the provisions of these Articles of Association.

Proposals at Shareholders' Meetings

The Board of Directors, the Board of Supervisors and Shareholders who individually or jointly hold more than 1% of the shares of the Company shall have the right to put forward proposals to the Company. Shareholders who individually or collectively hold more than 1% of the shares of the Company may submit an interim proposal in writing to the convener 10 days prior to the convening of the Shareholders' meeting. The convener shall issue a supplementary notice of the Shareholders' meeting within 2 days after receiving the proposal, and announce the contents of the interim proposal.

Proxy for the Shareholders' meeting

A shareholder may attend and vote at the Shareholders' meeting in person or by proxy.

Individual shareholders attending the meeting in person shall present their personal identity cards or other valid certificates or documents or proof of shareholding. Proxies attending the meeting shall present their personal identity cards and the proxy statements from the shareholder.

Institutional shareholders shall be represented by its legal representative or proxies authorized by the legal representative. Legal representatives attending the meeting shall present their personal identity cards or valid documents that can prove its identity as the legal representative. Proxies authorized to attend the meeting shall present their personal identity cards or the written proxy statement legally issued by the legal representative of the legal person shareholder.

If the power of attorney is signed by another person authorized by the principal, the power of attorney or other document authorizing the signature shall be notarized. The notarized power of attorney or other authorizing document, together with the instrument appointing the voting proxy, shall be deposited at the domicile of the Company or at such other place as specified in the notice of the meeting.

If the principal is a legal person, its legal representative or the person authorized by a resolution of the Board or other decision-making body shall attend the Shareholders' meeting of the Company as the representative of such legal person.

The power of attorney issued by a shareholder to appoint another person to attend a meeting shall contain the following particulars:

(1) name of the proxy;

(2) with or without voting and speaking rights;

(3) instructions to vote for, against or abstain from voting on each matter to be considered that are included on the agenda of the Shareholders' meeting, respectively;

(4) date of issuance and date of expiry of the power of attorney;

(5) signature (or seal) of the principal. If the principal is an institutional shareholder, the seal of the corporate shall be affixed.

The power of attorney should state whether the proxy may vote as he/she wishes if the shareholder does not give specific instructions.

Voting at the Shareholders' meeting

Resolutions at shareholders' meeting are divided into ordinary resolutions and special resolutions. An ordinary resolution at a shareholders' meeting shall be passed by more than half of the voting rights held by the shareholders present at the Shareholders' meeting (including proxies). A special resolution at a shareholders' meeting shall be passed by at least two-thirds of the voting rights held by the shareholders present at the Shareholders' meeting (including proxies).

Shareholders (including their proxy) shall exercise voting rights based on the number of shares with voting rights held by them, and each share shall be entitled to one vote.

The shares held by the Company shall have no voting right, and shall not be included in the total number of shares with voting rights of shareholders present at the Shareholders' meeting.

If any shareholder, under applicable laws, administrative regulations, department rules and the listing rules of the place where the shares of the Company are [**REDACTED**], is required to abstain from voting on any particular matter being considered or is restricted to voting only for or only against any particular matter being considered, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

Where a related party transaction is considered at a shareholders' meeting, the interested shareholder(s) shall abstain from voting, and the voting shares held by the interested shareholder(s) shall not be counted in the total number of voting shares. The announcement on the resolutions of the Shareholders' meeting shall fully disclose the voting of the non-interested shareholders.

The following matters shall be passed by ordinary resolutions at the Shareholders' meeting:

(1) work reports of the Board of Directors and the Board of Supervisors;

(2) plans for the distribution of profits and for recovery of losses proposed by the Board;

(3) the election and removal of the members of the Board of Directors and the Board of Supervisors and their remuneration and payment method;

(4) resolution on appointment and dismissal of an accounting firm by the Company;

(5) Any other matters other than those shall be passed by special resolutions as required by laws, administrative regulations, the listing rules of the place where the shares of the Company are [**REDACTED**], or the Articles of Association.

The following matters shall be passed as special resolutions of a shareholders' meeting:

(1) the increase or reduction of the registered capital of the Company;

(2) the division, spin-off, merger, dissolution and liquidation of the Company or change of company form;

(3) any amendment to the Articles of Association;

(4) to purchase or sale of significant assets within a year or guarantee which exceeds 30% of the Company's total assets derived from the Company's latest audited financial statements;

(5) share option incentive plan and employee stock ownership plan;

(6) any other matters stipulated by laws, administrative regulations, securities regulatory rules of the place where the Company's shares are [**REDACTED**] or the Articles of Association, which have a significant impact on the Company if to be passed by an ordinary resolution of a shareholders' meeting and which are deemed necessary to be passed as a special resolution.

DIRECTORS AND THE BOARD OF DIRECTORS

Directors

Directors shall be elected or replaced at a shareholders' meeting, and can be removed by a shareholders' meeting before the expiry of the term of office. Directors' term of office shall be three years, and upon expiry of the term of office, the Director may be re-elected.

The term of office of a Director shall be from the date of appointment to the expiry of term of office of the current Board. Where re-election is not promptly carried out upon expiry of the term of office of a Director, prior to appointment of a new Director, the original Director shall continue to carry out director duties pursuant to the provisions of laws, administrative regulations, ministry rules and the Articles of Association.

The general manager or any other senior management may hold the position of Director concurrently, but the aggregate number of Directors who hold the position of general manager or any other senior management position concurrently shall not exceed half of the total number of Directors of the Company.

A Director may resign prior to expiry of his/her term of office. A resigning Director shall submit a written resignation report to the Board of Directors. The Board of Directors shall disclose the relevant information within two days. Where the resignation of the Director will render the number of Directors to fall below the statutory quorum or absence of accounting professional among the independent non-executive Directors, the original Director shall continue to perform director duties pursuant to the provisions of laws, administrative regulations, ministry rules and the Articles of Association prior to appointment of his/her replacement. Except for the foregoing, the resignation of a director shall take effect from the time when the resignation report reaches the Board of Directors.

Chairman

The Board of Directors shall appoint a Chairman and a Vice Chairman. The Chairman and Vice Chairman shall be elected by more than one half of all Directors.

The Chairman shall exercise the following functions and powers:

(1) to preside over shareholders' meetings and to convene and to preside over Board meetings;

(2) to supervise and inspect the implementation of Board resolutions;

(3) to sign company stocks, corporate bonds, and other valuable securities.

(4) to sign the documents of the Board and other documents which shall be signed by the Chairman;

(5) in case of emergency of catastrophic natural disasters and other force majeure, to exercise the special right of disposal that is in line with the requirements of laws and interests of the Company on the matters of the Company, and report to the Board and the Shareholders' meeting afterwards; and

(6) to exercise other functions and powers conferred by the Board.

Board of Directors

The Board of Directors consists of 8 Directors, at least one third of whom should be independent Directors and has one chairman and one vice chairman.

