Application Proof of

HANGZHOU TONGSHIFU CULTURAL AND CREATIVE (GROUP) CO., LTD.
杭州銅師傅文創(集團)股份有限公司

(the "**Company**")

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

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HANGZHOU TONGSHIFU CULTURAL AND CREATIVE (GROUP) CO., LTD.
杭州銅師傅文創(集團)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 adjustment)**
Number of [REDACTED]	:	**[REDACTED] H Shares (subject to adjustment and the [REDACTED])**
Maximum [REDACTED]	:	**HK$[REDACTED] per H Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and the AFRC transaction levy of 0.00015% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	:	**RMB1.00 per H Share**
[REDACTED]	:	**[REDACTED]**

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

招銀国际
CMB INTERNATIONAL

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The **[REDACTED]** is expected to be fixed by agreement between the **[REDACTED]** (on behalf of the **[REDACTED]**) and us on the **[REDACTED]**. The **[REDACTED]** is expected to be on or around **[REDACTED]** (Hong Kong time) and, in any event, not later than 12:00 noon on **[REDACTED]**, **[REDACTED]** (Hong Kong time). The **[REDACTED]** will not be more than HK$**[REDACTED]** per **[REDACTED]** and is currently expected to be not less than HK$**[REDACTED]** per **[REDACTED]**. If, for any reason, the **[REDACTED]** is not agreed by 12:00 noon on **[REDACTED]**, **[REDACTED]** (Hong Kong time) between the **[REDACTED]** (on behalf of the **[REDACTED]**) and us, the **[REDACTED]** will not proceed and will lapse. Applicants for **[REDACTED]** may be required to pay, on application (subject to application channels), the maximum **[REDACTED]** of HK$**[REDACTED]** for each **[REDACTED]** together with a brokerage of 1%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%.

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[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

EXPECTED TIMETABLE

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

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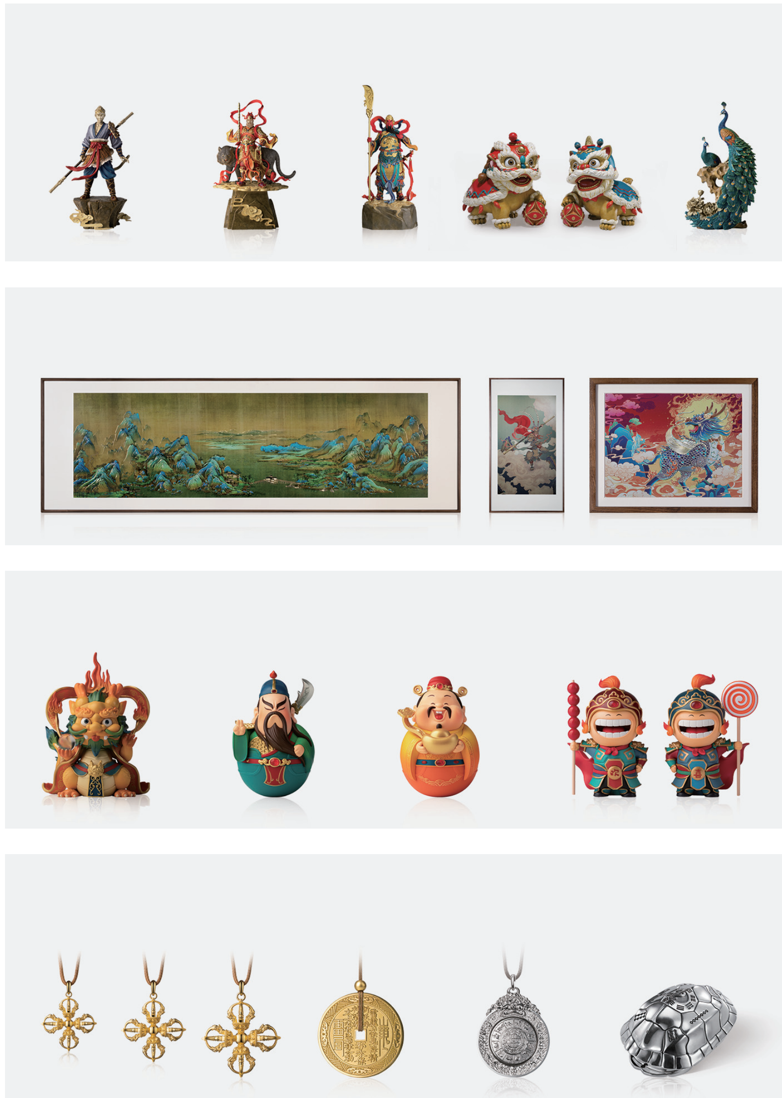
This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to **[REDACTED]** *in the* **[REDACTED]**. *There are risks associated with any investment. Some of the particular risks in* **[REDACTED]** *in the* **[REDACTED]** *are set out in the section headed "Risk factors" in this document. You should read that section carefully before you decide to* **[REDACTED]** *in the* **[REDACTED]**. *Various expressions used in this section are defined or explained in "Definitions" and "Glossary of Technical Terms" in this document.*

OVERVIEW

We, TONGSHIFU (銅師傅), are a leading cultural and creative craft brand rooted in Chinese heritage and dedicated to redefining Eastern aesthetics for the modern world. Since our inception in 2013, we have been guided by a singular mission: to preserve and elevate Chinese artistry by integrating traditional craftsmanship into contemporary living. Through a vertically integrated model encompassing research, design, and development, production, and sales, we deliver products that are culturally resonant, emotionally compelling, and crafted with artistic integrity. According to the F&S Report, we ranked No. 1 in China's copper-based cultural and creative crafts market in terms of overall revenue for the year ended December 31, 2024, with a market share of 35.0%, underscoring our leadership in the industry.

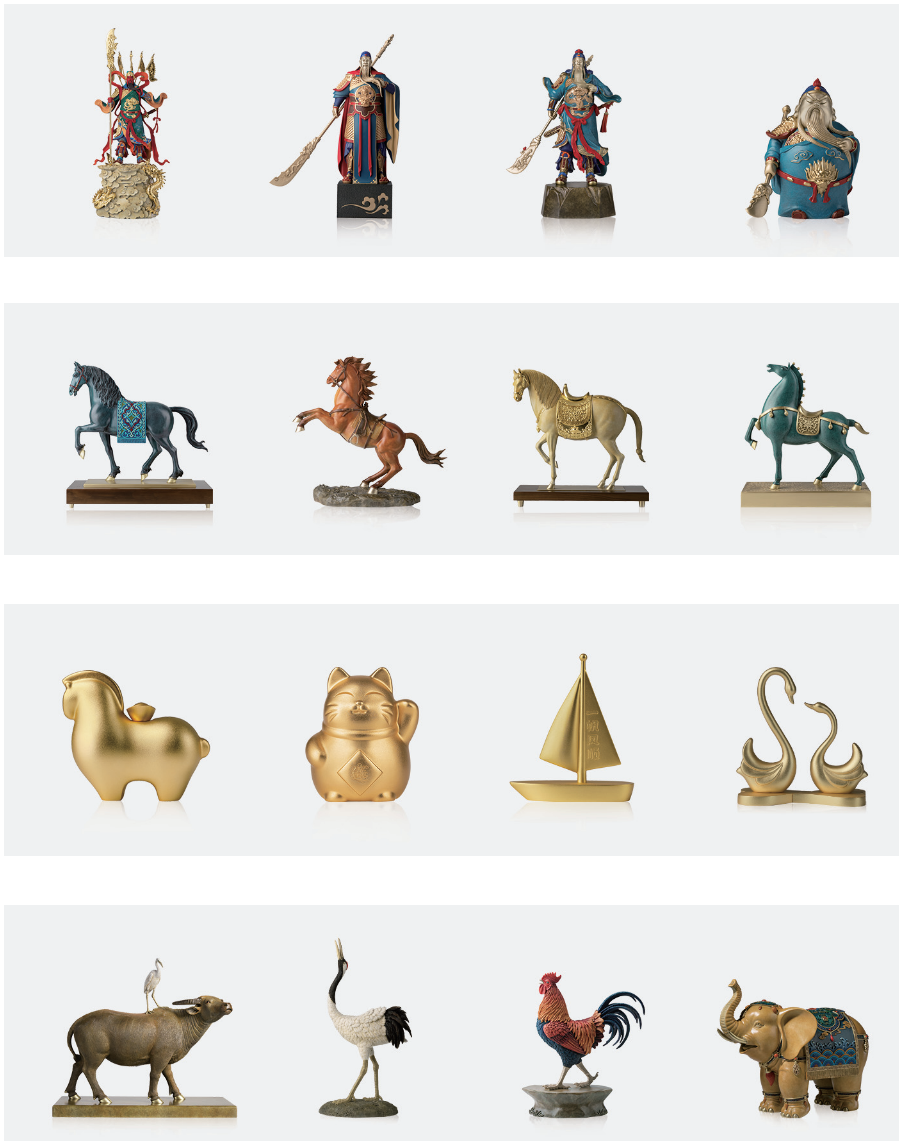
Originating as a copper workshop steeped in classical Chinese techniques, TONGSHIFU has evolved into a nationally leading cultural brand that reinterprets tradition through thoughtful design and widespread consumer resonance over the past decade. Copper remains at the heart of our brand, and through continuous investment in original design and research and development, we have extended our materials portfolio to include gold, silver, and plastic, reaching a broader audience and unlocking new creative possibilities. We firmly believe that art should not be confined to museums or exclusive collections, but rather woven into modern craftsmanship and process refinement, fostering emotional connections and bridging generations through thoughtful designs and graceful forms in everyday life. Anchored in our unwavering commitment to "value-driven quality (質價比)," we unite refined artistry with techniques to craft original works that preserve cultural memory, convey blessings, and spark inner resonance.

Our Product Matrix



Today, copper-based cultural and creative products remain at the heart of our offerings. The copper-based cultural and creative crafts segment is relatively concentrated, with the top three market participants collectively accounting for over 71.9% of the total market by revenue for the year ended December 31, 2024. Our leading position is underpinned by our full-stack creative and manufacturing model, strong brand equity, and highly engaged community of cultural consumers. During the Track Record Period, we consistently ranked among the top-selling cultural and creative craft brands on major e-commerce platforms. According to the F&S Report, we were ranked No. 1 in the copper-based cultural and creative product category on Tmall and JD.com for each of the years ended December 31, 2022, 2023 and 2024. For the years ended December 31, 2022, 2023 and 2024, revenue from our copper-based cultural and creative products amounted to RMB479.6 million, RMB488.0 million, and RMB551.3 million, respectively, representing 95.4%, 96.3%, and 96.6% of our total revenue for the same periods. Building on this foundation, we have progressively expanded into diverse material categories, including plastic collectibles and trendy toys, silver cultural and creative products, and gold cultural and creative products. This expansion leverages our accumulated strengths in aesthetic design and scalable craftsmanship, while addressing the growing consumer demand for culturally expressive products made from diverse materials.

Our Selected Copper-based Cultural and Creative Products



STRENGTHS

We believe that the following strengths contribute to our success and differentiate us from our competitors: (i) No. 1 in China's copper cultural and creative crafts market: innovating tradition with modern aesthetics; (ii) Delivering refined artistry through value-driven product craftsmanship; (iii) Innovating and elevating traditional craftsmanship through modern process thinking; (iv) Original design as drivers of long-term differentiation; (v) A wide omnichannel reach powered by diverse channels; and (vi) A visionary team driving innovation and development of the cultural and creative craft industry. For details, please refer to "Business – Strengths" in this document.

STRATEGY

We plan to implement the following targeted strategies: (i) Continuous product innovation to catalyze new growth momentum; (ii) Optimizing an omnichannel sales network for a seamless retail ecosystem; (iii) Improving demand forecasting and resource allocation to optimize order fulfillment; (iv) Expanding regional presence and advancing global cultural resonance; and (v) Selective digital enhancement to support operational efficiency. For details, please refer to "Business – Strategies" in this document.

OUR PRODUCT CATEGORIES

Our products can be classified into four main categories based on material and craftsmanship: (i) copper-based cultural and creative products, (ii) plastic collectibles and trendy toys, (iii) silver cultural and creative products, and (iv) gold cultural and creative products. Each product category is curated to integrate traditional craftsmanship with modern innovation, catering to various consumer preferences and market trends.

The following table sets forth the breakdown of our revenue by product categories during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*
Copper-based cultural and creative products	479,645	95.4	488,005	96.3	551,251	96.6
– Copper ornaments	428,004	85.1	434,161	85.7	497,831	87.2
– Copper carved paintings	51,641	10.3	53,844	10.6	53,420	9.4
Plastic collectibles and trendy toys	3,286	0.7	13,304	2.6	14,252	2.5
Silver cultural and creative products	4,771	0.9	3,320	0.7	4,232	0.7
Gold cultural and creative products	–	–	–	–	1,274	0.2
Wooden cultural and creative products	15,483	3.0	1,754	0.4	179	0.0
Total	**503,185**	**100.0**	**506,383**	**100.0**	**571,188**	**100.0**

Building on our deep-rooted expertise in copper craftsmanship, we have progressively expanded our product offerings into gold-based cultural and creative crafts. This transition represents a natural evolution in material innovation and artistic expression, as both copper and gold are malleable metals suitable for detailed sculpting, engraving, and casting. The shared properties between these metals allow us to leverage synergies in design, craftsmanship, and production processes, enabling a smoother and more efficient expansion.

Our gold cultural and creative products are marketed under a dedicated sub-brand, "Xijiang Gold Shop (璽匠金舗)," which signifies a new chapter in our journey to reinterpret traditional Chinese aesthetics through precious metals. This brand is positioned to appeal to discerning collectors and consumers who seek auspicious, refined, and symbolically meaningful gold pieces that blend cultural depth with artisanal excellence. By applying traditional techniques such as lost-wax casting, engraving, and high-polish finishing, we have developed a premium line of gold collectibles that reflect both decorative artistry and intrinsic value. These products are crafted with 999 pure gold and designed to commemorate heritage, blessings, and timeless mythology. In addition to our gold offerings, select SKUs under the "Xijiang Gold Shop" sub-brand are also available in pure silver versions.

During the Track Record Period, we also offered a limited range of wooden cultural and creative products under our "Weitan" brand. For the years ended December 31, 2022, 2023, and 2024, revenue generated from wooden cultural and creative products accounted for 3.0%, 0.4% and less than 0.1% of our total revenue, respectively. Both the absolute value and proportion of revenue from this category were low, and the significant decrease resulted from our decision to cease production of wooden cultural and creative products starting in 2022. Revenue in the subsequent period was primarily derived from the sale of remaining inventory. For more details, please refer to "Business – Our Products – Our Product Categories" in this document.

OUR IP PORTFOLIO

Our commitment to IP development is integral to our business strategy, enabling us to create distinctive cultural and creative products that blend traditional Chinese heritage with contemporary aesthetics. We have built a comprehensive IP portfolio, comprising both self-developed IPs and licensed IP collaborations, supported by a robust framework of design patents, copyrights, and proprietary techniques.

As of December 31, 2024, we had obtained 1,575 artistic copyrights, 285 design patents, 12 utility model patents, 9 software copyrights and 2 invention patents, reflecting our sustained investment in innovation and IP protection. In support of our IP strategy, we have established a dedicated creative research and development system composed of 119 research and development personnel as of December 31, 2024. We continue to expand our research and development talent base and deepen design specialization, as reflected by a steady increase in new SKU output across a broadening range of product categories and themes during the Track Record Period.

Intellectual property protection remains a cornerstone of our business. We actively secure design patents, artistic copyrights, and proprietary production techniques to safeguard our original creations. Our legal and compliance teams continuously monitor the market for unauthorized reproductions, taking swift action against infringement. For more details, please refer to "Business – Our IP Portfolio" in this document.

OUR PRICING

Our pricing strategy is rooted in the principle of value-driven quality, emphasizing the artistic, cultural, and material value of each product while ensuring broad consumer accessibility. We aim to offer museum-grade craftsmanship and collectible artistry at a price range that reflects both aesthetic sophistication and production excellence. During the Track Record Period, our online average transaction value per customer remained consistently above RMB750, which represents the blended average across our online flagship stores on Douyin, Tmall and JD.com. For more details, please refer to "Business – Our Pricing" in this document.

SALES AND MARKETING

We have established a comprehensive multi-channel sales network that integrates direct sales, distribution partnerships, and consignment arrangement. This diversified approach enables us to reach a broad customer base, from collectors and art enthusiasts to younger consumers attracted to cultural and artistic collectibles.

The following table sets forth our revenue of product sales by sales channel during the Track Record Period:

	For the year ended December 31,					
	2022		2023		2024	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct sales						
Online direct sales	355,392	70.6	353,977	69.9	402,889	70.5
Retail store sales	3,648	0.7	3,624	0.7	17,627	3.1
Other direct sales	12,805	2.5	13,354	2.6	17,761	3.1
Subtotal	**371,845**	**73.8**	**370,955**	**73.2**	**438,277**	**76.7**
Distribution partnerships						
Online distributors	51,842	10.3	47,027	9.3	37,996	6.7
Offline distributors	75,952	15.1	74,342	14.7	78,986	13.8
Subtotal	**127,794**	**25.4**	**121,369**	**24.0**	**116,982**	**20.5**
Consignment arrangement	**3,546**	**0.8**	**14,059**	**2.8**	**15,929**	**2.8**
Total	**503,185**	**100.0**	**506,383**	**100.0**	**571,188**	**100.0**

OUR CUSTOMERS AND SUPPLIERS

Across all sales channels, our online flagship stores account for the largest proportion of our total revenue. Customers in this channel are primarily individual consumers who make fragmented purchases through our online flagship stores. These consumers, despite their individual scale, collectively form the dominant revenue base of our business. In addition to direct retail customers, our major customers also include distributors and consignment sales partners. For the year ended December 31, 2022, revenue from our largest customer accounted for approximately 4.5% of our total revenue, while the combined revenue contribution from our five largest customers was approximately 10.2%. For the year ended December 31, 2023, our largest customer contributed approximately 3.6% of our total revenue, whereas the five largest customers, in aggregate, accounted for around 9.3%. For the year ended December 31, 2024, revenue generated from our largest customer represented approximately 2.4% of our total revenue, while the top five customers collectively accounted for approximately 9.0%. For details, please refer to "Business – Customers – Major Customers" in this document.

Our suppliers primarily include providers of metal raw materials, auxiliary materials, and e-commerce platforms that offer online sales and marketing infrastructure. For the year ended December 31, 2022, the purchase costs payable to our largest supplier accounted for approximately 10.0% of our total purchase costs, while the combined purchase costs attributable to our five largest suppliers amounted to approximately 29.0%. For the year ended December 31, 2023, our largest supplier represented approximately 11.6% of our total purchase costs, whereas the five largest suppliers, in aggregate, contributed around 37.6%. For the year ended December 31, 2024, payments to our largest supplier made up approximately 10.9% of total purchase costs, while the five largest suppliers collectively accounted for approximately 35.3%. For details, please refer to "Business – Suppliers – Major Suppliers" in this document.

RISK FACTORS

You should carefully consider all of the information set out in this document and, in particular, the risks described in the section headed "Risk Factors" before making any [**REDACTED**] decision. These include, among others: (i) we may not be able to continuously introduce products that align with evolving consumer preferences and market demand, which could adversely affect our business and growth prospects; (ii) any harm to the reputation, distinctiveness or integrity of our principal brand or sub-brands may materially and adversely affect our business performance, consumer trust and growth prospects; (iii) if our product development capabilities decline, our competitiveness and market share may be adversely affected; (iv) fluctuations in prices, or any unavailability of the raw materials that we use in our products may materially and adversely affect our business, results of operations or financial condition; and (v) a substantial portion of our online sales in the PRC depends on certain online platforms. For details, see the section headed "Risk Factors" in this document.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables present our summary historical financial information for the periods or as of the dates indicated. The summary historical financial information set forth below should be read together with, and is qualified in its entirety by reference to, the historical financial information included in the Accountants' Report in Appendix I to this document, including the accompanying notes, and the information set forth in "Financial Information." Our historical financial information was prepared in accordance with IFRSs.

Summary of Consolidated Statements of Profit or Loss

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*
Revenue	**503,185**	**100.0**	**506,383**	**100.0**	**571,188**	**100.0**
Cost of sales	(340,957)	67.8	(342,174)	67.6	(369,103)	64.6
Gross profit	**162,228**	**32.2**	**164,209**	**32.4**	**202,085**	**35.4**
Other income	13,747	2.7	15,620	3.1	14,370	2.5
Other gains and losses	42	0.0	105	0.0	260	0.0
Impairment losses under expected credit loss model, net of reversal	(756)	0.2	715	0.1	(190)	0.0
Selling and marketing expenses	(62,667)	12.5	(72,448)	14.3	(71,590)	12.5
Administrative expenses	(27,972)	5.6	(30,426)	6.0	(26,923)	4.7
Other operating expenses	(2,479)	0.5	(2,291)	0.5	(1,637)	0.3
Research and development expenses	(18,802)	3.7	(28,638)	5.7	(28,212)	4.9
Finance costs	(896)	0.2	(5)	0.0	(97)	0.0
Profit before tax	**62,445**	**12.4**	**46,841**	**9.3**	**88,066**	**15.4**
Income tax expense	(5,507)	1.1	(2,710)	0.5	(9,084)	1.6
Profit and total comprehensive income for the year	**56,938**	**11.3**	**44,131**	**8.7**	**78,982**	**13.8**

Summary of Consolidated Statements of Financial Position

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)
Current assets				
Inventories	115,681	107,161	132,305	126,008
Trade and other receivables	10,972	9,469	18,631	20,061
Right to returned goods asset	434	548	558	534
Tax recoverable	1,349	1,527	9	6
Financial asset at FVTPL	–	–	30,097	57,097
Time deposits	–	–	17,019	17,019
Restricted bank deposit	*	–	–	–
Bank balances and cash	55,677	114,094	88,044	86,597
Total current assets	**184,113**	**232,799**	**286,663**	**307,322**
Current liabilities				
Trade and other payables	66,667	73,035	68,584	61,285
Refund liabilities	688	831	889	851
Income tax payable	*	216	2,114	800
Lease liabilities	–	403	2,016	1,822
Contract liabilities	5,662	11,638	5,284	6,870
Total current liabilities	**73,017**	**86,123**	**78,887**	**71,628**
Net current assets	**111,096**	**146,676**	**207,776**	**235,694**

* Amount below RMB1,000

Summary of Consolidated Cash Flow Statements

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

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	28,414	82,493	58,548
Net cash used in investing activities	(19,203)	(24,024)	(83,058)
Net cash used in financing activities	(68,315)	(62)	(1,683)
Cash and cash equivalents at the beginning of the year	114,520	55,677	114,094
Cash and cash equivalents at the end of the year	55,677	114,094	88,044

Key Financial Ratios

	As of December 31/ For the year ended December 31,		
	2022	2023	2024
Net profit margin	11.3%	8.7%	13.8%
Return on equity	22.1%	14.3%	21.4%
Return on total assets	15.2%	11.4%	17.4%
Current ratio	2.52	2.70	3.63
Quick ratio	0.94	1.46	1.96

OUR SINGLE LARGEST SHAREHOLDER

As of the Latest Practicable Date, Mr. Yu held approximately 26.27% of the voting rights in our Company. Immediately after completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised), our Single Largest Shareholder will be able to exercise approximately [**REDACTED**]% of the aggregate voting power of our enlarged share capital. For details, see the section headed "Relationship with the Single Largest Shareholder" in this document.

[REDACTED] INVESTORS

We have engaged in [**REDACTED**] Investments with our [**REDACTED**] Investors. Our [**REDACTED**] Investments consist of several rounds of investments from the [**REDACTED**] Investors by way of transfer of equity interests and/or subscription of our Shares. For further details of the identity and background of our principal [**REDACTED**] Investors and the principal terms of the [**REDACTED**] Investments, see "History, Development and Corporate Structure – [**REDACTED**] Investments".

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the [**REDACTED**] of, and permission to [**REDACTED**] in (i) our H Shares to be issued pursuant to the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**], and (ii) the H Shares to be converted from our existing Domestic Unlisted Shares.

[REDACTED] STATISTICS

The statistics in the following table are based on the assumption that: (i) the [**REDACTED**] is completed and [**REDACTED**] H Shares are [**REDACTED**] in the [**REDACTED**], (ii) [**REDACTED**] Domestic Unlisted Shares will be converted into H shares upon the completion of the [**REDACTED**], and (iii) the [**REDACTED**] for the [**REDACTED**] is not exercised:

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

Notes:

(1) The calculation of [**REDACTED**] is based on [**REDACTED**] Shares expected to be in issue immediately following the [**REDACTED**].

(2) Unaudited [**REDACTED**] adjusted consolidated net tangible assets per Share is calculated after making adjustments referred to "Appendix II – Unaudited [**REDACTED**] Financial Information" in this document.

[REDACTED] EXPENSES

The total estimated [**REDACTED**] expenses in connection with the [**REDACTED**] are approximately RMB[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million), representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**]) and the [**REDACTED**] is not exercised. We expect to incur [**REDACTED**] expenses of approximately HK$[**REDACTED**] million, of which approximately HK$[**REDACTED**] million is expected to be recognized in the consolidated statements of profit or loss and other comprehensive income as administrative expenses, and approximately HK$[**REDACTED**] million is expected to be recognized as a deduction in equity directly upon the [**REDACTED**]. By nature, our [**REDACTED**] expenses are composed of (i) [**REDACTED**] commission of approximately HK$[**REDACTED**] million; and (ii) [**REDACTED**] related expenses of approximately HK$[**REDACTED**] million, which consist of fees and expenses of legal advisers and reporting accountants of approximately HK$[**REDACTED**] million and other fees and expenses of approximately HK$[**REDACTED**] million. The [**REDACTED**] expenses above are the current estimate for reference only and the final amount to be recognized to our consolidated income statement is subject to audit and the then changes in variables and assumptions.

FUTURE PLANS AND [REDACTED]

We intend to use the [**REDACTED**] from the [**REDACTED**] to support the implementation of our strategic initiatives. In particular, we plan to allocate the [**REDACTED**] as follows:

- Invest in product development and design capabilities (approximately [**REDACTED**]%, equivalent to approximately HK$[**REDACTED**] million),

- Enhance production capacity and fulfillment agility (approximately [**REDACTED**]%, equivalent to approximately HK$[**REDACTED**] million),

- Strengthen sales channels and marketing capabilities (approximately [**REDACTED**]%, equivalent to approximately HK$[**REDACTED**] million),

- Upgrade internal information infrastructure (approximately [**REDACTED**]%, equivalent to approximately HK$[**REDACTED**] million), and

- Working capital and general corporate purposes (approximately [**REDACTED**]%, equivalent to approximately HK$[**REDACTED**] million).

For further details, please refer to the section headed "Future Plans and [**REDACTED**]" in this document.

DIVIDEND

During the Track Record Period, we did not declare or pay any dividends. No dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period. We do not have any dividend policy to declare or pay any dividends in the foreseeable future.

NO MATERIAL ADVERSE 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 December 31, 2024, being the end of the last financial year reported on in the Accountant's Report as set out in Appendix I to this document.

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic led to temporary supply chain and logistics disruptions. However, our vertically integrated operations and strong e-commerce presence enabled us to maintain business continuity. Unlike companies reliant on third-party manufacturing, our in-house production minimized external dependencies and mitigated operational risks. Logistics delays were the most notable challenge during the pandemic, but digital channels remained resilient, allowing us to sustain sales momentum. Government support measures also facilitated supply chain recovery. While the pandemic had limited direct impact on our business, it accelerated our investment in digital infrastructure, manufacturing automation, and supply chain diversification. We complied fully with health regulations to ensure workplace safety and operational stability. Overall, COVID-19 did not have a material adverse effect on our business or financial performance.

RECENT DEVELOPMENT

In the first quarter of 2025, we entered into a licensing agreement for an animated film IP that has generated significant public interest and market recognition. We are currently advancing the design and development of relevant licensed IP products, which are expected to be launched in the coming months.

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

"Accountant's Report"	the accountant's report of our Company, the text of which is set out in Appendix I to this document
"affiliate(s)"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council
"Articles" or "Articles of Association"	the articles of association of the Company conditionally adopted on April 30, 2025, which shall become effective on [**REDACTED**], as amended from time to time, a summary of which is set out in Appendix VI to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Board" or "Board of Directors"	the board of Directors
"Business Day" or "business day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for normal banking business
"CAGR"	compound annual growth rate

[**REDACTED**]

''China'' or ''the PRC''	the People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to ''China'' and ''the PRC'' do not apply to Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"close associates"	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" or "the Company"	Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd.* (杭州銅師傅文創(集團)股份有限公司), a limited liability company established in the PRC on March 26, 2013 and converted into a joint stock company with limited liability on November 11, 2014
"Company Law" or "PRC Company Law"	Company Law of the PRC (《中華人民共和國公司法》) as amended and supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Governance Code" or "CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"COVID-19"	novel coronavirus (COVID-19), a coronavirus identified as the cause of an outbreak of respiratory illness
"CSDCC"	China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Demerger"	the demerger of our Company into two companies, namely our Company and Tongmu Zhuyi, which was registered in Jiande Municipal Market Supervision Administration (建德市場監督管理局) on December 17, 2020
"Director(s)"	the director(s) of our Company

"Domestic Unlisted Shares"	ordinary shares in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
"EIT"	enterprise income tax
"EIT Law"	Enterprise Income Tax Law of the People's Republic of China* (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
"ESG"	environmental, social and governance

[**REDACTED**]

"Extreme Conditions"	the occurrence of "extreme conditions" as announced by the Hong Kong Government 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
"F&S" or "Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., our industry consultant, which is an independent third party
"F&S Report"	an independent market research report commissioned by us and prepared by F&S, a summary of which is set forth in the section headed "Industry Overview" for the purpose of this document

[**REDACTED**]

"Group", "the Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guide for New Listing Applicants" or the "Guide"	the Guide for New Listing Applicants published by the Stock Exchange and as amended, supplemented or otherwise modified from time to time
"H Share(s)"	overseas [**REDACTED**] foreign invested ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed for and traded in Hong Kong dollars and for which an application has been made for the granting of [**REDACTED**], and [**REDACTED**] in, on the Main Board of the Stock Exchange

[**REDACTED**]

"Hangzhou Weitan"	Hangzhou Weitan Artwork Co., Ltd.* (杭州唯檀藝術品有限公司), a company established in the PRC on March 29, 2021 and a wholly-owned subsidiary of our Company
"Hangzhou Yueyin"	Yueyin (Hangzhou) Cultural and Creative Co., Ltd.* (閱銀(杭州)文化創意有限公司), a company established in the PRC on June 27, 2022 and a wholly-owned subsidiary of our Company
"Hangzhou Zhibo"	Hangzhou Zhibo Sanitary Ware Co., Ltd.* (杭州至鉑衛浴有限公司), a company established in the PRC on June 1, 2012 and a wholly-owned subsidiary of our Company
"HK$" or "Hong Kong dollars" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