The Board of Directors shall be accountable to the Shareholders' meetings and shall exercise the following functions and powers:

(1) to convene shareholders' meetings, and submit work reports to shareholders' meetings;

(2) to implement the resolutions of shareholders' meetings;

(3) to decide on the Company's business plans and investment plans;

(4) to formulate the Company's profit distribution plan and plan for making up of losses;

(5) to formulate the Company's plans for increase or reduction of registered capital, issuance of bonds or other securities and listing plan;

(6) to draw up the Company's plans for major acquisitions, acquisition of the Company's shares or mergers, demergers, dissolutions and changes in the form of the Company

(7) to decide, within the scope of the mandate granted by a shareholders' meeting, on the Company's external investments, acquisition and sale of assets, mortgage of assets, external guarantees, entrusted wealth management, related party transactions, external loan, etc;

(8) to decide on the establishment of the Company's internal management organisations and branches;

(9) to decide on the appointment or dismissal of the general manager, secretary to the Board and other senior management members of the Company, and to decide on their remunerations, incentives and penalties; to decide on the appointment or

dismissal of senior management members such as the deputy general manager or person-in-charge of finance of the Company based on the nominations by the general manager, and to decide on their remunerations, incentives and penalties;

(10) to formulate and amend the basic management system of the Company;

(11) to formulate the proposals for any amendment to the Articles of Association;

(12) to manage information disclosure of the Company;

(13) to propose to a shareholders' meeting on appointment or change of the accounting firms which provide audit services to the Company;

(14) to listen to work reports of the general manager of the Company and inspect his/her work;

(15) to examine and approve transactions (including but not limited to discloseable transactions and connected transactions) that are required to be decided by the Board of Directors in accordance with the regulatory rules of the place of [**REDACTED**] of the Company's shares; and

(16) any other functions and powers stipulated by laws, administrative regulations, ministry rules, regulatory rules of the place where the company's shares are [**REDACTED**] and the Articles of Association or conferred by Shareholders' meetings.

Meetings of the Board of Directors shall be classified into regular meetings and extraordinary meetings. The Board of Directors shall convene at least four meetings every year and the Chairman shall convene the Board meetings. A written notice of a regular meeting of the Board of Directors shall be served 14 days before the meeting on all Directors and Supervisors.

Any shareholder(s) holding 1/10 or more of the voting rights, one-third or more of the Directors or the Board of Supervisors may propose the holding of an extraordinary meeting of the Board. The Chairman shall convene and preside over a Board meeting within 10 days from receipt of such proposal.

The notice of an extraordinary meeting of the Board shall be served by written notice (including personal delivery, fax and e-mail). Notice of the meeting shall be served on all Directors 5 days before the date of the meeting. In case of an emergency, with the unanimous consent of all Directors, the convening of an extraordinary meeting of the Board may not be limited by the aforementioned notice period and form, but this shall be recorded in the minutes of the Board meeting and signed by all the Directors in attendance.

The Board meeting shall be held upon the attendance of more than half of Directors. Resolutions made by the Board of Directors must be passed by more than half of all Directors of the Company. However, when the Board of Directors makes a resolution on matters relating to the Company's provision of external guarantees and financial assistance within the scope of its authority, in addition to being considered and approved by a majority of all the Directors, it shall also be considered and approved by more than two-thirds of the Directors present at the Board of Directors' meeting.

Voting on the resolutions of the Board of Directors shall be conducted on a one-person-one-vote basis. In the event of a tie, the Chairman may cast two votes.

If any Director has connection with the enterprise involved in the resolution made at a Board meeting, the said Director shall not vote on the said resolution for himself/herself or on behalf of another Director. The Board meeting may be held when more than half of the non-connected Directors attend the meeting. The resolution of the Board meeting shall be passed by more than half of the non-connected Directors. If the number of non-connected Directors attending the meetings is less than three, the issue shall be submitted to the Shareholders' meeting for consideration. If there are any additional restrictions on Directors' participation in and voting at Board meetings in accordance with laws and regulations and the securities regulatory rules of the place where the Company's shares are [**REDACTED**], such provisions shall prevail.

Directors shall attend Board meetings in person. If any Director cannot attend the meeting for any reason, he/she may authorize in writing another Director to act on his/her behalf. If a Director does not attend a Board meeting in person and does not appoint a proxy to attend the meeting, he/she shall be deemed to have waived the voting rights at the meeting.

Special Committees under the Board

The Company has established the audit committee, the remuneration and appraisal committee, the nomination committee and the strategy committee under the Board of Directors according to the actual situation and needs.

The special committees shall be responsible to the Board of Directors, and perform their duties according to the Articles of Association and the authorization granted by the Board of Directors. The members of each special committee shall be composed entirely of directors, with reference to laws, administrative regulations, departmental rules, and regulatory rules of the place where the company's shares are [**REDACTED**] for specific composition and qualification requirements. The Audit Committee shall be composed of at least 3 members, all of whom shall be non-executive directors. The Board of Directors is responsible for formulating the working procedures of the special committees and regulating their operations.

Secretary to the Board

The Company shall have a secretary to the Board, and shall be responsible for the preparation of the Shareholders' meeting and Board meeting, document keeping and management of information regarding the shareholders of the Company and other matters, and shall deal with information disclosure and other matters. The secretary to the Board shall comply with the relevant provisions of the laws, administrative regulations, departmental rules and the Articles of Association.

General Manager and Other Senior Management Members

The company establishes one General Manager, one Deputy General Manager, one Chief Financial Officer, and one Secretary to the Board of Directors, all of whom are appointed or dismissed by the Board of Directors.

The General Manager, Deputy General Manager, Chief Financial Officer, and Secretary to the Board of Directors are senior executives of the company.

The term of office of the general manager shall be three (3) years, renewable upon re-appointment.

The general manager shall be accountable to the Board of Directors and shall exercise the following functions and powers:

(1) to be in charge of the Company's production, operation and management, and to organize and implement the resolutions of the Board of Directors and report on works to the Board of Directors;

(2) to organize and implement the Company's annual business plan and investment proposals;

(3) to draft plans for the establishment of the Company's internal management organizations;

(4) to draft the Company's basic management system;

(5) to formulate specific rules and regulations for the Company;

(6) to propose to the Board of Directors on the appointment or dismissal of deputy general manager and financial officer of the Company;

(7) to appoint or dismiss management personnel other than those required to be appointed or dismissed by the Board of Directors;

(8) other functions and powers stipulated in the general manager's work rules and the Articles of Association or conferred by the Board of Directors;

The general manager shall attend meetings of the Board of Directors.

Senior management members shall faithfully perform their duties and safeguard the best interests of the Company and all shareholders. If any senior management member causes damage to the interests of the Company and its public shareholders due to failure in faithfully performing their duties or violation of his/her fiduciary duties, he/she shall be liable for compensation in accordance with laws.