[**REDACTED**]

"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

[**REDACTED**]

"Huanxi Xiaojiang"	Huanxi Xiaojiang (Hangzhou) Cultural and Creative Co., Ltd.* (歡喜小將(杭州)文化創意有限公司), a company established in the PRC on November 2, 2021 and a wholly-owned subsidiary of our Company. "Huanxi Xiaojiang" also serves as the sub-brand name under which we design, market, and sell our plastic collectible and trendy toy products
"IAS"	International Accounting Standards
"IFRS"	the International Financial Reporting Standards, which as collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board
"independent third party(ies)"	a person, persons, a company or companies which to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, is or are independent of, and not our connected person(s) within the meaning under the Listing Rules

[**REDACTED**]

[**REDACTED**]

"IT"	information technology
"KPI"	Key Performance Indicator, a quantifiable measure used to evaluate an organization or a person's success in achieving its objectives and goals
"Latest Practicable Date"	May 2, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operated in parallel with the GEM of the Stock Exchange
"MOF"	Ministry of Finance of the PRC (中華人民共和國財政部)
"Mr. Yu" or the "Single Largest Shareholder"	Mr. Yu Guang (俞光), the chairman of the Board, executive Director and the general manager of our Company. For details, please see the section headed "Relationship with the Single Largest Shareholder"
"NDRC"	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Nomination Committee"	the nomination committee of our Board

"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC GAAP"	generally accepted accounting principles of PRC

"PRC government" or "State"	the Central People's Government of the People's Republic of China, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities or, where the context requires, any of them
"PRC Legal Adviser"	JunHe LLP, the legal adviser to our Company as to PRC laws
"PRC Securities Law"	the Securities Law of the PRC (《中華人民共和國證券法》), as amended and supplemented from time to time
"[**REDACTED**] Investment(s)"	the investment(s) made by the [**REDACTED**] Investor(s) in our Company, details of which are set out in the section headed "History, Development and Corporate Structure – [**REDACTED**] Investments" in this document
"[**REDACTED**] Investor(s)"	the [**REDACTED**] investor(s) of our Company, details of which are set out in the section headed "History, Development and Corporate Structure – [**REDACTED**] Investments" in this document

[**REDACTED**]

"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of our Board
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SAFE"	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), a PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable

"SAMR"	the 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)
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
"SAT"	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"SCNPC"	the Standing Committee of the National People's Congress (全國人民代表大會常務委員會)
"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
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	the ordinary share(s) in the share capital of our Company with a nominal value of RMB1.00 each, including our Domestic Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Shares

[**REDACTED**]

"Sole Sponsor", [**REDACTED**]	the sole sponsor, [**REDACTED**] and [**REDACTED**] as named in the section headed "Directors and Parties Involved in the [**REDACTED**]" in this document

[**REDACTED**]

"State Council"	State Council of the PRC (中華人民共和國國務院)
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of our Board
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tai Tong (太銅)"	A sub-brand of our Company dedicated to copper cultural and creative products positioned at a higher price range. "Tai Tong" serves as a premium extension of our principal "TONGSHIFU" brand
"Tongmu Zhuyi"	Hangzhou Tongmu Zhuyi Furniture Co., Ltd* (杭州銅木主義傢具股份有限公司), a company established in the PRC pursuant to the Demerger in December 17, 2020
"TONGSHIFU (銅師傅)"	The principal brand name of our Company, under which we develop, produce, and market our cultural and creative craft products
"Tongshifu Cultural and Creative"	Tongshifu (Hangzhou) Cultural and Creative Co., Ltd.* (銅師傅(杭州)文化創意有限公司), a company established in the PRC on April 17, 2023 and a wholly-owned subsidiary of our Company
"Track Record Period"	the three years ended December 31, 2022, 2023 and 2024
"U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	the United States Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder

[**REDACTED**]

"United States", "US" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"VAT"	value-added tax, a consumption tax imposed on the incremental value generated at each stage of the production and distribution chain
"Weitan (唯檀)"	A sub-brand of our Company dedicated to wooden cultural and creative products

[**REDACTED**]

"Xijiang Art Painting"	Hangzhou Xijiang Art Painting Co., Ltd.* (杭州璽匠藝術畫有限公司), a company established in the PRC on October 11, 2021 and a wholly-owned subsidiary of our Company
"Xijiang Gold Shop"	Xijiang Gold Shop (Hangzhou) Culture Co., Ltd.* (璽匠金舖(杭州)文化有限公司), a company established in the PRC on July 17, 2024 and a wholly-owned subsidiary of our Company. "Xijiang Gold Shop" also serves as the sub-brand name under which we develop, market, and sell our gold cultural and creative products
"Yueyin (閲銀)"	A sub-brand of our Company focused on the design, development, and sale of silver cultural and creative products
"%"	percent

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

For ease of reference, the names of the PRC governmental authorities, institutions, facilities, certificates, titles, nationals, individuals, companies or entities, laws or regulations have been included in this document in both the Chinese and English languages and, in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are marked with "*" and are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this document in connection with our Group and our business. Some of these may not correspond to standard industry definitions or usage of these terms.

"burning"	A traditional surface finishing technique involving the application of controlled heat to copper or other metals to produce naturally occurring color gradients, oxidized patinas, or vibrant tonal effects.
"carving" or "engraving"	A technique of using designed specific tools to carve different patterns on the surface of an object.
"CCI" or "cultural creative industry"	Cultural creative industry, which centers on leveraging cultural resources and integrating elements such as history, art, and technology to create products and services that convey cultural, aesthetic, and commercial value.
"cloisonné Enameling"	A decorative metalworking technique where colored enamel is applied within wire partitions affixed to a metal surface, then fired at high temperature to create intricate, glossy patterns.
"CNC carving machines"	Computer-controlled carving equipment used to precisely cut, engrave, or shape materials based on pre-programmed designs.
"copper engraved artworks"	A form of copper cultural and creative craft characterized by relief carving on flat copper plates, combining traditional engraving techniques with compositional aesthetics inspired by classical Chinese painting. Unlike ordinary two-dimensional artworks, copper engraved artworks feature sculptural depth and textured detailing.
"cultural and creative craft"	Products that integrate cultural themes, aesthetic design, and creative expression, produced through either traditional artisanal techniques or standardized industrial processes such as casting, embossing, or patination.
"filigree"	A technique of drawing various kinds of metals such as gold, silver and copper into delicate threads and fashioning them into different shapes.
"Great Sage"	One of our most iconic original IP product lines, the Great Sage series is inspired by the legendary Chinese figure Sun Wukong (孫悟空), the Monkey King.

"Guochao"	A consumer and design trend that blends traditional Chinese cultural elements with modern aesthetics, popular among younger generations. Guochao emphasizes national identity, cultural confidence, and emotional resonance through products that reinterpret heritage with contemporary style and storytelling.
"hand-painting"	An artisanal technique in which colors are manually applied to a crafted surface, typically metal, using fine brushes and mineral or pigment-based paints.
"Hangzhou Facility"	Our production facility located in Hangzhou, Zhejiang Province, which is primarily engaged in the manufacturing of our cultural and creative craft products.
"high-polish finishing"	A surface treatment technique involving progressive manual or mechanical polishing to achieve a smooth, mirror-like finish.
"Koucai"	A traditional Chinese practice of using phonetic puns and visual metaphors to convey blessings or emotional messages. It creatively fuses sound-alike words with corresponding symbolic imagery to express themes such as peace (*ping'an* 平安), wealth (*cai* 財), and joy (*xi* 喜).
"lost-wax casting method"	An ancient metal casting technique in which a wax model is coated with refractory material to form a mold. After the wax is melted and drained, molten metal is poured into the cavity to create a detailed sculpture.
"new tier-one cities"	Cities ranked immediately below tier-one cities and above tier-two cities in terms of comprehensive business attractiveness, as defined in the *Ranking of Cities' Business Attractiveness in China 2023* (《2023城市商業魅力排行榜》) released by the New Tier One Cities Research Institute of YiMagazine (《第一財經周刊》新一線城市研究所). According to this ranking, new tier-one cities include Chengdu, Chongqing, Hangzhou, Wuhan, Suzhou, Xi'an, Nanjing, Changsha, Tianjin, Zhengzhou, Dongguan, Qingdao, Kunming, Ningbo, and Hefei.
"online average transaction value per customer"	The online average transaction value per customer is calculated by dividing the total sales order amount of the platform (Tmall, JD.com or Douyin) over the course of the year by the total number of customers who made a purchase on the platform during the same period.

GLOSSARY OF TECHNICAL TERMS

"outer shell"	A refractory mold layer formed around a wax model during the lost-wax casting process. After the wax is melted and drained, the hardened outer shell serves as the cavity into which molten metal is poured.
"prototyping"	The process of creating a preliminary sample or model to test design, structure, and craftsmanship before final production.
"skilled craftsman"	A production-line technician who has worked continuously in the same role at our Company for 12 months or longer.
"SKU"	Stock Keeping Unit, representing the number of products in inventory. It is used to identify each unique product and keep track of stock level.
"tier-one cities"	Beijing, Shanghai, Guangzhou and Shenzhen according to the Ranking of Cities' Business Attractiveness in China 2023 (《2023城市商業魅力排行榜》) released by the New Tier One Cities Institute of YiMagazine (《第一財經周刊》新一線城市研究所).
"tier-three cities"	Cities ranked below tier-two cities in terms of comprehensive business attractiveness, as defined in the *Ranking of Cities' Business Attractiveness in China 2023* (《2023城市商業魅力排行榜》) released by the New Tier One Cities Research Institute of YiMagazine (《第一財經周刊》新一線城市研究所). According to this ranking, tier-three cities include Weifang, Baoding, Zhenjiang, Yangzhou, Guilin, Tangshan, Sanya, Huzhou, Hohhot, Langfang, Luoyang, Weihai, Yancheng, Linyi, Jiangmen, Shantou, Taizhou, Zhangzhou, Handan, Jining, Zibo, Yinchuan, Liuzhou, Mianyang, Zhanjiang, Anshan, Ganzhou, Daqing, Yichang, Baotou, Xianyang, Qinhuangdao, Zhuzhou, Putian, Jilin, Huai'an, Zhaoqing, Ningde, Hengyang, Nanping, Lianyungang, Dandong, Lijiang, Jieyang, Yanbian Korean Autonomous Prefecture, Zhoushan, Lanzhou, Longyan, Luzhou, Fushun, Xiangyang, Shangrao, Yingkou, Sanming, Lishui, Yueyang, Qingyuan, Jingzhou, Tai'an, Quzhou, Panjin, Dongying, Nanyang, Ma'anshan, Nanchong, Xining, Xiaogan, and Qiqihar.

"tier-two cities"	Cities ranked immediately below new tier-one cities in terms of comprehensive business attractiveness, as defined in the *Ranking of Cities' Business Attractiveness in China 2023* (《2023城市商業魅力排行榜》) released by the New Tier One Cities Research Institute of YiMagazine (《第一財經周刊》新一線城市研究所). According to this ranking, tier-two cities include Fuzhou, Jinan, Wuxi, Foshan, Changchun, Wenzhou, Nantong, Harbin, Nanning, Xuzhou, Huizhou, Yantai, Jiaxing, Zhongshan, Hohhot, Dalian, Taiyuan, and Wuhu. Based on this classification, we also add Changzhou to "tier-two cites" for the purpose of this document.
"Tongcai kiln-fired coloring (銅彩燒色)"	A heat-based surface treatment in which copper is repeatedly fired at high temperatures to produce mineral-like colors through controlled oxidation.
"Yancai mineral pigment hand-painting (顏彩手繪)"	A traditional hand-painting technique using finely ground natural mineral pigments applied with soft brushes onto metal surfaces.

This document contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for the periods of time to which such statements relate. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document.

You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing the Company 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;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- changes in our customers' preferences, demands and business performance;
- changes in competitive conditions and our ability to compete under these conditions;
- the actions and development of our competitors;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- effects of the global financial markets and economic conditions;
- our future debt levels and capital needs;
- our financial conditions and performance;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

In some cases, we use the words "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "going forward," "intend," "ought to," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in this document in relation to future events, our future financial, business or other performance and development, the future development of our industry and the future development of the general economy of our key markets.

These forward-looking statements are based on assumptions and estimates and speak only as of the date they were made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

Our Directors confirm that the forward-looking statements are made after reasonable care and due consideration. Nonetheless, due to the risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all.

Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to this cautionary statement.

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, before making an* [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 materially and adversely affect our business, financial condition, and results of operations. The* [REDACTED] *of our H Shares could significantly decrease due to any of these risks, 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, will not be updated after the date hereof, and is subject to the cautionary statements in "Forward-looking Statements" in this document.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We may not be able to continuously introduce products that align with evolving consumer preferences and market demand, which could adversely affect our business and growth prospects.

Our business operates within the cultural and creative crafts market, an industry shaped by rising consumer demand for products that combine artistic expression, cultural heritage, and emotional symbolism. As consumers increasingly seek personalized, aesthetically refined, and meaning-rich offerings that reflect identity and values, their preferences evolve rapidly, driven by generational tastes, cultural discourse, lifestyle shifts, and real-time social media influence. In particular, cultural and creative crafts serve not only decorative or collectible purposes but also function as emotional tokens and symbolic gifts for specific occasions and life milestones. The value consumers attach to these products often goes beyond physical form to encompass perceived authenticity, narrative resonance, and social connection.

One of our strategic differentiators is our commitment to delivering high perceived value through "value-driven-quality," which offers refined artistic products at an accessible price point. This principle underpins our pricing strategy, product segmentation, and material selection, and has played a central role in meeting consumer demand for cultural sophistication at reasonable cost. However, maintaining this balance between design refinement and pricing discipline requires continuous iteration, optimization of cost structures, and timely responsiveness to consumer expectations. Any erosion of this advantage may compromise consumer trust and weaken our market position.

To keep pace with changing consumer preferences and aesthetic sensibilities, we regularly launch new SKUs and product collections. For the years ended December 31, 2022, 2023, and 2024, we offered 2,137, 2,296, and 2,485 SKUs, respectively, with 464, 382, and 574 newly launched SKUs each year. Our product development process is guided by cultural insight, trend research, and cross-department collaboration between our creative team, marketing team, and business team. We draw upon both classical Chinese cultural references and modern interpretations to develop original IPs, while also engaging in international IP collaborations to broaden appeal and reach global audiences. This dual-track approach enables us to cater to diverse consumer bases across demographic, regional, and cultural lines. Please refer to the section headed "Business – Our IP Portfolio" in this document for more details.

Despite these efforts, the development of cultural and creative products requires significant time investment for sculpting, prototyping, and finishing. One of the challenges we face lies in the accurate alignment of production planning with sales demand. In recent years, we have encountered situations where strong consumer response exceeded our forecasts, resulting in long pre-order periods and slower delivery times. This is not a result of limited production capacity per se, but rather a need to enhance the precision of demand forecasting and inventory planning. As noted in our strategic planning, improving our ability to match product supply with real-time market dynamics remains a key area of operational optimization.

Moreover, failure to capture peak gifting seasons with appropriate thematic offerings or timely launches may lead to missed revenue opportunities and diminished consumer engagement. The emotional and symbolic nature of our products makes time-sensitive relevance particularly critical.

If we are unable to consistently develop, launch, and deliver products that align with evolving consumer preferences and symbolic expectations, we may lose brand relevance, fail to attract new customers, or erode loyalty among existing consumers. This could materially and adversely affect our business performance, brand reputation, and long-term growth prospects.

Any harm to the reputation, distinctiveness or integrity of our principal brand or sub-brands may materially and adversely affect our business performance, consumer trust and growth prospects.

Our principal brand, "TONGSHIFU," is integral to our business identity and consumer engagement. It represents not merely a product label, but an artistic vision, cultural narrative and design philosophy developed through years of creative endeavor. Rooted in traditional Chinese craftsmanship and expressed through modern sculptural design, TONGSHIFU embodies symbolic value and emotional storytelling that resonates strongly with our customers. Any deviation from this positioning, whether through design inconsistency, product defects or negative consumer experiences, may lead to unfavorable word-of-mouth and online reviews, which can spread rapidly through social media, livestreaming platforms and e-commerce channels. In a category driven by cultural and emotional appeal, even a temporary loss of consumer trust may result in significant harm to our brand reputation and sales.

In addition to TONGSHIFU, we operate a portfolio of sub-brands strategically developed to address distinct materials, consumer demographics and thematic expressions. "Huanxi Xiaojiang" targets younger and trend-conscious consumers with plastic collectibles that blend cultural elements with playful design. "Yueyin" features silver cultural and creative products, focusing on functional and symbolic items such as tea sets and decorative pieces. "Weitan" offers wood-based cultural and creative products that express spiritual motifs through traditional carving techniques, although this line has been scaled down in recent periods. "Xijiang Gold Shop" represents our gold cultural and creative products, including limited-edition pieces crafted from pure gold using traditional methods such as lost-wax casting and high-polish finishing. These sub-brands are designed to enhance market segmentation, material diversification and cultural expression. However, they require clear brand positioning and consistent execution in product development, design language and consumer experience. Any failure to uphold the expected standards of aesthetic refinement, symbolic relevance or craftsmanship may confuse or alienate target audiences, thereby undermining brand equity and consumer loyalty.

As our product ecosystem expands, we are increasingly exposed to external threats such as intellectual property infringement, counterfeit products and unauthorized use of our brand identity. The unique visual elements, symbolic designs, and original narratives embedded in our products are increasingly targeted by counterfeiters and copycat brands particularly online. For example, we have encountered cases where unauthorized parties directly used our official product images to promote unrelated merchandise, misleading consumers regarding origin and quality. In other instances, lookalike brands have offered similar products under deceptively similar names, potentially causing brand confusion and eroding our market identity.

Furthermore, our proprietary designs and original characters have been subject to unauthorized adaptation or replication. These include, among others, unlicensed use of our signature copper gourd figures, imitations of the Great Sage series with altered details, and derivative works resembling our auspicious beast or calligraphy-themed products. Copycat products are often inferior in quality but ride on our established reputation, and any negative consumer experience related to such products may be incorrectly attributed to us.

We actively monitor the market and enforce our trademark rights to combat infringement. As of December 31, 2024, we had registered 559 trademarks in China covering our core brand names and sub-brands. As of the Latest Practicable Date, we owned 14 registered trademarks in jurisdictions such as the United States, the United Kingdom, and the European Union. Additionally, we are currently applying for 22 trademarks in jurisdictions such as Hong Kong and Canada. However, there is no assurance that all our trademark applications will be approved or that our existing rights will not be challenged, diluted, or bypassed in emerging sales channels. The evolving landscape of online marketplaces and short-video commerce platforms presents ongoing enforcement challenges.

If our product development capabilities decline, our competitiveness and market share may be adversely affected.

The copper-based cultural and creative craft market in the PRC is highly concentrated. According to the F&S Report, China's copper-based cultural and creative crafts market is relatively concentrated, with the top three market participants collectively accounting for over 70% of the total market by revenue in the year ended December 31, 2024. Among them, we ranked first in terms of total revenue and online revenue with market shares of approximately 35.0% and 44.1%, respectively. While new entrants face high entry barriers due to product development complexity, brand accumulation, and craftsmanship requirements, competition among leading players remains intense. Please refer to the section headed "Industry Overview – Competitive Landscape" in this document for more details. In this environment, our ability to maintain and extend our creative and product development advantages is essential to sustaining our market leadership.

We believe that one of our competitive edge lies in our systematic and highly resource-intensive creative development process. Our success is built on our ability to continuously create copper-based products that integrate cultural symbolism, aesthetic originality, and high-quality execution. This requires not only artistic vision but also technical proficiency, process control, and sustained investment.

Our product development capabilities are underpinned by a structured internal system that spans cultural theme research, creative ideation, 3D modeling, digital and hand-sculpting, prototype refinement, and pre-commercial validation. Our product development team was composed of 127 staff as of the Latest Practicable Date, and was responsible for the creation of 1,264 self-developed SKUs and 406 licensed SKUs during as of the Latest Practicable Date. The team operates under a centralized management mechanism coordinated by our founder and our dedicated Research and Development Center, which guides product roadmaps, thematic planning, and iteration protocols.

Our research and development expenditures are primarily allocated toward original design, sample development, and process improvement, rather than conventional engineering research and development. In the years ended December 31, 2022, 2023, and 2024, we allocated approximately RMB18.8 million, RMB28.6 million, and RMB28.2 million to research and development activities, representing approximately 3.7%, 5.7%, and 4.9% of our total revenue in the respective years. This reflects the nature of our business model, which emphasizes cultural creation and artisanal production over technological innovation. Each product requires extensive investment in labor, time, and materials. For copper-based products in particular, the creative cycle includes time-intensive steps such as hand-sculpting, mold adjustment, lost-wax casting, polishing, and patina finishing. Any misalignment between our creative and production functions could lead to delays, elevated costs, or inconsistent product quality.

Furthermore, if we are unable to continue attracting and retaining key design personnel, concept artists, and sculptors, or if our collaborative efforts with external creators, institutions, or IP licensors are disrupted due to creative misalignment or executional bottlenecks, our pipeline of new products may suffer. Any deterioration in the quality, quantity, or timeliness of our product launches may weaken brand engagement and lead to market share erosion.

If our product development capabilities decline for any reason, including personnel loss, creative stagnation, process inefficiencies, or competitive pressure, we may be unable to maintain our leadership position, meet market expectations, or execute our long-term growth strategies. This could materially and adversely affect our business, brand perception, and financial performance.

Any failure to secure, maintain, or enforce our IP rights could materially and adversely affect our product appeal, competitive position, and financial performance.

We have adopted a long-term strategy focused on expanding our own IP system to build brand equity and reinforce consumer recognition. In the years ended December 31, 2022, 2023 and 2024, revenue generated from our self-developed IPs accounted for approximately 94.1%, 88.3% and 93.7% of our total revenue, respectively. These figures underscore our strategic focus on building a proprietary IP system that enhances brand identity, consumer engagement and gross profit margins. We created 300, 279, and 456 new original product IPs in the years ended December 31, 2022, 2023 and 2024, respectively. The consistent growth of our proprietary IP portfolio enables us to support thematic innovation, expand SKU offerings, and maintain ongoing consumer interests.

Our IP assets are central to our ability to deliver differentiated products and maintain brand relevance. While we maintain a limited number of licensed IP through partnerships with cultural institutions, museums, and entertainment companies, our product portfolio is primarily supported by self-developed IPs and proprietary designs. These include original sculptural images, character series, commemorative themes, and reinterpretations of traditional cultural elements that are independently created by our internal creative team. Please refer to the section headed "Business – Our IP Portfolio" in this document for more details.

However, the commercial success of our products depends on the continuing strength and protection of our intellectual property rights. If we fail to obtain patent or copyright registrations, maintain the validity of our rights, or protect these rights from infringement or misuse, our ability to commercialize new product concepts or preserve brand distinctiveness may be impaired. Moreover, unauthorized use or imitation of our proprietary IPs remains a persistent concern in the cultural and creative craft market.

Although we actively monitor and enforce our rights through administrative and legal channels, intellectual property enforcement can be time-consuming, costly, and unpredictable. Infringement may occur across online marketplaces, physical retail outlets, and overseas distribution channels, many of which are beyond our direct control. The proliferation of unauthorized designs could weaken consumer recognition of our original works, reduce the perceived uniqueness of our products, and divert potential sales.

Separately, while licensed IPs remain a relatively small part of our portfolio, we cannot assure you that all such licenses will be renewed or extended on commercially favorable terms. In the event that any licensing arrangements are terminated, expire, or become unavailable due to disputes or changes on the part of the licensors, we may lose the right to commercialize affected products. In addition, there is no assurance that products developed based on licensed IPs will achieve the desired commercial performance or resonate with our core consumer base.

Fluctuations in prices, or any unavailability of the raw materials that we use in our products may materially and adversely affect our business, results of operations or financial condition.

Copper is the primary raw material used in our manufacturing process, with its price volatility being a key factor influencing our procurement costs. For the years ended December 31, 2022, 2023 and 2024, direct materials, which primarily comprising copper used in our copper-based cultural and creative products, accounted for approximately 51.9%, 47.1%, and 47.1% of our total cost of sales for the years ended December 31, 2022, 2023 and 2024, respectively. For more details, please see "Financial Information – Description of Selected Components of Statements of Profit or Loss – Cost of Sales" in this document. During the Track Record Period, copper prices in the PRC exhibited a generally upward yet volatile trend. According to the F&S Report, the average annual price of copper increased from RMB47,621.8 per ton in 2019 to RMB74,958.3 per ton in 2024, reaching a historical peak of RMB88,600.0 per ton in May 2024. The increase in copper prices during this period was primarily driven by factors such as sustained infrastructure investment, industrial expansion, speculative activities in commodity markets, and regional demand-supply dynamics. Moreover, recent market developments suggest a potential upward trend in copper prices due to tightening global supply and increased demand from infrastructure, electric vehicle, and renewable energy sectors. In particular, rising tensions in global trade and renewed concerns over global supply chain security have contributed to increased copper price volatility.

We typically procure copper materials from a limited number of qualified suppliers that meet our specifications for purity, color consistency, and casting performance. Any supply-side disruptions could impair our production planning and inventory management, especially during seasonal demand peaks. In such cases, our ability to secure timely alternative supply on comparable terms may be limited.

Our value proposition depends on the delivery of artistically refined products at accessible pricing. As such, prolonged or sharp increases in copper prices, or any material supply disruption, could adversely impact our cost efficiency, profitability, and overall financial performance.

We may experience production delays or disruptions, which could adversely affect our customer experience, brand reputation and operating results.

All of our in-house production is currently conducted at a single facility in Hangzhou, Zhejiang Province. This geographic concentration exposes us to operational risks in the event of regional disruptions, including natural disasters, public health emergencies, utility outages, industrial accidents, or government-imposed restrictions. As we do not maintain alternative production sites, any significant disruption to our Hangzhou Facility may materially interrupt our production activities, delay order fulfillment, and adversely affect our financial condition and reputation.

Our production process itself involves multiple complex and interdependent stages, including wax modeling, casting, grinding, surface finishing, patina coloring, assembly, and inspection, and many of which are labor-intensive and require skilled artisans. The artisanal nature of our core product lines makes our operations especially sensitive to disruptions in workforce availability, interdepartmental coordination, and workshop scheduling. Production delays may be caused by labor shortages, staff absenteeism, equipment breakdowns, or inconsistencies in upstream processes. Manual steps such as finishing and coloring are particularly sensitive to timing mismatches, environmental conditions, and staff expertise. We also implement rigorous internal standards to uphold craftsmanship and visual quality and they may result in rework, rejection, or slower throughput when intermediate outputs fall short of expectations. Please refer to the section headed "Business – Our Production" in this document for further details.

Additionally, certain SKUs, especially those involving new visual or structural elements, may require longer production cycles or iterative refinements, adding complexity to production planning. Any failure to manage these risks effectively could lead to delivery delays, reduced customer satisfaction, and negative brand perception, particularly during peak seasons, cultural festivals or promotional campaigns.

Any material production disruption, whether from regional events or operational inefficiencies, could adversely impact our customer experience, revenue recognition and overall business performance.

Our historical growth rate may not be indication of our future performance, and our success depends on our ability to execute our business strategy.

We have experienced strong revenue growth during the Track Record Period, driven by favorable macroeconomic conditions, increased consumer interest in cultural and creative products, and the continued success of our copper-based product portfolio. For the years ended December 31, 2022, 2023 and 2024, our revenue amounted to approximately RMB503.2 million, RMB506.4 million and RMB571.2 million, respectively.

Our historical growth has been supported by broader structural trends in China, including rising disposable income, increased cultural confidence, the popularity of "Guochao" aesthetics, and the development of omnichannel retail infrastructure. However, our past performance was achieved under specific historical and market conditions, and there is no guarantee that these trends will continue or that we will be able to capitalize on them to the same degree going forward.

Our future performance will depend on our ability to effectively execute our key business strategies, including:

- continuously launching culturally resonant and commercially appealing original IP products;
- enhancing production scalability without compromising craftsmanship standards;
- expanding offline presence and exploring new international markets;
- deepening brand engagement and emotional resonance with consumers; and
- improving operational efficiency across procurement, supply chain, and retail execution.

Please refer to the section headed "Business – Strategies" in this document for more details. Implementation of these strategies involves meaningful resource allocation, internal alignment, and responsiveness to evolving market dynamics. Our ability to sustain growth will require us to balance long-term brand building with short-term performance pressures, while adapting to changes in consumer preferences, competitive behavior, and retail environments.

We may also face execution risks related to inventory management, demand forecasting, or category expansion, particularly as we explore new consumer segments, diversify material applications, or enter unfamiliar geographies. Missteps in strategic prioritization or operational coordination could result in inefficiencies, margin compression, or delayed returns on investment.

Our historical financial and operational performance may not be a reliable indicator of our future results. Any failure to effectively execute our strategic plans or adapt to market conditions could materially and adversely affect our revenue growth, financial condition, and long-term prospects.

A substantial portion of our online sales in the PRC depends on certain online platforms.

A substantial portion of our revenue in the PRC is derived from online sales, particularly through a concentrated set of third-party e-commerce platforms. For the years ended December 31, 2022, 2023 and 2024, our online direct sales amounted to RMB355.4 million, RMB354.0 million and RMB402.9 million, respectively, accounting for approximately 70.6%, 69.9% and 70.5% of our total revenue in the respective years. In addition, online distribution through third-party distributors contributed a further 10.3%, 9.3% and 6.7% of our total revenue in the same periods, respectively. Combined, our online direct and online distribution channels accounted for over 80% of total revenue in the year ended December 31, 2022, approximately 79% in the year ended December 31, 2023, and approximately 77% in the year ended December 31, 2024, underscoring our continued strategic dependence on digital platforms.

Among our flagship online stores, Tmall, Douyin, and JD.com were the most significant contributors. These platforms are critical not only for product transactions, but also for marketing, consumer interaction, livestreaming events, and brand storytelling. Please refer to "Business – Sales and Marketing – Direct Sales – Online Direct Sales" in this document for more details.

However, we are subject to the terms, policies, and operational dynamics of these third-party platforms, over which we have limited control. If any of these platforms were to suspend or downgrade our online store, modify search algorithms, restrict promotional activities, increase commission or logistics fees, or otherwise adjust their internal policies in ways that affect visibility or traffic, our sales performance and customer acquisition efficiency could be materially impacted.

We are also exposed to platform-specific technical failures, reputational issues, data breaches, or regulatory investigations that may affect platform user trust or transaction volumes, indirectly disrupting our business operations. As marketing competition intensifies, especially during high-traffic seasons, we may be required to increase investment in paid traffic, livestreaming, and promotional subsidies to maintain conversion, potentially exerting pressure on our margins.

If we are unable to maintain stable and favorable relationships with key online platforms in the PRC, or if consumer behavior or regulatory frameworks shift away from platform-based commerce, our sales performance, brand exposure, and business prospects may be materially and adversely affected.