SUPERVISORS AND BOARD OF SUPERVISORS

Supervisors

The Board of Supervisors shall include shareholder representatives and employee representatives, the ratio of employee representatives shall not be less than one-third of all Supervisors. The employee representatives sitting on the Board of Supervisors shall be elected by the employees through the employee representative congress, employee congress or any other democratic form.

Each Supervisor shall serve for a term of three years. Upon expiry of the term, the Supervisor may be re-appointed upon re-election. The Directors, general manager and other senior management members, as well as their spouses and immediate family members, shall not act concurrently as Supervisors.

Supervisors may be in attendance at Board meetings, and raise questions or suggestions pertaining to Board resolutions.

Supervisors shall comply with laws, administrative regulations and the Articles of Association and bear fiduciary obligations and diligence obligations towards the Company. They shall not abuse their authority to accept bribes or other illegal income and shall not misappropriate the properties of the Company.

Board of Supervisors

The Company shall have a Board of Supervisors. The Board of Supervisors shall consist of two Supervisors and one chairman. The chairman of the Board of Supervisors shall be elected by a simple majority of all Supervisors. The meetings of the Board of Supervisors shall be presided over and chaired by the chairman of the Board of Supervisors. If the chairman of the Board of Supervisors is unable or fails to perform his/her duties, such meeting shall be convened and presided over by a Supervisor nominated by not less than half of the Supervisors.

The Board of Supervisors shall exercise the following functions and powers:

(1) to examine regular reports prepared by the Board of Directors and propose written examination suggestions;

(2) to review the Company's financial position;

(3) to supervise the Directors and senior management members' acts in performing their duties in the Company, and to propose a removal of any Director or senior management member in violation of any laws, administrative regulations, the Articles of Association or resolutions adopted at the Shareholders' meeting;

(4) to demand any Director or senior management member who acts in a manner which is harmful to the Company's interest to rectify such behaviour;

(5) to propose to convene an extraordinary meeting, and to convene and preside over shareholders' meetings where the Board of Directors fails to perform its duty to do so as required by the Company Law;

(6) to submit proposals to shareholders' meetings;

(7) to initiate legal proceedings against any Director or senior management member according to the Company Law;

(8) to investigate into unusual operation of the Company and if necessary, to engage an accounting firm, a law firm or other professional institutions to assist in its work at the expenses of the Company;

(9) any other functions and powers stipulated by laws, administrative regulations, ministry rules, securities regulatory rules of the place where the Company's shares are [**REDACTED**] or the Articles of Association.

Meetings of the Board of Supervisors

The Board of Supervisors shall convene a meeting at least once every six months. Supervisors may propose to convene extraordinary meetings of the Board of Supervisors. Resolutions of the Board of Supervisors shall be passed by more than half of the members of the Board of Supervisors.

QUALIFICATIONS AND RESPONSIBILITIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

A person may not serve as a Director, Supervisor, general manager or other member of senior management of the Company in any of the following circumstances:

(1) a person who has no or restricted capacity for civil conduct;

(2) a person who has 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) a person who is a former director, factory manager or president of a company or enterprise which has entered into insolvent liquidation and is personally liable for the insolvency of such company or enterprise, where less than three years have lapsed following the date of the completion of the insolvency and liquidation of such company or enterprise;

(4) a person who is a former legal representative of a company or enterprise which had its business license revoked or had been ordered to close down due to violation of the laws and has incurred personal liability, where less than three years have lapsed since the date of the revocation of such business license;

(5) a person who is 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

(6) a person who is currently being prohibited from participating in the securities market by the China Securities Regulatory Commission and such barring period has not elapsed; and

(7) any other circumstances stipulated by laws, administrative regulations, ministry rules, regulatory documents, securities regulatory rules of the place where the Company's shares are [**REDACTED**].

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting system in accordance with the laws, administrative regulations and the provisions stipulated by the relevant authorities of the PRC. The Company shall adopt the Gregorian calendar year for its fiscal year, i.e. the fiscal year shall be from 1 January to 31 December.

The Company shall submit and disclose its annual reports within four months from the end of each fiscal year, and its interim reports within three months from the end of the first half of each fiscal year.

The aforesaid annual reports and interim reports shall be prepared in accordance with relevant laws, administrative regulations and requirements of the CSRC and the stock exchange in the place where the Company's shares are [**REDACTED**].

The Company will not establish account books other than the statutory account books.

The assets of the Company shall not be deposited in any personal account.

The Company is required to allocate 10% of its profits into its statutory reserve fund when distributing each year's after-tax profits. When the cumulated amount of the statutory reserve fund of the Company has reached 50% or more of its registered capital, no further allocations is required. Where the statutory reserve fund of the Company is insufficient to make up the losses of the Company for the preceding year, profits of the current year shall be applied to make up the losses before any allocation to the statutory reserve fund in accordance with the provisions in the preceding paragraph.

Subject to a resolution of the 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. After making up of losses and appropriation to reserve funds, balance of the profit after tax shall be distributed to shareholders in proportion to their shareholdings, unless otherwise stipulated in the Articles of Association.

No profit shall be distributed in respect of the shares of the Company which are held by the Company.

Reserve funds of the Company are used for recovering losses of the Company and expanding scale of operation of the Company or conversion into its capital. 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. When the statutory reserve funds are converted into capital, the remaining balance of such reserve fund must not be less than 25% of its registered capital before such conversion.

The Company shall distribute profits in cash or in a way integrating cash.

The Company shall appoint one or more collection agents for H shareholders in Hong Kong. The collection agents shall collect on behalf of the relevant H shareholders the dividends distributed and other funds payable by the Company in respect of the H shares, and hold such monies in their custody pending payment to the H shareholders concerned.

INTERNAL AUDIT

The Company has implemented an internal audit system with full-time auditors to conduct internal audit and supervision on the Company's financial revenues and expenditures and economic activities.

The internal audit system of the Company and the duties of the auditors shall be implemented upon approval by the Board. The person in charge of audit shall be accountable and report to the Board.

APPOINTMENT OF ACCOUNTING FIRM

The Company shall appoint such accounting firm which has complied with t with the relevant national regulations and the regulatory requirements of the place where the Company's shares are [**REDACTED**] for carrying out the audit for the accounting statements, net asset verification and other relevant consultancy services. The term of appointment is one (1) year and can be re-appointed.

The appointment of accounting firm by the Company shall be subject to the approval of the Shareholders' meetings. The Board of Directors may 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 vouchers, accounting books, financial and accounting reports and other accounting information, and that it engages without any refusal, withholding, and misrepresentation.

The audit fees of an accounting firm shall be determined at the Shareholders' meeting.

If the Company removes or no longer re-appoints the accounting firm, it shall notify such accounting firm thirty (30) days in advance. When shareholders vote for the removal of such accounting firm, such accounting firm shall be entitled to state its opinions at the Shareholders' meeting.