We engage in limited outsourced production and any failure by such parties to meet our quality or delivery requirements may adversely affect our brand image and business operations.

To supplement our in-house production capabilities, we engage in limited outsourced production focused on two specific areas: (i) the substantial production of our plastic collectible toy under the brand "Huanxi Xiaojiang," and (ii) the outsourcing of certain individual mechanical processes that rely on specialized industrial equipment.

For the years ended December 31, 2022, 2023, and 2024, outsourced production accounted for approximately 3.7%, 4.1%, and 4.8% of our cost of sales, respectively. Please refer to the section headed "Business – Our Production – Our Outsourced Production" in this document for more details. The external manufactures introduces risks that are not fully within our operational control.

We establish quality requirements, provide specifications, and conduct inspections for outsourced production. However, we cannot guarantee that third-party manufactures will consistently meet our quality, delivery, or compliance standards. Any deviation from required specifications, whether due to operational inefficiencies, staffing issues, process errors, or inadequate oversight, may result in product defects, delays, or inconsistencies that affect final product quality. These risks may be amplified during seasonal campaigns, promotional launches, or limited-edition releases.

External manufactures are not part of our internal production management systems. As a result, we may have limited visibility into their workforce management. Any disruptions, performance failures, or compliance issues on their part may impact our inventory turnover, fulfillment capabilities, or production timelines.

Our brand is closely associated with craftsmanship and product integrity. Any failure in outsourced production, even if limited to early-stage or non-core components, could negatively impact consumer perception, weaken brand trust, and affect overall business operations and financial results.

We may not be able to fully control or coordinate our multiple sales channels, which may result in channel conflicts or brand dilution.

We sell our products through a multi-channel network that includes online direct sales, offline direct sales, distributor sales, and consignment arrangement. This model enables us to serve a diverse customer base across different consumer segments, price points, and regional markets. As we continue to grow our revenue base and expand our retail footprint, the complexity of managing channel-specific operations and maintaining pricing discipline, brand consistency, and customer experience has increased.

Our direct sales channels, particularly self-operated online stores on major e-commerce platforms such as Tmall and Douyin, serve as the primary engines of revenue growth and consumer engagement. At the same time, we partner with online and offline distributors to penetrate broader markets, and leverage consignment arrangement to enhance retail presence in targeted cultural retail spaces and lifestyle channels. These channels vary significantly in terms of promotional control, operational autonomy, and retail context.

We have established internal pricing protocols, visual merchandising standards applicable to our sales channels. Please refer to the section headed "Business – Sales and Marketing" in this document for more details of our sales channels. However, due to the varying nature of channel operations, certain distributors or retail partners may offer unauthorized discounts, engage in inconsistent bundling or promotional campaigns, or adapt marketing materials in ways that diverge from our brand tone and positioning. These variations may lead to price discrepancies across channels or regions, which could confuse consumers, undermine pricing integrity, and weaken product value perception.

In addition, inconsistent channel performance or perceived inequity in support, or traffic allocation may lead to dissatisfaction among channel partners, affecting their willingness to promote our products or maintain long-term collaboration.

If we fail to effectively coordinate and manage our sales channels, we may face channel conflict, or brand fragmentation, which could materially and adversely affect our sales performance, consumer loyalty, and long-term brand value.

We partially rely on distributors to sell our products in certain markets, and lack of control over their conduct or performance may expose us to operational, legal and reputational risks.

In addition to our direct online and offline sales, we engage in distribution partnerships with distributors, primarily within the PRC and increasingly for our international market development. As of December 31, 2024, we had 7 authorized online distributors operating 7 independent online storefronts, primarily on Taobao and JD.com. we had 54 authorized offline distributors operating a total of 68 stores. In the years ended December 31, 2022, 2023 and 2024, revenue generated from distributor sales (both online and offline) totaled RMB127.8 million, RMB121.4 million and RMB117.0 million, respectively, representing 25.4%, 24.0% and 20.5% of our total revenue, respectively. Please refer to the section headed "Business – Sales and Marketing – Distribution Partnership" in this document for more details.

In the future, we intend to expand our footprint in overseas markets primarily through offline distribution arrangements, as part of our broader strategy to grow international sales. This reliance on distributors for new market entry and consumer access increases our exposure to operational and compliance risks in unfamiliar jurisdictions.

Our ability to supervise the day-to-day activities of our distributors is limited. Some may engage in unauthorized pricing practices, marketing activities inconsistent with our brand positioning, or bundling with unrelated products. Others may underperform in product promotion, carry competing brands, or deliver inaccurate product messaging. Such activities may affect sales performance, create consumer confusion, or damage our brand image.

We enter into distribution agreements that define purchase obligations, pricing guidance, territorial scope, and goods return mechanisms, but we may not be able to fully enforce all terms or obtain timely, accurate sell-through data, particularly when sub-distributors or downstream retailers are involved. Delays in payment, unsold inventory accumulation, or unexpected termination by distributors may disrupt our cash flow, increase inventory risk, or result in temporary market gaps. In addition, any breach by our distributors of applicable laws and regulations may expose us to indirect legal or reputational liability, even if we are not directly involved.

If we fail to monitor, manage or replace underperforming distributors in a timely and effective manner, or if any distributor fails to align with our brand, sales or compliance expectations, our geographic coverage, financial performance, and market reputation may be materially and adversely affected.

We face operational, management and expansion risks in connection with our self-operated offline stores.

In addition to our core online sales channels, we operate self-operated offline stores in selected cities in the PRC. As of December 31, 2024, we operated 9 self-operated stores strategically located in high-traffic commercial areas across new tier-one and tier-two cities. These physical stores are primarily located in shopping malls or cultural retail districts and are designed to strengthen brand visibility, offer immersive product experiences, and support campaign-based launches and gifting occasions. Please refer to the section headed "Business – Sales and Marketing – Direct Sales – Offline Direct Sales" in this document for more details.

As we continue to enhance our offline presence as part of our broader multi-channel expansion strategy, we may face challenges in selecting suitable store locations, negotiating favorable lease terms, managing rent fluctuations, and attracting consistent foot traffic. In-store operations may also be affected by seasonal consumer behavior, regional demand variations, and the ability of frontline staff to deliver a brand-consistent experience.

We may also encounter increasing complexity in maintaining retail efficiency and standardization as we scale our store network, particularly in terms of inventory planning, visual merchandising, and service quality. Any misalignment between our store offerings and local market preferences, or any failure to execute operational procedures effectively, could result in underperformance, cost inefficiencies or reduced consumer satisfaction.

If we fail to manage, operate or expand our offline retail stores effectively, we may not be able to achieve our intended offline growth objectives, and our overall sales performance, brand exposure, and profitability may be adversely affected.

We may face strategic, operational, legal and cultural challenges in expanding into overseas markets, which could adversely affect our growth prospects.

As part of our long-term strategy, we intend to expand into selected overseas markets to broaden our customer base, enhance brand awareness, and capture new growth opportunities. As of the Latest Practicable Date, we had entered the market in Taiwan and the United States through offline distributors and commenced strategic planning for expansion into Southeast Asia. Our international expansion strategy is expected to focus primarily on offline distribution partnerships, cultural retail placements, and regional collaborations. For further details of our expansion plans, please refer to the section headed "Business – Strategies" in this document.

Our cultural and creative products are rooted in Chinese cultural symbolism, emotional narratives, and commemorative traditions. While interest in Chinese aesthetics has grown in many overseas markets, especially in Asia, the interpretation and reception of such products may vary widely across countries. Cultural nuances in aesthetics, emotional resonance, and gifting habits introduce additional uncertainty to consumer acceptance. Products that perform well in the PRC may not align with the expectations or tastes of overseas consumers without further adaptation. Challenges such as different value systems, less established collector culture, or limited awareness of Chinese cultural themes may affect product-market fit.

Our overseas business model emphasizes partnerships with local distributors. This model allows for localized merchandising and consumer interaction, but also limits our direct control over execution.

Overseas expansion may also expose us to unfamiliar legal and regulatory frameworks, including import regulations, labeling standards, marketing restrictions, and consumer protection laws. Non-compliance could lead to administrative penalties, customs delays, or reputational risks. In certain jurisdictions, rising geopolitical tensions or changes in trade policies may further impact market access and commercial execution.

If we are unable to effectively manage the cultural, logistical, and regulatory challenges associated with overseas expansion, or if our products fail to establish meaningful connection with local consumers, our international strategy may not deliver the intended results and could adversely affect our overall growth trajectory.

Changes in global economic, political or social conditions may adversely affect our operations.

Our business is influenced by macroeconomic conditions and consumer sentiment, both in the PRC and internationally. Recent global developments including prolonged economic uncertainty, slower GDP growth, international trade tensions, and geopolitical instability have increased volatility in consumer markets and disrupted global supply chains. In particular, escalating trade frictions, protectionist policies, tariff adjustments and regional conflicts may weaken international cooperation, constrain market access, and affect the flow of goods, materials and capital. These developments may also impact global consumer confidence and reduce discretionary spending, especially in non-essential categories such as cultural and creative products.

As our business performance is closely linked to household consumption levels and gifting demand, any decline in disposable income or spending willingness may adversely affect sales, inventory turnover and profitability. Although our primary market is the PRC, global economic and political shifts may influence our upstream supply environment and downstream distribution strategies, as well as our overseas expansion prospects. We cannot guarantee that we will be able to fully mitigate or respond to evolving macroeconomic and geopolitical risks. Any significant deterioration in the broader environment may negatively affect our financial condition, operational stability and future growth.

We may be unable to conduct our marketing activities effectively.

Our ability to build brand awareness, communicate cultural meaning, and drive product conversion depends heavily on the effectiveness of our marketing efforts. During the Track Record Period, our selling and marketing expenses amounted to approximately RMB62.7 million, RMB72.4 million and RMB71.6 million for the years ended December 31, 2022, 2023 and 2024, respectively, representing approximately 12.5%, 14.3% and 12.5% of our revenue for the same periods.

Our marketing strategy primarily consists of digital campaigns, social media content, livestreaming sessions, and themed brand events, supported by select offline experiences and seasonal retail displays. We do not rely on large-scale influencer endorsements or extensive traffic acquisition. This approach may limit our exposure and reach, particularly during major promotional periods or in competitive consumer segments. Please refer to the section headed "Business – Sales and Marketing" for further details.

The effectiveness of our marketing activities depends on a range of external and internal factors. These include changes in platform algorithms, fluctuations in digital advertising costs, creative fatigue among users, and increasing content saturation across social media channels. Furthermore, our products often require more nuanced creative direction. If we are unable to communicate the intended emotion, symbolism or usage context effectively, the campaign may fail to resonate with consumers, resulting in low engagement or reputational misunderstanding. Measurement and attribution of marketing performance also remain a challenge. It may be difficult to isolate the impact of individual campaigns on consumer behavior or sales conversion. As our brand scales across platforms and geographies, tracking ROI and optimizing budget allocation across online and offline channels will become more complex.

If our marketing strategy, content execution, or resource allocation fails to achieve the intended objectives, or if the return on marketing investment is lower than expected, our brand perception, consumer engagement and revenue growth may be materially and adversely affected.

Evolving online marketing ecosystems and consumer behavior may adversely affect our digital sales and marketing efficiency.

We rely on online platforms such as e-commerce marketplaces, short-video and livestreaming platforms, and social media to promote and sell our products. As digital content consumption habits evolve and platform ecosystems grow more complex, we face increasing challenges in maintaining visibility, controlling costs, and delivering consistent consumer engagement.

In particular, newer marketing formats such as livestreaming, short videos, and user-generated reviews have become integral to product discovery and consumer influence. These formats are algorithm-driven and trend-sensitive, and may be subject to frequent changes in exposure rules, advertising policies, and content regulation. If we fail to adapt to such changes or deliver content that resonates with platform audiences, our online traffic and conversion rates may decline.

Consumer behavior in the digital space is highly dynamic and difficult to predict. Preferences related to cultural aesthetics, collectible formats, and symbolic gifting may shift over time. If prevailing trends diverge from our brand tone or product style, or if demand for culturally themed artisanal products weakens, our marketing effectiveness and brand relevance may be adversely affected.

Additionally, increased regulatory scrutiny on online advertising, personal data usage, influencer promotion, and platform content may impose compliance and operational burdens. Changes in laws or enforcement practices could affect our digital marketing operations.

If we are unable to adapt to evolving online marketing practices, consumer preferences, or platform policies, or if our digital campaigns fail to yield the expected return, our online sales performance and marketing efficiency may be materially and adversely affected.

We rely on a range of third parties to support our operations, and their disruptions or misconduct may adversely affect our business, reputation and customer experience.

We depend on various third-party service providers and partners to support multiple aspects of our operations, including raw material procurement, outsourced production steps, logistics and warehousing, and sales channel execution. While we implement internal controls and establish contractual arrangements, we do not have full oversight or control over the day-to-day operations of these third parties. Additionally, we may be exposed to reputational or legal risks stemming from third-party conduct, such as labor disputes, regulatory non-compliance, or cybersecurity breaches, even where our Company is not directly involved.

Among them, logistics service providers play a critical role in the fulfillment of both online and offline orders. Given the weight, fragility, and often commemorative nature of our copper-based products, delivery quality has a direct impact on customer satisfaction. Any delay, mishandling, loss, or packaging damage during transit may lead to negative consumer experience, complaints or refund requests. In certain cases, failed delivery attempts or insufficient last-mile service may also result in dissatisfaction or damage to our brand perception.

Any material underperformance, disruption, or misconduct by third-party partners may compromise our product delivery, harm customer trust, and adversely affect our brand image and business operations.

We rely heavily on skilled craftsman to maintain the quality and consistency of our handcrafted production, and any shortage or cost increase may adversely affect our operations and brand image.

The cultural and creative craft industry is inherently labor-intensive, with many production processes requiring a high degree of manual skill, artistic judgment, and cultural interpretation. Despite advancements in machinery and industrial management, the value and distinctiveness of handcrafted products rely on techniques that cannot be easily replaced or replicated by automation.

Our products require intricate production steps such as sculpting, mold-making, lost-wax casting, hand-finishing, patina application, and detailed assembly. These processes demand not only technical proficiency but also artistic sensitivity to ensure symbolic meaning, cultural resonance, and brand consistency. The hands-on contributions of experienced craftsmen and finishing personnel are essential in upholding the visual and emotional standards of our products.

We place strong emphasis on the development of our skilled craftsman. We have implemented structured training programs to cultivate new talent, and maintain relatively high levels of employee retention. However, due to demographic changes and evolving employment preferences, younger generations may be less inclined to pursue careers in traditional handcraft or factory-based roles.

Labor costs have continued to rise in China, especially in urban manufacturing hubs such as Hangzhou, where our principal production facilities are located. Any shortage of qualified artisans, unexpected staff turnover, weakening of internal craftsmanship standards, or labor-related disruptions could affect our production schedule, quality control, or product consistency. This may in turn compromise consumer trust in our brand and adversely affect our commercial performance and reputation.

Our business depends on the continued contributions of our founder and key personnel, and any loss or instability may adversely affect our performance and growth.

Our success is closely tied to the vision, leadership and personal involvement of our founder, Mr. Yu Guang, who serves as our Chairman and General Manager. Mr. Yu has played a foundational role in shaping our brand values, product direction and cultural positioning. His continued engagement in design strategy, creative development and corporate leadership is critical to our identity and long-term direction. Beyond Mr. Yu, we rely on a broader team of senior management, creative leaders, and skilled technical personnel across departments such as product design, production management, branding, and operations. The cultural and creative industry is inherently talent-driven, and individuals with experience in traditional crafts, visual storytelling, and cultural interpretation are in high demand. Please refer to the section headed "Business – Strengths – A visionary team driving innovation and development of the cultural and creative craft industry" for further details.

Any unexpected departure, unavailability or underperformance of key individuals may disrupt our creative consistency, operational continuity or market execution. We may also face difficulties in recruiting and retaining equally qualified replacements due to industry competition and the specialized nature of our work. If we are unable to retain, attract or motivate the individuals critical to our creative vision, management effectiveness or production execution, our business performance, brand cohesion and future growth prospects may be materially and adversely affected.

We are subject to environmental protection and workplace safety laws and regulations in the PRC, including those relating to waste disposal, emissions and workplace safety. Any non-compliance, regulatory changes or enhanced enforcement may result in increased costs or penalties and could adversely affect our operations.

As a manufacturer of metal-based cultural and creative products, we are subject to a range of environmental protection and workplace safety laws and regulations in the PRC. These include requirements relating to pollutant discharge, hazardous waste disposal, noise and dust control, chemical and gas handling, fire prevention, occupational disease prevention, employee health protection and workplace safety standards. For details, please refer to "Business – Licenses, Permits and Approvals" in this document.

Our production processes, including metal melting, casting, grinding, polishing, surface treatment and patina coloring, involve the use of heating equipment, high-temperature operations, and metal compounds that may release fumes, particulates or volatile substances. These operations may pose safety risks such as burns, inhalation exposure, dust-related respiratory hazards, or chemical contact injuries if not properly managed. We are required to obtain and maintain pollutant discharge permits, and workplace safety permits, and to implement internal protocols for fire safety, gas detection, protective gear usage, and employee health monitoring. We may also face challenges in ensuring full compliance across all workshop areas and shifts. Any deficiencies in safety awareness, equipment maintenance, protective material usage or emergency response mechanisms could increase the risk of accidents or occupational illness.

Environmental protection is also a growing focus of regulatory enforcement. Discharges of dust, fumes or polishing waste must meet applicable standards, and local authorities may conduct unannounced inspections or require rectification. Any failure to meet environmental or safety requirements may result in administrative penalties, rectification orders, suspension of certain production processes, or, in extreme cases, revocation of operating licenses.

As of the Latest Practicable Date, we had not been subject to any material administrative penalties for environmental or safety violations. However, we cannot assure you that future inspections or regulatory changes will not increase our compliance burden or result in additional capital expenditure for facility upgrades, protective equipment or monitoring systems.

If we fail to comply with applicable environmental or occupational health and safety regulations, or if regulatory requirements become more stringent or unpredictable, we may be exposed to penalties, reputational harm, operational interruptions or increased costs, all of which may adversely affect our business and results of operations.

Failure to maintain optimal inventory levels, ensure the security or manage the impairment risk of our inventory could have a material adverse effect on our business, financial condition and results of operations.

We maintain inventories of raw materials, work-in-progress, finished goods, and goods in transit to support production and sales activities. During the Track Record Period, our inventory levels and turnover days remained relatively stable, primarily supported by steady customer demand. As of December 31, 2022, 2023 and 2024, our inventory amounted to RMB115.7 million, RMB107.2 million and RMB132.3 millions, respectively, with an average inventory turnover days of 107, 119 and 119 days. However, we cannot assure you that such levels will remain appropriate.

Due to the handcrafted nature of many of our products and the seasonal or commemorative nature of some SKUs, demand fluctuations, inaccurate sales forecasting, or changes in consumer preferences may result in excess or unsellable inventory. Certain products also require careful handling and may deteriorate over time, particularly those with exposed metal finishes or complex structures.

If we fail to fully comply with applicable PRC labor laws, including the timely payment of social insurance premiums and housing provident funds for our employees, we may be subject to penalties or administrative actions, which may in turn affect our financial condition and reputation.

Pursuant to applicable PRC labor laws and regulations, we are required to enter into written employment contracts with our employees and make contributions to social insurance schemes and housing provident funds in accordance with local requirements. These contributions include pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident funds. For details, please refer to the section headed "Regulatory Overview – Regulations Relating to Labor Contract, Social Insurance and Housing Provident Fund" in this document. Due to historical reasons, differences in local practices, and administrative complexities, we may not have fully complied with such requirements in all respects, such as failing to make full contributions based on actual salaries or failing to contribute within the prescribed time frame.

As of the Latest Practicable Date, we had not received any administrative penalty or rectification notice from PRC authorities in connection with social insurance or housing fund contributions. According to our PRC Legal Adviser, the likelihood of the Company being subject to penalties or requirement on making up the underpayment of social insurance and housing provident fund contributions during the Track Record Period is considered remote. However, we cannot rule out the possibility that relevant authorities may impose additional compliance requirements in the future.

Our operations require various licenses and permits, including but not limited to business licenses, environmental permits, production safety certifications and intellectual property management system certifications. Any failure to obtain, renew or comply with the terms of such approvals may result in penalties or disruptions to our business.

We are required to obtain, maintain and comply with various licenses, filings, and administrative permits from competent authorities at the national and local levels, including but not limited to our business license and pollutant discharge permits. We are also subject to regular inspections, renewals and ongoing compliance requirements associated with such licenses. For details, please refer to the section headed "Business – Licenses, Permits and Approvals" in this document.

As of the Latest Practicable Date, we had obtained all material licenses necessary for our current operations. However, we cannot assure you that future applications, renewals, or expansions will not be delayed or denied, particularly as regulatory standards become more stringent in areas such as environmental protection, safety management and cultural product compliance.

Any failure to obtain, renew or comply with key licenses or permits may result in administrative penalties, reputational harm, or disruptions to certain aspects of our operations, which could in turn adversely affect our business and financial performance.

Misconduct or fraud by our employees could result in financial loss, legal liability, and reputational harm to our business.

We are exposed to the risk of misconduct, fraud or other improper actions by our employees and frontline personnel, including those working in our self-operated retail stores, warehouses, and production facilities. Such misconduct may include theft, embezzlement, falsification of records, commercial bribery, misuse of confidential information, or non-compliant sales and marketing behavior. We may not be able to detect or prevent all improper conduct, particularly if such acts are concealed or involve collusion.

Any publicized incident involving employee misconduct, even if isolated, may damage our brand image, trigger regulatory scrutiny or consumer complaints, and result in financial loss or internal disruption. In serious cases, we may also face administrative penalties or legal claims. Any failure to effectively manage employee behavior or enforce compliance may adversely affect our operational integrity, reputation and business performance.

Our insurance coverage may not fully protect us against all operational risks.

We maintain insurance policies to cover certain aspects of our operations in line with customary industry practices. For details of our insurance policy, please refer to the section headed "Business – Insurance" in this document. However, our existing insurance may not fully cover all types of losses or liabilities, and may be subject to deductibles, exclusions or coverage limits.

Additionally, the outcome and timing of any insurance claim may be uncertain, and we cannot assure you that future premiums will remain commercially viable. Any significant loss not adequately covered by insurance may adversely affect our financial condition and business operations.

A failure to comply with laws and regulations relating to privacy and the protection of data relating to individuals may result in negative publicity, claims, investigations and litigation, and adversely affect our financial performance.

In the course of our business, particularly through our online stores, WeChat mini programs and customer management systems, we collect, store, transfer and process personal data relating to users, customers, employees, business contacts and other individuals. As such, we are subject to a number of PRC laws and regulations relating to data protection and cybersecurity, including but not limited to the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), the PRC Data Security Law (《中華人民共和國數據安全法》), and the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》).

These laws and regulations impose stringent obligations on personal information processors with respect to the collection, storage, use, sharing, transfer and protection of personal information. We are required to obtain informed consent from data subjects, define clear data processing purposes, limit data access to authorized personnel, and adopt technical and organizational security measures. In addition, any cross-border transfer of data, including cloud-based backup or overseas service provider access, is subject to additional regulatory review or filing requirements.

We cannot guarantee that all of our practices are fully compliant with evolving regulatory standards, or that all of our vendors strictly observe their data protection obligations. Any accidental leakage, unauthorized access, data loss or misuse could subject us to investigation, rectification orders, fines or civil claims.

Moreover, any widely reported incident relating to personal data, even if not involving us directly, may heighten public scrutiny and regulatory pressure on similar operators. A perceived failure to safeguard user data may result in loss of customer trust, reputational harm or a decline in user engagement, particularly for a cultural and emotional consumer brand like ours.

If we fail to comply with applicable data privacy laws and regulations, or if we experience any significant data incident, we may be exposed to legal liability, reputational damage and operational disruption, which could materially and adversely affect our financial performance and long-term brand equity.

Any failure to maintain an effective system of internal control could have a material adverse effect on our business, financial condition and results of operations.

We rely on internal control and risk management systems to support the integrity, compliance and efficiency of our operations. As our business grows in complexity, maintaining sound internal controls across functions such as finance, production, sales, and governance becomes increasingly important. If we fail to identify and promptly address any material deficiencies or lapses in our internal controls, we may be exposed to operational errors, fraud, misstatements, non-compliance risks or reputational harm. Any such failure may also affect the reliability of our financial reporting or result in delayed management decisions.

We rely on information technology systems for various aspects of our operations. Any failure or breach of our systems could result in business disruption, financial losses, reputational harm or regulatory penalties.

We rely on information systems and digital tools to support sales, logistics, inventory, and customer engagement. Any failure, malfunction or security breach of these systems may result in operational delays, data loss, customer complaints or financial losses. We also collect and process consumer data in the course of our operations. Any unauthorized access, data leak or system compromise may lead to reputational damage, regulatory scrutiny, or legal liability under applicable PRC data protection laws. We cannot guarantee full protection against evolving cybersecurity risks. Any material IT incident may adversely affect our business performance, consumer trust and brand reputation.

Use of social media may materially and adversely affect our reputation.

We use social media platforms to promote our brand, engage consumers, and support digital sales. However, the rapid and uncontrolled nature of user-generated content on such platforms exposes us to reputational risks that may be difficult to contain. Negative posts, misleading reinterpretations, or malicious campaigns may be widely disseminated and amplified by algorithmic features. Even if such content is inaccurate or commercially motivated, it may spread quickly and distort public perception of our brand before corrective action can be taken.

In addition, emotionally charged or edited content, especially in short video or livestreaming formats, may be sensationalized or taken out of context, triggering disproportionate backlash. Platform restrictions or suspensions in response to such content may further affect our ability to respond effectively. We are also exposed to reputational risks arising from inappropriate conduct or remarks made by our own employees or senior management on public platforms. Any perceived insensitivity, controversial statement, or misalignment with our brand values may provoke consumer backlash and damage our public image.

Negative publicity about us, our Shareholders and affiliates, our brand and our management may have a material adverse effect on our business, reputation, and the [REDACTED] of our Shares.

Our brand and business are highly sensitive to public perception, and any form of negative publicity may adversely affect our reputation, consumer trust, and investor confidence. Such publicity may stem from a broad range of sources and cover diverse topics, including controversies involving our Company, management, Directors, shareholders, affiliates, products or business practices. Potential triggers include media reports, analyst commentary, whistleblower claims, regulatory inquiries, supplier or employee disputes, or allegations related to corporate governance, ethical conduct or shareholder background.

Even where such issues are unrelated to our core operations or arise from circumstances beyond our control, public association with adverse narratives may undermine confidence in our culture, values or brand identity. If any of our key personnel or shareholders are subject to scrutiny, controversy or historical reputation concerns, the resulting attention may disproportionately impact public and market perception.

Given the cultural and emotional positioning of our products, adverse publicity may erode consumer loyalty more quickly than in purely functional categories. If such events occur in proximity to our [**REDACTED**] or during a critical brand campaign, they may also affect [**REDACTED**] sentiment and the [**REDACTED**] performance of our H Shares.

We cannot guarantee that all reputational risks can be anticipated, prevented or mitigated. Any material incident of negative publicity may have an adverse effect on our brand, business operations, and [**REDACTED**] performance.

Some of our properties lack ownership certificates, which may result in relocation risk.

As of the Latest Practicable Date, we leased a number of properties in the PRC for use as self-operated offline stores. Among these, certain leased premises did not have valid real estate ownership certificates. In addition, some leases had not been registered with the relevant PRC housing authorities as required under applicable regulations. We also occupy two self-owned premises with a combined gross floor area of approximately 480 sq.m. and have not yet obtained the formal title certificates, which are currently used for paint storage and cleaning workshops. For more information, please refer to "Business – Properties – Owned properties" in this document.

Under PRC law, the lack of lease registration generally does not affect the validity of the lease agreement but may subject the lessor or lessee to administrative warnings or fines. Leasing properties without ownership certificates may present higher legal risks. If the lessor lacks lawful title or if a third party asserts ownership or the government enforces land use changes, we may be required to vacate or relocate the affected stores.

At present, we are not aware of any dispute, regulatory penalty or eviction notice regarding these properties. Based on current assessment, the likelihood of enforced relocation is low. However, future developments may affect our ability to continue occupying these premises. If relocation is required, we believe it would be commercially feasible to secure alternative premises on acceptable terms. Nevertheless, relocation may lead to temporary operational disruption, additional leasehold investment, or impact customer experience in the affected locations.

We may be subject to penalties or other regulatory actions if we fail to fully comply with applicable laws and regulations relating to social insurance and housing provident fund contributions.

Pursuant to PRC laws and regulations, we are required to contribute, and to withhold contributions made by our employees, to various social insurance schemes (including basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance and maternity insurance) and the housing provident fund. Historically, certain of our subsidiaries did not make full contributions to the social insurance schemes and housing provident fund for their employees as required under applicable PRC laws and regulations. As of the Latest Practicable Date, we had not received any administrative penalties or rectification orders in this regard. However, there is no assurance that the relevant authorities will not require us to make retroactive contributions or impose late payment penalties. Any such enforcement actions may subject us to additional liabilities and administrative sanctions, which could adversely affect our business, financial condition and results of operations. For further details, see "Business – Employees" in this document.

Public health emergencies such as COVID-19 may disrupt our operations and adversely affect our financial results.

Our operations were affected during the COVID-19 pandemic due to temporary production suspensions, logistics delays and fluctuations in offline consumer traffic. While the overall impact has subsided and business conditions have generally normalized, uncertainties remain regarding potential public health emergencies in the future. For further details, please refer to the section headed "Business – Impact of the COVID-19 Outbreak" in this document.

Any resurgence of COVID-19 or outbreak of similar infectious diseases, as well as related public health measures, could again disrupt our supply chain, offline retail activities, or logistics operations, and may adversely affect our financial condition and results of operations.

Our sales may be affected by seasonality.

Our sales are subject to seasonality, with higher revenue typically generated during major online promotional events such as "Double Eleven," "Double Twelve" and the "618" mid-year festival, as well as traditional gifting periods around Chinese New Year, Mid-Autumn Festival, and graduation season. For further details on our seasonality, please refer to the section headed "Financial Information – Seasonality" in this document.

These seasonal peaks may lead to fluctuations in our sales, strain production and logistics planning, and affect the timing of revenue recognition. If we fail to accurately forecast demand or respond effectively during high-demand periods, our sales performance and operational efficiency may be adversely affected.

We may not continue to enjoy preferential tax treatments or receive government grants.

We currently benefit from a preferential tax rate under the High and New Technology Enterprise ("**HNTE**") status in the PRC, which allows us to enjoy a reduced corporate income tax rate at 15%. Our HNTE certificate is valid until December, 2027, after which renewal will be required to maintain this preferential tax treatment. While this status is common among listed companies in our industry, there is no absolute assurance that we will successfully renew it. Failure to renew our HNTE status would result in the loss of the associated tax benefits, subjecting us to the standard corporate income tax rate and potentially increasing our tax expenses. This could adversely impact our profitability and financial performance. Additionally, if there are changes to the HNTE qualification requirements or stricter enforcement by tax authorities, our ability to meet renewal criteria could be affected, further impacting our tax liabilities.