Where the accounting firm resigns its office, it shall make clear to the Shareholders' meeting whether or not there are irregularities in the Company.

MERGER, DIVISION, CAPITAL INCREASE AND REDUCTION OF THE COMPANY

Merger of the Company may take the form of absorption or establishment of a new company.

In the case of merger by absorption, a company absorbs any other company and the absorbed company shall be dissolved. Merger by establishment of a new company shall refer to the establishment of a new company as a result of merger of two or more companies and dissolution of the merger parties.

In the event of a merger, the merger parties shall enter into a merger agreement, and formulate a balance sheet and an inventory list for assets. The Company shall notify its creditors within 10 days from passing of the resolution on merger, and make an announcement within 30 days on the designated newspaper or on national enterprise credit information publicity system. Creditors may require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

At the time of merger, the claims and debts of the merger parties shall be succeeded by the company which subsists after the merger or the newly-established company.

When the Company undergoes a division, its assets shall be divided accordingly. In the event of a division, a balance sheet and an inventory list for assets shall be prepared. The Company shall notify its creditors within 10 days from passing of the resolution on division, and make an announcement within 30 days on the designated newspaper or on national enterprise credit information publicity system.

The debts of the Company prior to the division shall be assumed jointly and severally by the companies arising from the division, unless provided otherwise in a written agreement reached by the Company and the creditors in respect of repayment of the debts prior to the division.

Where the Company needs to reduce its registered capital, it shall formulate a balance sheet and an inventory list for assets.

The Company shall notify its creditors within 10 days from passing of the resolution on reduction of registered capital, and make an announcement within 30 days on the designated newspaper or on national enterprise credit information publicity system. The creditors shall have the right to require the Company to repay the debts or to provide the corresponding guarantee within 30 days from receipt of notification or within 45 days from the date of announcement if they do not receive notification.

The reduced registered capital of the Company shall not be lower than the minimum statutory amount.

In the event of change in registration matters due to merger or division, the Company shall complete change registration formalities with the company registration authority pursuant to the law; where the Company is dissolved, the Company shall apply for deregistration pursuant to the law; where a new company is established, company establishment formalities shall be completed pursuant to the law.

If the Company increase or reduce its registered capital, the Company shall complete change registration formalities with the company registration authority pursuant to the law.

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The Company shall be dissolved for the following reasons:

(1) expiry of term of business stipulated in the Articles of Association or occurrence of any other trigger for dissolution stipulated in the Articles of Association;

(2) A shareholders' meeting has resolved on dissolution of the Company;

(3) dissolution is required due to the merger or division of the Company;

(4) the Company's business licence is cancelled or the Company is ordered to be closed down or deregistered pursuant to the law; or

(5) where the Company has serious difficulties in its business management that cannot be resolved through any other means, and its subsistence will cause serious damages to the interests of its shareholders, the shareholders who hold 10% or more of the total voting rights of the Company may apply to the people's court for dissolution of the Company.

Where the Company is dissolved pursuant to items (1), (2), (4) or (5) above, it shall establish a liquidation committee for liquidation within 15 days after the dissolution circumstance arises. The members of the liquidation committee shall be determined by Directors or the Shareholders' meeting. If the liquidation committee is not duly set up within the specified period, any interested party may request the people's court to designate related persons to form a liquidation committee to carry out liquidation.

The liquidation committee shall exercise the following functions and powers during the period of liquidation:

(1) to liquidate the Company's assets and compile a balance sheet and a property inventory separately;

(2) to inform creditors by notice or announcement;

(3) to deal with the outstanding businesses of the Company relating to liquidation;

(4) to pay off the taxes owed and the taxes arising during liquidation;

(5) to clear credits and debts;

(6) to dispose of the remaining assets of the Company after all the debts are paid off;

(7) to participate in civil proceedings on behalf of the Company.

The liquidation committee shall notify all creditors within 10 days after its establishment and shall make announcements on the designated newspaper, on national enterprise credit information publicity system or in the other manners required by the stock exchange on which the Company's shares are [**REDACTED**] within 60 days. The creditors shall declare their rights to the liquidation committee within 30 days after receipt of the notice or within 45 days after announcement if the creditors haven't received the notice.

The creditors shall explain matters relating to their rights and provide relevant evidential documents.

The liquidation committee shall register the creditor's rights. The liquidation committee shall not pay off any debts to any creditors during the period of declaration of creditor's rights.

After the liquidation committee has liquidated the assets of the Company and has compiled a balance sheet and a property inventory, it shall formulate a liquidation proposal and submit it to the Shareholders' meeting or the People's Court for confirmation.

The Company's assets shall be used respectively for payment of liquidation expenses, employees' wages, social security premiums and statutory compensation, and payment of tax in arrears and the Company's debts; the residual assets thereafter shall be distributed in accordance with the shareholding type and percentage of the shareholders.

During the liquidation period, the Company shall subsist but shall not engage in business activities unrelated to liquidation. The Company's assets shall not be distributed to shareholders prior to making repayment pursuant to the provisions of the preceding paragraph.

After the liquidation committee has liquidated the assets of the Company and compiled a balance sheet and a property inventory, if it discovers that the Company's assets are insufficient to repay its debts in full, it shall immediately apply to the people's court for declaration of bankruptcy of the Company.

Following a ruling by the People's Court that the Company is bankrupt, the liquidation committee shall transfer to the People's Court all matters relating to the liquidation.

Following the completion of the liquidation of the Company, the liquidation committee shall formulate a liquidation report, submit it to the Shareholders' meeting or the People's Court for confirmation.The liquidation committee shall deliver it to the company registry within 30 days from the date of confirmation by the shareholders' meeting or the people's court,, apply for the cancellation of the Company's registration and publicly announce the Company's termination.

AMENDMENT TO THE ARTICLES OF ASSOCIATION

Under any of the following circumstances, the Company shall amend the Articles of Association:

(1) Following the revision of the Company Law or relevant laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are [**REDACTED**], the matters stipulated in the Articles of Association contradict the provisions of the revised laws, administrative regulations and the securities regulatory rules of the place where the Company's shares are [**REDACTED**];

(2) There is any change to the Company's particulars which result in inconsistency with the matters set out in the Articles of Association; or

(3) A Shareholders' Meeting has decided on making amendments to the Articles of Association.

If the amendment to the Articles of Association adopted by resolution of the Shareholders' meeting is subject to the approval of the competent authority, it shall be reported to the competent authority for approval; if it involves matters of company registration, the registration of the changes shall be made with the company registration authority in accordance with the law.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation of our Company

Our Company was established as a limited liability company in the PRC on 29 May 2014 and was converted into a joint stock limited company on 29 August 2024 under the laws of the PRC. As of the Latest Practicable Date, the share capital of our Company is RMB50,000,000, divided into 50,000,000 Shares with a par value of RMB1.0 each.