We have historically received government grants and enjoyed tax incentives to support areas such as research and development, talent recruitment, and cultural development. These forms of support contributed to our other income and helped offset certain operating costs. For the years ended December 31, 2022, 2023 and 2024, we recognized government grants of approximately RMB2.4 million, RMB3.0 million and RMB2.6 million, respectively. Such grants and policy benefits contributed to our other income.

However, most government grants are non-recurring and subject to government fiscal budgets, policy shifts, or administrative discretion. Similarly, our eligibility for tax incentives depends on compliance with evolving regulations and performance-based reassessments. There is no assurance that we will continue to receive such support in the future. Any reduction, delay or discontinuation of these benefits could increase our operating costs and adversely affect our financial condition and profitability.

Recent increases in U.S. tariffs and heightened global trade tensions may adversely affect our international expansion and business performance.

In light of our strategic efforts to expand into international markets, we are increasingly exposed to global trade policy developments and geopolitical tensions. Recently, the United States has proposed to impose multiple rounds of tariffs on a wide range of goods imported from multiple countries, including China, and China has responded with retaliatory tariffs. Since February 2025, the U.S. administration has proposed to increase the total tariff level for imported Chinese goods to an extremely high level and additional tariff increase could be imposed as the trade tension between the two countries continues to heighten. On April 9, 2025, China has responded by hiking its levies on U.S. imports to 84% from 34%. Historically, tariffs have led to increased trade and political tensions, between the U.S. and China, as well as between the U.S. and other countries. Rising tariffs, trade restrictions, or retaliatory actions targeting Chinese-made consumer goods may increase our costs of cross-border trade, limit the competitiveness of our products in overseas markets, or complicate logistics, compliance and pricing strategies.

Moreover, sustained trade tensions may affect the broader macroeconomic environment and dampen consumer sentiment or discretionary spending in certain regions, particularly in product categories that rely on emotional engagement and cultural resonance.

If global trade policies become increasingly restrictive or if our targeted export destinations impose adverse import conditions or retaliatory measures, our international growth strategy, revenue diversification efforts, and overall financial performance may be materially and adversely affected.

We may be subject to force majeure events such as natural disasters, acts of war or terrorism that beyond our control.

Our operations may be disrupted by events beyond our control, including natural disasters (such as earthquakes, floods or typhoons), pandemics, acts of war, terrorism, or social unrest. These events may damage facilities, interrupt supply chains and logistics, affect workforce availability, or temporarily halt production and retail operations.

We also rely on third-party platforms and digital infrastructure for online sales, which may be affected by power outages, cyber incidents or regional instability. In addition, geopolitical developments may impact our international partnerships or IP licensing arrangements.

If we fail to comply with anti-bribery or anti-money laundering laws, we may be subject to penalties.

We are subject to various anti-bribery and anti-money laundering laws and regulations in the PRC and other jurisdictions in which we conduct or may conduct business. These laws and regulations prohibit, among other things, companies and their intermediaries from offering, promising, authorizing or providing, directly or indirectly, anything of value to government officials or private individuals to obtain or retain business or otherwise seek favorable treatment. In addition, the PRC Anti-Money Laundering Law (《中華人民共和國反洗錢法》) and related regulations require institutions and relevant entities to adopt internal control systems to identify, monitor and report suspicious transactions and to cooperate with anti-money laundering investigations by the authorities.

We cannot assure you that our Directors, officers, employees, distributors, agents, or business partners, or those of our investee companies, will not engage in conduct in violation of applicable laws and regulations.

Fluctuations in foreign exchange rates may affect our financial performance.

Our financial statements are RMB, which is also the functional currency of our Company. Although our current operations are primarily conducted in the PRC and substantially all of our revenues, costs and expenses are denominated in RMB, we may still be subject to foreign exchange risks as we gradually expand into international markets.

During the Track Record Period, we recorded net foreign exchange gains of RMB394,000, RMB26,000 and RMB157,000 for the years ended December 31, 2022, 2023 and 2024, respectively. These fluctuations were mainly attributable to the settlement of certain transactions in foreign currencies, including cross-border procurement, logistics or international service fees.

As we pursue further international expansion, our exposure to foreign currency transactions, such as settlement in USD or other foreign currencies, may increase. In such cases, the appreciation of foreign currencies against RMB may increase our cost of goods sold or operating expenses, while depreciation may reduce the translated value of revenues earned overseas. We have not adopted any hedging policies to manage foreign exchange risks during the Track Record Period. Any future volatility in exchange rates may lead to fluctuations in our reported financial results or net asset value, and may adversely affect our profitability and financial position.

RISKS RELATING TO DOING BUSINESS IN THE PRC

We may be subject to additional regulatory requirements under new laws and regulations on overseas [REDACTED] issued by PRC government authorities.

On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law (《關於依法從嚴打擊證券違法活動的意見》), which emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas [**REDACTED**] by PRC-based companies. These opinions proposed to take effective measures, such as promoting the establishment of regulatory systems to address the risks and incidents faced by PRC-based overseas-[**REDACTED**] companies.

On February 24, 2023, the CSRC, the MOF, the National Administration of State Secrets Protection of China, and the National Archives Administration of China jointly promulgated 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 effect on March 31, 2023. The Archives Rules require that, in relation to the overseas securities [**REDACTED**] 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, must strictly comply with the requirements on confidentiality and archives management, establish sound internal systems, and take necessary measures to implement relevant management responsibilities.

As we are a PRC-based company seeking a [**REDACTED**] in Hong Kong, we are subject to the supervision regime under the aforementioned regulatory framework. The interpretation and implementation of these rules continue to evolve, and we cannot assure you that we will not be required to make further information disclosures, adjust internal policies or incur additional compliance costs. Failure to comply with the above requirements may materially and adversely affect our business, results of operations or financial condition.

We may be subject to the approval, filing or other requirements of the CSRC or other PRC governmental authorities in connection with future [REDACTED] activities.

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

On February 17, 2023, the CSRC released the Trial Administrative Measures for 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**"), together with five interpretative guidelines thereof, which became effective on March 31, 2023. The Trial Measures comprehensively improved and reformed the prior regulatory regime for overseas [**REDACTED**] of securities of PRC domestic companies, and had regulated both direct and indirect overseas [**REDACTED**] of PRC domestic companies' securities by adopting a filing based regulatory regime. According to the Trial Measures, we, as a PRC domestic company seeking to list securities in overseas markets, are required to apply for the filing procedure with the CSRC within three working days after submitting the [**REDACTED**] documents to the overseas supervisory authorities and report relevant information.

Furthermore, we cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements or restrictions on us or our financing activities. We may not be able to comply with such additional requirements in a timely manner or at all. In addition, we may be subject to adjustments by the CSRC or other PRC regulatory authorities for failure to seek CSRC filing or other government authorization for this [**REDACTED**], and these regulatory authorities may impose fines and penalties on us, affect our operating activities in the PRC, affect our ability to pay dividends, delay or affect the repatriation of the [**REDACTED**] from the [**REDACTED**] into the PRC or take other actions to affect our financing activities, which could have a material adverse effect on our business, financial conditions and results of operations.

Holders of our H Shares may be subject to PRC income tax obligations.

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the dividends or gain from share transfer derived in China under Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between the PRC and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations.

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 signed on August 21, 2006, the Chinese government may impose tax on dividends paid by a Chinese company to a resident of the Hong Kong Special Administrative Region (including natural person and legal entity), but such tax will not exceed 10% of the total amount of the dividends payable by the Chinese company. If an Hong Kong Special Administrative Region resident directly holds 25% or more of the equity interest in a Chinese company, such tax will not exceed 5% of the total dividends payable by the Chinese company. The Fifth Protocol 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 issued by the State Administration of Taxation effective on December 6, 2019 stipulates that the arrangements or transactions made for the primary purpose of obtaining the above-mentioned tax benefits are not subject to the above-mentioned provisions.

For non-PRC resident enterprises that do not have establishments or premises in the PRC, and for those who have establishments or premises in the PRC but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC EIT at a 20% rate. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by SAT, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or an applicable treaty between the PRC and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangements mentioned above, the interpretation and application of applicable PRC tax laws and regulations are subject to the then relevant laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. In addition, the interpretation and application of applicable PRC tax laws and rules by the PRC's tax authorities are still evolving, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual holders of our H Shares and on gains realized on the sale or other disposition of our H Shares. The PRC's tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially affected.

It may be difficult to effect service of process, enforce foreign judgments or bring original actions against us, our Directors and senior management.

We are a company incorporated under the laws of the PRC, and a substantial majority of our assets are located in the PRC. In addition, most of our Directors and senior management reside within the PRC. As a result, the service of process, investigation, collection of evidence, ratification, and enforcement procedure inside the PRC should follow the rules set forth in the Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》) as well as other applicable laws, regulations and interpretations. On July 14, 2006, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**2006 Arrangement**"), which was issued on July 3, 2008 and became effective on August 1, 2008. Pursuant to the 2006 Arrangement, a party with a final judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China, and vice versa. However, it is subject to the parties in the dispute agreeing to enter into a choice of court agreement in writing under the 2006 Arrangement.

On January 18, 2019, the Supreme People's Court of China and Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**") and the 2019 Arrangement was issued on January 25, 2024 and became effective on January 29, 2024. The 2019 Arrangement has superseded the 2006 Arrangement and afford greater clarity and certainty for reciprocal recognition and enforcement of judgments in civil and commercial matters. The 2006 Arrangement will remain applicable to a "choice of court agreement in writing" entered into before the 2019 Arrangement taking effect. However, there remains uncertainties as to the outcome of any specific applications to recognize and enforce such judgments and arbitral awards in the PRC.

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

Regulations on currency exchange in the PRC may limit our ability to utilize revenues generated in Renminbi to fund business activities outside the PRC, or to pay dividends in foreign currencies. Under current PRC foreign exchange regulations, payments of current account items, including profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, the conversion of Renminbi into foreign currencies and remittance of the foreign currencies outside the PRC for capital account items, such as direct investments, loans, and investments in securities, requires prior approval from or registration with SAFE or its local branches. There is no assurance that SAFE or other relevant PRC governmental authorities will not impose any restriction on the remittance of dividends or other payments by us to our shareholders. In addition, there is no assurance that new regulations or policies will not be promulgated in the future that would further restrict or eliminate our ability to pay dividends or make other payments in foreign currencies. Any limitation on the ability to pay dividends or make other kinds of payments to shareholders could materially and adversely affect the value of your investment.

RISKS RELATING TO THE [REDACTED]

There has been no prior [REDACTED] for the Shares and the liquidity and [REDACTED] of our Shares may be volatile.

Prior to the [**REDACTED**], there has been no [**REDACTED**] for our H Shares. The initial [**REDACTED**] for the H Shares was the result of negotiations between us and the Sole Sponsor (for itself and on behalf of the [**REDACTED**]), and the [**REDACTED**] may differ significantly from the [**REDACTED**] for our H Shares following the [**REDACTED**]. We cannot assure you that an active [**REDACTED**] for our H Shares will develop or be sustained after the [**REDACTED**] or that the [**REDACTED**] of our H Shares will not decline below the [**REDACTED**]. The [**REDACTED**] for our H Shares may be highly volatile and subject to wide fluctuations in response to a number of factors, some of which are beyond our control.

The [REDACTED] of the Shares may be volatile, which could result in substantial losses to you.

The [**REDACTED**] of our H Shares may be volatile and could fluctuate significantly due to factors beyond our control. Such factors include, but are not limited to, variations in our revenue, earnings and cash flow, changes in our operating results, changes in analysts' estimates, perceptions of our industry and regulatory developments in the PRC and elsewhere. The [**REDACTED**] have from time to time experienced significant [**REDACTED**] and volume fluctuations that are not related to the operating performance of particular companies. These [**REDACTED**] fluctuations may also materially and adversely affect the [**REDACTED**] of our H Shares.

Additionally, under PRC law, all existing Shareholders (including [**REDACTED**] Investors) are restricted from disposing of any of their Shares within the [**REDACTED**] following the [**REDACTED**]. This [**REDACTED**] period may affect the [**REDACTED**] volume of our H Shares shortly after the [**REDACTED**]. These factors, independent of our actual business performance, could contribute to substantial [**REDACTED**] volatility and potential losses for [**REDACTED**] in our H Shares.

[REDACTED] of our H Shares in the [REDACTED] may experience immediate dilution and may experience further dilution if we [REDACTED] additional Shares in the future.

The [**REDACTED**] of our H Shares in the [**REDACTED**] may be higher than the net tangible book value per H Share immediately prior to the [**REDACTED**]. As a result, [**REDACTED**] of our H Shares in the [**REDACTED**] may experience immediate dilution in net tangible book value. In addition, we may need to [**REDACTED**] additional funds in the future and may [**REDACTED**] additional Shares or securities convertible into Shares. [**REDACTED**] of our H Shares may experience further dilution in the net tangible book value per Share if we [**REDACTED**] additional Shares or securities in the future.

Future [REDACTED] or perceived [REDACTED] of substantial amounts of our H Shares could adversely affect the [REDACTED] and dilute shareholder holdings.

The [**REDACTED**] of our H Shares and our ability to raise capital at favorable terms could be negatively impacted by the future [**REDACTED**] of substantial amounts of our H Shares in the [**REDACTED**], especially if [**REDACTED**] by our Directors, executive officers, or largest Shareholders, or if we issue [**REDACTED**] or [**REDACTED**]. The perception of such [**REDACTED**] could also exert downward pressure on our [**REDACTED**]. Additionally, if we [**REDACTED**] additional securities in the future, our existing Shareholders may experience dilution in their holdings.

We may [**REDACTED**] new shares under any current or future share incentive schemes, further diluting Shareholder interests. These newly [**REDACTED**] shares or share-linked securities could carry rights and privileges that take precedence over those of our H Shares. Certain shares held by our largest Shareholders are subject to [**REDACTED**] periods starting from the date our Shares commence [**REDACTED**] on the Hong Kong Stock Exchange. We cannot guarantee that they will not [**REDACTED**] shares at that time or in the future. Such [**REDACTED**], or the potential for these shares to enter the [**REDACTED**], could negatively affect the prevailing [**REDACTED**] of our H Shares.

Additionally, [**REDACTED**] who [**REDACTED**] to shares in the [**REDACTED**] may not be subject to any [**REDACTED**] on their H Shares, and they may have existing arrangements or agreements to [**REDACTED**] part or all of their H Shares immediately after the [**REDACTED**] for various legal, regulatory, business, or market reasons. These sales, especially if occurring in a short period after the [**REDACTED**], could exert downward pressure on the [**REDACTED**] and create substantial volatility in the [**REDACTED**] of our H Shares.

The interests of our Single Largest Shareholder may conflict with the best interests of our other shareholders.

Immediately upon completion of the [**REDACTED**], without taking into account any Shares issued under the [**REDACTED**], our Single Largest Shareholder will hold an aggregate of approximately [**REDACTED**]% of our total issued share capital, giving them substantial control over our business and corporate decisions. This concentrated ownership allows our Single Largest Shareholder to exercise significant influence over matters requiring Shareholder approval, including the election of Directors, mergers, business combinations, asset acquisitions or disposals, [**REDACTED**] of additional Shares or other equity securities, dividend payments, and overall corporate strategy.