Our place of business in Hong Kong is at Room 1912, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. Our Company [has been] registered as a non-Hong Kong company under Part 16 of the Companies Ordinance with the Registrar of Companies in Hong Kong under the name of Fujian Lemo IoT Technology Co., Ltd (福建樂摩物聯科技股份有限公司) on [●]. Ms. Lee Li Li has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong whose address for service of process is the same as our principal place of business in Hong Kong as set out above.

As our Company was established in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the Articles of Association is set out in Appendix III to this document, respectively.

2. Changes in share capital of our Company

As of the date of our establishment, our registered capital was RMB10,000,000.

The changes in the share capital of our Company during the two years immediately preceding the date of this document is set out as follows:

(i) On 10 July 2023, our registered capital was reduced from RMB11,844,375 to RMB10,701,518.

(ii) On 14 September 2023, our registered capital was increased from RMB10,701,518 to RMB10,954,259.

(iii) On 29 August 2024, our Company was converted into a joint stock company with limited liability under the PRC Company Law. Upon completion of such conversion, the share capital of our Company was RMB50.0 million divided into 50,000,000 Shares with a nominal value of RMB1.00 each.

For further details, see "History and Corporate Structure — Corporate Development of Our Company". Save as disclosed above, there has been no other alteration in the share capital of our Company within two years immediately preceding the date of this document.

3. Changes in share capital of our subsidiaries

A summary of the corporate information and particulars of our principal subsidiaries are set our in Note 1 to the Accountants' Report as set out in Appendix I to this document.

As of the Latest Practicable Date, there has been no alteration in the share capital of any of our subsidiaries of our Company within the two years immediately preceding the date of this document.

4. Resolutions of the Shareholders

Pursuant to a general meeting of our Shareholders held on 23 December 2024, the following resolutions, among others, were passed by our Shareholders:

(a) the issuance by our Company of H Shares of nominal value of RMB1.0 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(b) the number of H Shares to be issued shall not be more than [**REDACTED**]% of the total issued share capital of our Company as enlarged by the [**REDACTED**], and the grant to the [**REDACTED**] (or their representatives) of the [**REDACTED**] of not more than [**REDACTED**]% of the number of H Shares [**REDACTED**] pursuant to the [**REDACTED**];

(c) subject to CSRC's notification on completion of filing procedure, upon completion of the [**REDACTED**], the conversion of [**REDACTED**] Unlisted Shares held by our existing Shareholders into H Shares and the [**REDACTED**] of such H Shares on the Main Board of the Stock Exchange;

(d) subject to the completion of the [**REDACTED**], the conditional adoption of the Articles of Association which shall become effective on the [**REDACTED**], and the authorization to the Board to amend the Articles of Association in accordance with the requirements of the relevant laws and regulations and the Listing Rules; and

(e) authorization of our Board to handle all relevant matters relating to, among other things, the issue and [**REDACTED**] of the H Shares.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or any member of our Group within two years preceding the date of this document and are or may be material:

(a) the Deed of Indemnity;

(b) the Deed of Non-competition; and

(c) the [**REDACTED**].

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there are no other intellectual property rights which are or may be material in relation to our business.

(a) Trademarks

(i) Registered trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material or may be material to our business:

No.	Trademark	Registration number	Owner	Date of registration	Place of registration
1. . .	乐摩	73888182	Our Company	7 March 2024	PRC
2. . .	乐摩吧	65796439	Our Company	7 May 2023	PRC
3. . .	乐摩吧	65790896	Our Company	28 January 2023	PRC
4. . .	乐摩	60427359	Our Company	28 April 2022	PRC
5. . .	乐摩吧	55635279	Our Company	7 November 2021	PRC
6. . .	乐摩吧	55627475	Our Company	7 November 2021	PRC
7. . .	乐摩吧	55625816	Our Company	7 November 2021	PRC
8. . .	乐摩吧	55625168	Our Company	7 November 2021	PRC
9. . .	乐摩吧	55614898	Our Company	7 November 2021	PRC
10. .	乐摩吧	37480942	Our Company	7 September 2020	PRC
11. .	累了困了乐摩吧	41438545	Our Company	21 July 2020	PRC
12. .	乐摩吧	33650842	Our Company	7 November 2019	PRC
13. .	LEMOBAR.COM	33650932	Our Company	21 May 2019	PRC
14. .	LEMOBAR.COM	33650909	Our Company	21 May 2019	PRC

No.	Trademark	Registration number	Owner	Date of registration	Place of registration
15.	LEMOBAR.COM	33643008	Our Company	21 May 2019	PRC
16.	LEMOBAR.COM	33642985	Our Company	21 May 2019	PRC
17.	LEMOBAR.COM	33631442	Our Company	21 May 2019	PRC
18.	乐摩吧	24584805	Our Company	14 June 2018	PRC
19.	乐摩吧 LEMOBAR.COM	24584604	Our Company	28 May 2019	PRC
20.	乐摩吧	24572292	Our Company	28 May 2019	PRC
21.	乐摩吧 LEMO BAR	20987316	Our Company	7 October 2017	PRC
22.	乐摩 LEMO	20987228	Our Company	28 November 2017	PRC

(ii) Trademarks applications pending

As of the Latest Practicable Date, we have applied for the registration of the following trademark which we consider to be material to our business:

No.	Trademark	Application number	Applicant	Date of application	Place of application
1.	Lemo	Lemo (系列商標)-306684427-10,20,28,35,42,44類	Our Company	30 September 2024	Hong Kong
2.	lemobar	Lemobar (系列商標)-306684409-10,20,28,35,42,44類	Our Company	30 September 2024	Hong Kong
3.	Lemo乐摩	lemo樂摩(系列商標)-306684445-10,20,28,35,42,44類	Our Company	30 September 2024	Hong Kong
4.	乐摩	樂摩-306684436-10,20,28,35,42,44類	Our Company	30 September 2024	Hong Kong
5.	乐摩吧	樂摩吧-306683987-10,20,28,35,42,44類	Our Company	30 September 2024	Hong Kong

(b) Patents

(i) Registered patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to our business:

No.	Patent	Patent number	Patent Type	Owner	Application Date	Place of registration
1.	A Method and System for Dynamically Adjusting the Seat Angle of a Massage Chair (一種按摩椅座椅角度動態調整方法及系統)	2022112811219	Invention Patent	Our Company	19 October 2022	PRC
2.	A Method for Electing Main Nodes and Synchronizing Data in an Ad Hoc Network (一種自組網主節點選舉及數據同步方法)	2022110401629	Invention Patent	Our Company	29 August 2022	PRC
3.	A Method, Device, and Medium for User Payment Retention of Shared Massage Chairs (一種共享按摩椅的用戶支付挽留方法、設備和介質)	2021106330630	Invention Patent	Our Company	7 June 2021	PRC
4.	A Method, System, and Medium for Dynamically Adjusting the Occupancy Time of Shared Massage Chairs (一種動態調整共享按摩椅可佔座時間的方法、系統和介質)	2021101665958	Invention Patent	Our Company	4 February 2021	PRC
5.	A Control Method for Adjusting User Body Data in Massage Chairs, and Related Devices (一種調整用戶身形數據的按摩椅控制方法、按摩椅及介質)	202110061870X	Invention Patent	Our Company	18 January 2021	PRC
6.	An Anti-Seat-Occupying Massage Chair (一種防佔座按摩椅)	2020111213524	Invention Patent	Our Company	19 October 2020	PRC
7.	A Flexible Massage Mechanism for Massage Chairs (一種用於按摩椅的柔性按摩機構)	2024202156530	Utility Model	Our Company	30 January 2024	PRC
8.	A Leg Massage Mechanism (一種腿部按摩機構)	2024202123448	Utility Model	Our Company	29 January 2024	PRC
9.	A Conductive Structure of Massage Pad Rollers (一種按摩墊滾輪導電結構)	2024201865402	Utility Model	Our Company	25 January 2024	PRC
10.	A Massage Chair with a Self-Adjusting Head Cover (一種帶自調節頭罩的按摩椅)	2024201865436	Utility Model	Our Company	25 January 2024	PRC

No.	Patent	Patent number	Patent Type	Owner	Application Date	Place of registration
11.	An Intelligent Positioning and Resetting Structure for Massage Pad Mechanism Heads (一種按摩墊機芯按摩頭智能定位復位結構)	2023209159662	Utility Model	Our Company	21 April 2023	PRC
12.	A Massage Pad with Infrared Protection Device (一種帶紅外保護裝置的按摩墊)	2023206051158	Utility Model	Our Company	24 March 2023	PRC
13.	A Massage Mechanism Operating Structure and Massage Pad (一種按摩機芯運行結構及按摩墊)	2023201494431	Utility Model	Our Company	2 February 2023	PRC
14.	A Massage Mechanism Wire Layout Structure with Drag Chain Type (一種按摩機芯拖鏈式導線佈設結構)	2023200173908	Utility Model	Our Company	5 January 2023	PRC
15.	A Massage Mechanism Operating Transmission Mechanism (一種按摩機芯運行傳動機構)	2023200173861	Utility Model	Our Company	5 January 2023	PRC
16.	A Power Outage Detection and Reporting System Combining Software and Hardware for Shared Massage Chairs (一種共享按摩椅軟硬件結合斷電檢測上報系統)	2022232510722	Utility Model	Our Company	5 December 2022	PRC
17.	A Charging System with Output Short-Circuit Protection and Insertion Detection (一種具有輸出短路保護和插入檢測的充電系統)	2022221877013	Utility Model	Our Company	19 August 2022	PRC
18.	A Power Outage Detection System for Shared Massage Chairs (一種共享按摩椅斷電檢測系統)	2021211833809	Utility Model	Our Company	28 May 2021	PRC
19.	A Walking Massager with Double Safety Travel Switch (一種帶有雙保險行程開關的行走按摩器)	2021211836440	Utility Model	Our Company	28 May 2021	PRC
20.	Anti-Seat-Occupying Massage Chais (防佔座按摩椅)	2021203922815	Utility Model	Our Company	22 February 2021	PRC
21.	An Anti-Seat-Occupying Massage Chair (一種防佔座按摩椅)	2021203804039	Utility Model	Our Company	19 February 2021	PRC
22.	A Massage Mechanism and its Massage Pad (一種按摩機芯及其按摩墊)	202120205411X	Utility Model	Our Company	25 January 2021	PRC
23.	A Massage Chair (一種按摩椅)	2020206432635	Utility Model	Our Company	24 April 2020	PRC
24.	Massage Chair (按摩椅)	2024300762813	Design Patent	Our Company	4 February 2024	PRC
25.	Massage Chair (A2 Commercial) (按摩椅(A2商用))	2024300174065	Design Patent	Our Company	11 January 2024	PRC

No.	Patent	Patent number	Patent Type	Owner	Application Date	Place of registration
26.	Massage Chair (B10 Commercial) (按摩椅(B10商用))	2023306279884	Design Patent	Our Company	25 September 2023	PRC
27.	Cinema Massage Pad (M7-A Model) (影院按摩墊(M7-A版型))	2023304157134	Design Patent	Our Company	4 July 2023	PRC
28.	Sofa Massage Pad (M8-A Model) (沙發按摩墊(M8-A版型))	2023304157149	Design Patent	Our Company	4 July 2023	PRC
29.	Massage Pad (按摩墊)	2023300298595	Design Patent	Our Company	18 January 2023	PRC
30.	Display Stand (Massage Chair) (展示架(按摩椅))	2022305329646	Design Patent	Our Company	16 August 2022	PRC
31.	Massage Chair (B6 Commercial) (按摩椅(B6商用款))	2021307790488	Design Patent	Our Company	25 November 2021	PRC
32.	Massage Chair (B3 Commercial) (按摩椅(B3商用))	2021307752467	Design Patent	Our Company	24 November 2021	PRC
33.	Smart Massage Chair (X11) (智能按摩椅(X11))	2018306882387	Design Patent	Our Company	30 November 2018	PRC

(c) Domain names

As of the Latest Practicable Date, we have registered the following domain name which we consider to be material to our business:

No.	Domain name	Website Record/ License No.	Registered owner	Registration Date	Expiry Date
1.	lmb.ink	Min ICP No. 18001474-7 (閩ICP備18001474號-7)	Our Company	1 March 2024	1 March 2025
2.	lmb.pink	Min ICP No. 18001474-8 (閩ICP備18001474號-8)	Our Company	1 March 2024	1 March 2025
3.	lemobar.net	Min ICP No. 18001474-1 (閩ICP備18001474號-1)	Our Company	3 July 2017	3 July 2025
4.	lemobar.cn	Min ICP No. 18001474-2 (閩ICP備18001474號-2)	Our Company	26 July 2016	26 July 2031
5.	lemoba.cn	Min ICP No. 18001474-3 (閩ICP備18001474號-3)	Our Company	26 July 2016	26 July 2031
6.	lemobar.com	Min ICP No. 18001474-4 (閩ICP備18001474號-4)	Our Company	26 July 2016	26 July 2031

(d) Copyrights

As of the Latest Practicable Date, we have registered the following copyrights which we are consider to be material to our business:

(i) Software copyrights

No.	Copyright	Owner	Registration number	Place of registration	Registration date
1.	Massage Chair Smart Sensing Operation Control System V1.0 (按摩椅智慧感應運行控制系統V1.0)	Our Company	2024SR0346217	PRC	4 March 2024
2.	Le Mo Bar Shared Massage Chair Management System V2.0 (樂摩吧共享按摩椅管理系統V2.0)	Our Company	2023SR1814494	PRC	29 December 2023
3.	Le Mo Bar Mocha Member Management System V2.0 (樂摩吧摩卡會員管理系統V2.0)	Our Company	2023SR1814499	PRC	29 December 2023
4.	Le Mo Bar Cinema Hall Management System V1.0 (樂摩吧影院內廳管理系統V1.0)	Our Company	2022SR1095331	PRC	11 August 2022
5.	Le Mo Bar Shared Massage Chair Automatic Control System V1.0 (樂摩吧共享按摩椅自動控制系統V1.0)	Our Company	2021SR1518009	PRC	18 October 2021
6.	Le Mo Bar Massage Chair Operation Status Real-time Monitoring System V1.0 (樂摩吧按摩椅運行狀態實時監控系統V1.0)	Our Company	2021SR1511681	PRC	15 October 2021
7.	Le Mo Bar Payment Management System V1.0 (樂摩吧支付管理系統V1.0)	Our Company	2020SR0970927	PRC	24 August 2020
8.	Le Mo Bar Serial Port Flashing Software V1.0 (樂摩吧串口燒寫軟件V1.0)	Our Company	2018SR1045659	PRC	20 December 2018
9.	Le Mo Bar Nearby Massage Chair Display System V1.0 (樂摩吧附近按摩椅顯示系統V1.0)	Our Company	2018SR810852	PRC	11 October 2018
10.	Le Mo Bar WeChat Mini Program [Short Name: Le Mo Bar] V1.0 (樂摩吧微信小程序[簡稱:樂摩吧]V1.0)	Our Company	2018SR761490	PRC	19 September 2018

(ii) Works copyright

No.	Copyright	Owner	Registration number	Place of registration	Registration date
1.	Le Le (樂樂)	Our Company	Registration No. 2022-F-10279249	PRC	16 September 2022
2.	Le Mo Bar Le Le (樂摩吧樂樂)	Our Company	Registration No. 2022-F-10250473	PRC	10 September 2022
3.	Meow Star (喵星人)	Our Company	Registration No. 2022-F-10250472	PRC	1 May 2020
4.	Le Mo Bar (樂摩吧)	Our Company	Registration No. 2019-F-00805394	PRC	29 December 2015

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

Immediately following completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), the interests or short positions of our Directors, Supervisors and chief executives in our Shares, underlying shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded 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 Hong Kong Stock Exchange, will be as follows:

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)			
Name of Shareholder	Position	Nature of Interest	Number of Shares(1)	Approximate percentage of shareholding in the issued share capital of our Company(2)	Number of Shares(1)	Description of Shares	Approximate percentage of shareholding in the Unlisted Shares/ H Shares(3)	Approximate percentage of shareholding in the total share capital of our Company(3)
Mr. Xie	Our deputy chairman and executive Director	Beneficial interest	10,487,769	21.0%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
					[REDACTED]	H Shares	[REDACTED]	[REDACTED]
		Interest in controlled corporations(4)	6,715,321	13.4%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
					[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Mr. Han Daohu	Our deputy chairman and executive Director	Beneficial interest	9,762,254	19.5%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
					[REDACTED]	H Shares	[REDACTED]	[REDACTED]

			As of the Latest Practicable Date		Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)			
Name of Shareholder	Position	Nature of Interest	Number of Shares(1)	Approximate percentage of shareholding in the issued share capital of our Company(2)	Number of Shares(1)	Description of Shares	Approximate percentage of shareholding in the Unlisted Shares/ H Shares(3)	Approximate percentage of shareholding in the total share capital of our Company(3)
Mr. Wujinghua	Non-executive Director	Beneficial interest	7,582,439	15.2%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
					[REDACTED]	H Shares	[REDACTED]	[REDACTED]
Mr. Feng Baocai	Executive Director and the general manager of our Company	Beneficial interest	1,702,665	3.4%	[REDACTED]	Unlisted Shares	[REDACTED]	[REDACTED]
						H Shares	[REDACTED]	[REDACTED]

Notes:

(1) All interests stated are long positions.

(2) The calculation is based on the total number of 50,000,000 Shares in issue as of the Latest Practicable Date.

(3) The calculation is based on the total number of [**REDACTED**] Shares (consisting of [**REDACTED**] Unlisted Shares and [**REDACTED**] H Shares) in issue immediately after the completion of the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(4) As of the Latest Practicable Date, Mr. Xie acts as the general partner of Zhuangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform. Accordingly, Mr. Xie is deemed to be interested in such number of Shares held by Zhuangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform under the SFO.

2. Interests of the substantial Shareholders

For information on the persons who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be 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 other member of our Group, see the section headed "Substantial Shareholders".

3. Particulars of service contracts and letters of appointment

We have entered into a service contract or a letter of appointment with each of our Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations and the Articles of Association.

The principal terms of these service contracts and letters of appointment comprise (a) a term of three years commencing from the date of appointment; and (b) termination provisions in accordance with their respective terms. Our Directors may be re-appointed subject to the Shareholders' approval.

Save as disclosed above, none of our Directors and Supervisors has or is proposed to have entered into any service contract with any member of our Group (excluding contracts expiring or determinable by any member of our Group within one year without payment of compensation other than statutory compensation).

4. Remuneration of Directors and Supervisors

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" and "Appendix I — Accountants' Report — Notes to The Historical Financial Information — 8. Directors' and Supervisors' Emoluments" for the financial years ended 31 December 2021, 2022 and 2023, and the six months ended 30 June 2024, none of our Directors or Supervisors received other remunerations of benefits in kind from us.

5. Disclaimers

(a) Save as disclosed in the section headed "History and Corporate Structure," none of the Directors nor any of the experts referred to in "— Other Information — Qualifications and Consents of Experts" below has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by, or leased to, any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

(b) Save in connection with the [**REDACTED**], none of the Directors nor any of the experts referred to in "— Other Information — Qualifications and Consents of Experts" below, is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.

(c) No cash, securities or other benefit has been paid, allotted or given within the two years preceding the date of this document to any promoter of our Company nor is any such cash securities or benefit intended to be paid, allotted or given on the basis of the [**REDACTED**] or related transactions as mentioned.

(d) Save as disclosed in this document, none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

D. EMPLOYEE SHARE OWNERSHIP SCHEME

We have approved and adopted the 2021 Share Incentive Scheme and 2023 Share Incentive Scheme (together, the "**Share Incentive Schemes**") on 1 December 2021 and 8 September 2023, respectively. The Share Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as the Share Incentive Schemes do not involve the grant of new shares or awards by our Company after the [**REDACTED**]. Our Company has established three incentive platforms, namely Zhangchuang Gongying Platform, Lemo Gongchuang Platform and Lemo Gongying Platform (the "**Incentive Platforms**"). As of the Latest Practicable Date, the three Incentive Platforms, in aggregate, held 6,715,321 Shares before the completion of the [**REDACTED**]. For details of our Incentive Platforms, see "History and Corporate Structure — Our Incentive Platforms" in this document.

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. Tax and Other Indemnities

Mr. Xie (being our controlling shareholder) (the "**Indemnifying Shareholder**") has entered into the Deed of Indemnity with our Company (for itself and the other members of our Group) (being a contract referred to in "B. Further Information about the Business of Our Group — 1. Summary of materials contracts" above). Under the Deed of Indemnity, the Indemnifying Shareholder will indemnify and keep indemnified our Company (for itself and the other members of our Group) against, among other things, (i) all taxation falling on any member of our Group resulting from, or relating to, or in consequence of, for by reference to any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) and/or assets acquired by any member of our Group on or before the date on which the [**REDACTED**] becomes unconditional (the "**Effective Date**"); and (ii) any loss or expense that may be incurred by our Group as a results of certain non-compliance incident(s) as set out in "Business — Legal Proceedings and Regulatory Compliance — Non-compliance" in this document.

The Indemnifying Shareholder will, however, not be liable under the Deed of Indemnity where, among other things, (a) sufficient provision or reserve has been made for such liability in the Accountants' Report set out in Appendix I to this document; or (b) the liability arises or is increased as a result only of a retrospective change in law or a retrospective increase in tax rates coming in force after the Effective Date; or (c) the liability would not have arisen but for any voluntary act of any member of our Group after the Effective Date which the relevant member of our Group ought reasonably to have known would give rise to such liability; or (d) in respect of any liability under the taxation indemnity given, and any claim in relation to taxation as specified under the Deed of Indemnity, the liability arises in the ordinary course of business of our Group.

3. Litigation

Saved for disclosed in "Business — Legal Proceedings and Regulatory Compliance", as of the Latest Practicable Date, and so far as our Directors are aware, we were not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on our results of operations or financial conditions.

4. Preliminary Expenses

Our Company did not incur any material preliminary expenses.

5. Joint Sponsors

The Joint Sponsors have made an [**REDACTED**] on behalf of our Company to the Listing Committee for [**REDACTED**] of, and permission to [**REDACTED**], the H Shares of our Company. All necessary arrangements have been made enabling the H Shares to be admitted into [**REDACTED**].

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Pursuant to the engagement letter entered into between our Company and the Joint Sponsors, the total sponsors' fee paid and payable to the Joint Sponsors by our Company in connection with the proposed [**REDACTED**] on the Hong Kong Stock Exchange is HK$[**REDACTED**] million.

6. 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 Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Binding effect

This document shall have effect, if an application is made pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Qualification of experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions and/or advice in this document are as follows:

Name	Qualifications
China Securities (International) Corporate Finance Company Limited	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
Shenwan Hongyuan Capital (H.K.) Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO)
AllBright Law Offices	Legal advisor to our Company as to PRC laws
KPMG	Certified Public Accountants Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Frost & Sullivan	Independent industry consultant

9. Consent of experts

Each of the experts as referred to in "— E. Other Information — 8. Qualification of experts" in this appendix has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

10. Compliance Adviser

We have appointed Red Solar Capital Limited as our compliance adviser upon the [**REDACTED**] in compliance with Rule 3A.19 of the Listing Rules.

11. Taxation of holders of H Shares

(1) Hong Kong

The sale, purchase and transfer of H Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.1% of the consideration of or, if higher, of the fair value of the H Shares being sold or transferred.

(2) Consultation with professional advisers

Potential investors in the [**REDACTED**] are urged to consult their professional tax advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or [**REDACTED**] in our H Shares (or exercising rights attached to them). None of our Company, our Directors, the Joint Sponsors, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], or any other person or party involved in the [**REDACTED**] accepts responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, [**REDACTED**] in or the exercise of any rights in relation to our H Shares.

12. No material adverse change

Our Directors confirm that, save as disclosed in this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

13. Promoters

The promoters of our Company are:

No.	Name
1	Mr. Xie
2	Han Daohu
3	Wu Jinghua
4	Li Jianzheng
5	Zhangchuang Gongying Platform
6	Pan Jianzhong
7	Li Bin
8	Feng Baocai
9	Lemo Gongchuang Platform
10 . . .	Cornerstone Yixiang
11 . . .	Lemo Gongying Platform

Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or benefit has been paid, allotted or given, or is proposed to be paid, allotted or given to the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

14. Miscellaneous

Save as disclosed in this document:

(a) within the two years preceding the date of this document, (i) our Company has not issued nor agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash; and (ii) no [**REDACTED**], [**REDACTED**], [**REDACTED**] or other special term has been granted in connection with the [**REDACTED**] or [**REDACTED**] of any Shares of our Company;

(b) no Share or loan capital of our Company, if any, is under option or is agreed conditionally or unconditionally to be put under option;

(c) our Company has not issued nor agreed to issue any founder shares, management shares or deferred shares;

(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) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months;

(g) there are no procedures for the exercise of any right of pre-emption or transferability of subscription rights;

(h) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;

(i) no part of the equity or debt securities of our Company, if any, is currently [**REDACTED**] on or [**REDACTED**] on any stock exchange or trading system, and no such [**REDACTED**] or permission to [**REDACTED**] on any stock exchange other than the Stock Exchange is currently being or agreed to be sought;

(j) our Company is a joint stock limited company and is subject to the PRC Company Law; and

(k) our Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms as required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules.

A. DOCUMENTS DELIVERED TO THE REGISTER OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further information about our business — 1. Summary of material contracts" in this document; and

(b) the written consents referred to in "Appendix IV — Statutory and General Information — E. Other information — 7. Consent of Experts" in this document; and

B. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.lemobar.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 KPMG, the text of which is set out in Appendix I to this document;

(c) the audited consolidated financial statements of our Group for the two years ended 31 December 2022 and 2023;

(d) the report on unaudited [**REDACTED**] financial information of our Group from KPMG, the text of which is set out in Appendix II to this document;

(e) the material contracts referred to in "Appendix IV — Statutory and General Information — B. Further information about our business — 1. Summary of the material contracts" in this document;

(f) the service contracts and letters of appointment referred to in "Appendix IV — Statutory and General Information — C. Further Information about Our Directors, Supervisors senior management and substantial Shareholders — 3. Particulars of service contracts and letters of appointment" in this document;

(g) the written consents referred to in "Appendix IV — Statutory and General Information — E. Other Information — 10. Consent of Experts" in this document;

(h) the PRC legal opinion issued by All Bright Law Offices, our PRC Legal Advisor, in respect of certain general corporate matters in the PRC of our Group;

(i) the industry report prepared by Frost & Sullivan; and

(j) the PRC Company Law, the PRC Securities Law, and the Trial Measures for the Administration on Overseas Securities Offering and Listing by Domestic Companies, together with unofficial English translations thereof.