This level of control may lead our Single Largest Shareholder to make decisions that serve their interests but are not necessarily aligned with those of our minority Shareholders. Additionally, this concentration of ownership may deter, delay, or prevent a change in control of our Company, which could otherwise provide Shareholders an opportunity to sell their shares at a premium. Such actions could negatively affect the [**REDACTED**] of our H Shares and limit the influence of other Shareholders on the Company's governance and future direction.

Our historical dividends may not be indicative of our future dividend policy, and there is no assurance of future dividend payments.

Our Board has discretion as to whether to distribute dividends. The amount of dividends we have paid in the past is not indicative of our future dividend policy or dividend amounts. The declaration and payment of dividends will be at the discretion of our Board and will depend on various factors, including our business prospects, financial performance, cash flow, capital requirements and the terms of our financing arrangements. There can be no assurance that we will declare and pay dividends in the future in any amount.

We have significant discretion as to how we will use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may spend the [**REDACTED**] from the [**REDACTED**] in ways you may not agree with or that do not yield a favorable return to our Shareholders. For further details on our plans to use [**REDACTED**] from the [**REDACTED**], please refer to the section headed "Future Plans and [**REDACTED**]" in this document. However, our management will have discretion as to the actual application of our [**REDACTED**]. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the [**REDACTED**] from this [**REDACTED**].

Certain facts, forecast and other statistics in this document obtained from publicly available sources have not been independently verified and may not be reliable.

Certain facts, forecasts, and other statistics included in this document are derived from various publicly available government and official sources. While our Directors believe these sources to be appropriate and have taken reasonable care in obtaining and reproducing the information, we cannot guarantee the accuracy, quality, or reliability of the underlying source materials. This data has not been independently verified by us or any other parties involved in the [**REDACTED**] and no representation is given as to their accuracy.

Additionally, we cannot assure our investors that this information has been compiled on a basis or with the same level of accuracy as similar data presented elsewhere. Therefore, prospective [**REDACTED**] are advised to carefully consider the weight and importance they place on such facts and statistics when evaluating this document.

Our forward-looking statements are subject to uncertainties, and future results could differ materially from those expressed or implied.

This document contains forward-looking statements about our business based on management's current beliefs, assumptions, and information available at the time. Forward-looking statements are identified by terms such as "aim," "anticipate," "believe," "could," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "will," and similar expressions. These statements reflect management's views on future events, operations, liquidity, and capital resources; however, they are inherently subject to risks, uncertainties, and assumptions.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results could differ significantly from those suggested by these forward-looking statements. Factors beyond our control and future business decisions could impact outcomes, many of which are discussed in the "Risk Factors" section of this document.

In light of these uncertainties, forward-looking statements should not be considered assurances of specific plans or objectives, and prospective [**REDACTED**] are cautioned not to place undue reliance on them. All forward-looking statements in this document are qualified by these cautionary statements. Subject to ongoing [**REDACTED**] under the Listing Rules or Hong Kong Stock Exchange requirements, we do not intend to [**REDACTED**] update or revise forward-looking statements due to new information, future events, or other factors.

Prospective [REDACTED] should rely solely on this document and not on media reports when making [REDACTED] decisions.

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 has 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. Our Company, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of our and their respective directors, officers, representatives, employees, advisers or any other persons or parties involved in the [**REDACTED**] 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, our Company, the Sole Sponsor, the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], the [**REDACTED**], any of our and their respective directors, officers, representatives, employees, advisers or any other persons or parties involved in the [**REDACTED**] disclaim responsibility for it, and you should not rely on such information.

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

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 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.

Our management, business operations and assets are primarily located outside Hong Kong. The principal management headquarters of our Group are primarily based in the PRC. Our Company considers that our Group's management is best able to attend to its functions by being based in the PRC. None of our executive Directors is or will be ordinarily resident in Hong Kong after the [**REDACTED**] of our Company. Our Directors consider that relocation of our executive Directors to Hong Kong will be burdensome and costly for our Company, and it may not be in the best interests of our Company and our Shareholders as a whole to appoint additional executive Directors who are ordinarily resident in Hong Kong. As such, we do not have, and for the foreseeable future will not have, 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 granted] us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules, provided that our Company implements the following arrangements:

(1) We have appointed 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 authorized representatives appointed are Mr. Luo Renxiang (羅仁祥), executive Director and Ms. Leung Hoi Yan (梁皚欣) ("**Ms. Leung**"), one of our joint company secretaries. Ms. Leung is situated and based in Hong Kong. Each of our authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone facsimile and email;

(2) As and when the Stock Exchange wishes to contact our Directors on any matters, each of our authorized representatives has the means to contact all of our Directors (including the independent non-executive Directors) promptly at all times;

(3) Although our executive Directors are not ordinary residents in Hong Kong, each of our Directors possesses or can apply for valid travel documents to visit Hong Kong and is able to meet with the Stock Exchange within a reasonable period of time, when required;

(4) We have appointed Innovax Capital Limited as our compliance adviser, pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to our authorized representatives, Directors and senior management, and will act as an additional channel of communication between the Stock Exchange and us; and

(5) We have provided the Stock Exchange with the contact details of each Director (including their respective mobile phone number, office phone number and e-mail address).

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives, the Directors and/or the compliance adviser in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, our company secretary must be an individual 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. Note 1 to Rule 3.28 of the Listing Rules provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable: (a) a member of The Hong Kong Chartered Governance Institute; (b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and (c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Note 2 to Rule 3.28 of the Listing Rules further provides that the Hong Kong Stock Exchange considers the following factors in assessing the "relevant experience" of the individual:

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

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

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

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

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

(b) whether the issuer was able to demonstrate the need to appoint a person who does not have the Acceptable Qualification (as defined under Rule 3.28(1) of the Listing Rules) nor Relevant Experience (as defined under Rule 3.28(2) of the Listing Rules) as a company secretary; and

(c) 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 and on the following conditions:

(a) 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 fixed period of time; and

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

Our Company has appointed Ms. Xu Jiaying (徐佳穎) ("**Ms. Xu**"), secretary of the Board and manager of international department, as one of our joint company secretaries, considering her past working experiences within our Group and her understanding of our internal administration, business operations and corporate culture. As such, although Ms. Xu does not possess the specified qualifications strictly required by Rule 3.28 of the Listing Rules, our Directors believe that Ms. Xu is capable of discharging the functions of a joint company secretary with the assistance of Ms. Leung, who meets the requirements under Rule 3.28 of the Listing Rules and has been appointed to act as the other joint company secretary and to assist Ms. Xu in the compliance matters for the [**REDACTED**] as well as other Hong Kong regulatory requirements for an initial period of three years from the [**REDACTED**]. Over such period, we will implement the following measures to assist Ms. Xu to satisfy the requisite qualifications as prescribed in Rules 3.28 and 8.17 of the Listing Rules:

(a) Ms. Leung will assist Ms. Xu so as to enable her to discharge her duties and responsibilities as a joint company secretary. Given Ms. Leung's relevant experiences, she will be able to advise both Ms. Xu and us on the relevant requirements of the Listing Rules as well as other applicable laws and regulations of Hong Kong;

(b) Ms. Xu will be assisted by Ms. Leung for an initial period of three years commencing from the [**REDACTED**], which should be sufficient for her to acquire the requisite knowledge and experience under Rule 3.28 of the Listing Rules;

(c) we will ensure that Ms. Xu has access to the relevant trainings and support to enable her to familiarize herself with the Listing Rules and the duties required of a company secretary of an issuer, and Ms. Xu has undertaken to attend such trainings;

(d) Ms. Leung will communicate with Ms. Xu on a regular basis regarding matters in relation to corporate governance, the Listing Rules as well as other applicable laws and regulations of Hong Kong which are relevant to our operations and affairs. Ms. Leung will work closely with, and provide assistance to Ms. Xu with a view to discharging her duties and responsibilities as a company secretary, including but not limited to organizing the Board meetings and Shareholders' meetings; and

(e) pursuant to Rule 3.29 of the Listing Rules, Ms. Leung and Ms. Xu will also attend in each financial year no less than 15 hours of relevant professional training courses to familiarize themselves with the requirements of the Listing Rules and other legal and regulatory requirements of Hong Kong. Both Ms. Leung and Ms. Xu will be advised by our legal advisers as to Hong Kong laws and our compliance adviser as and when appropriate and required.

Accordingly, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules, for an initial period of three years from the [**REDACTED**] (the "**Waiver Period**"). Pursuant to Chapter 3.10 of the Guide, the waiver is granted on the conditions: (1) our Company appoints Ms. Leung, who meets the requirements under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary, to assist Ms. Xu in discharging her functions as a joint company secretary and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules; and (ii) the waiver will be revoked immediately if Ms. Leung, during the three-year period, ceases to provide assistance to Ms. Xu, or if there are material breaches of the Listing Rules by our Company. Before the end of the three-year period, we will conduct a further evaluation of the qualification and experience of Ms. Xu to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied, and we will demonstrate to and seek the Stock Exchange's confirmation that Ms. Xu, having had the benefit of Ms. Leung's assistance for three years, has acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules so that a further waiver wouldn't be necessary. For more details of Ms. Leung and Ms. Xu's biographies, please see the section headed "Directors and Senior Management – Joint Company Secretaries".

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Yu Guang (俞光)	Room 502, Unit 2, Building 15, Yijiang Chunshui Jiangfengyuan, Yangxi Street, Jiande City, Zhejiang Province, PRC	Chinese
Mr. Luo Renxiang (羅仁祥)	Room 1501, Building 1, Wanhexiyuan, Xiacheng District, Hangzhou City, Zhejiang Province, PRC	Chinese
Mr. He Yun (何贇)	No. 5-121 Zhonglounan Village, Nanming Street, Xinchang County, Zhejiang Province, PRC	Chinese
Ms. Wang Xiaoxia (汪小霞)	No. 8, Wangshan Village, Daciyan Town, Jiande City, Zhejiang Province, PRC	Chinese
Mr. Chen Ruiguang (陳鋭廣)	No. 5 Xiasiheng Road, Shimen Lane Road, Shihu Village, Guantang Town, Xiangqiao District, Chaozhou City, Guangdong Province, PRC	Chinese

Name	Address	Nationality
Non-executive Director		
Mr. Xiao Feng (肖峰)	No. 55 Dawu, Tanger Village, Lizhu Town, Keqiao District, Shaoxing City, Zhejiang Province, PRC	Chinese
Independent non-executive Directors		
Mr. Tu Bisheng (涂必勝)	Room 1401, Building 12, Yaojiang Wendingyuan, Xihu District, Hangzhou City, Zhejiang Province, PRC	Chinese
Dr. Huang Wenli (黃文禮)	No. 38, Zheda Road, Xihu District, Hangzhou City, Zhejiang Province, PRC	Chinese
Mr. Fong Chun Fai (方俊輝)	Room A, 6/F, Block 5, One Beacon Hill, Kowloon Tong, Hong Kong	Chinese (Hong Kong)

For further details, please see the section headed "Directors and Senior Management" in this document.

PARTIES INVOLVED IN THE [REDACTED]

Sole Sponsor	**CMB International Capital Limited** 45th Floor, Champion Tower, 3 Garden Road, Central, Hong Kong

[REDACTED]

Legal Advisers to the Company	*As to Hong Kong laws:* **Jun He Law Offices** Suites 3701-10, 37/F Jardine House 1 Connaught Place Central Hong Kong

	As to PRC laws: **JunHe LLP** 20/F, China Resources Building, 8 Jianguomenbei Avenue, Beijing, PRC
Legal Advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong laws:* **Jingtian & Gongcheng LLP** Suites 3203-3207, 32/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong *As to PRC laws:* **Jingtian & Gongcheng** 34/F, Tower 3 China Central Place 77 Jianguo Road Chaoyang District Beijing PRC
Auditor and Reporting Accountants	**Deloitte Touche Tohmatsu** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 35/F One Pacific Place 88 Queensway Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** Room 2504, Wheelock Square No. 1717 Nanjing West Road Jing'an District Shanghai, PRC
Property Valuer	**Cushman & Wakefield Limited** 27/F, One Island East, Taikoo Place 18 Westlands Road Quarry Bay, Hong Kong

[REDACTED]

CORPORATE INFORMATION

Registered Office and Head Office in the PRC	No. 777 Yading Road, Yangxi Subdistrict, Jiande City, Zhejiang Province, PRC
Place of Business in Hong Kong Registered under Part 16 of the Companies Ordinance	46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Joint Company Secretaries	**Ms. Xu Jiaying (徐佳穎)** No. 289 Meihua Road, Huamu Town, Pudong New Area, Shanghai, the PRC **Ms. Leung Hoi Yan (梁暟欣)** 46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Authorized Representatives	**Mr. Luo Renxiang (羅仁祥)** Room 1501, Building 1, Wanhexiyuan, Xiacheng District, Hangzhou City, Zhejiang Province, PRC **Ms. Leung Hoi Yan (梁暟欣)** 46/F, Hopewell Centre 183 Queen's Road East Wan Chai Hong Kong
Audit Committee	Mr. Fong Chun Fai (方俊輝) *(Chairman)* Mr. Xiao Feng (肖峰) Mr. Tu Bisheng (涂必勝)
Nomination Committee	Dr. Huang Wenli (黃文禮) *(Chairman)* Ms. Wang Xiaoxia (汪小霞) Mr. Fong Chun Fai (方俊輝)

CORPORATE INFORMATION

Remuneration and Appraisal Committee	Dr. Huang Wenli (黃文禮) *(Chairman)* Mr. Tu Bisheng (涂必勝) Mr. Luo Renxiang (羅仁祥)
Strategy Committee	Mr. Yu Guang (俞光) *(Chairman)* Mr. Luo Renxiang (羅仁祥) Dr. Huang Wenli (黃文禮)
Compliance Adviser	**Innovax Capital Limited** Unit B, 13/F, Neich Tower, 128 Gloucester Road Wanchai, Hong Kong

[**REDACTED**]

Principal Bankers	**China CITIC Bank Corporation Limited, Hangzhou Jiande Branch** No. 1289 Yanzhou Avenue Jiande City, Hangzhou Zhejiang Province, PRC **Bank of China Corporation Limited, Hangzhou Jiande Branch** No. 193 Xin'an Road Xin'anjiang Street Jiande City, Hangzhou Zhejiang Province, PRC
Company's Website	***www.tongshifu.com*** (A copy of this document is available on the Company's website. Except for the information contained in this document, none of the other information contained on the Company's website forms part of this document)

The information and statistics set out in this section and other sections of this document were extracted from the industry report commissioned by us and independently prepared by Frost & Sullivan, in connection with the [**REDACTED**]. *In addition, certain information is based on, or derived or extracted from, among other sources, publications of different government authorities and internal organizations, market statistics providers, communications with various PRC government agencies or other independent third-party sources unless otherwise indicated. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information and statistics from official government sources have not been independently verified by our Company, the Sole Sponsor,* [**REDACTED**], [**REDACTED**], [**REDACTED**], *and the* [**REDACTED**], *or any of their respective directors, advisers and affiliates, or any other person or parties involved in the* [**REDACTED**], *and no representation is given as to their accuracy.*

OVERVIEW OF CULTURAL AND CREATIVE CRAFT MARKET

Cultural and creative industry centers on leveraging cultural resources and integrating elements like history, art, and technology to create products and services that convey cultural, aesthetic, and commercial value. They play a crucial role in preserving cultural heritage while fostering innovation of contemporary society.

The cultural and creative industry spans a diverse array of sectors, from traditional arts and crafts to modern digital media, fashion, and design. According to the classification set by the United Nations Educational, Scientific and Cultural Organization ("UNESCO"), the cultural and creative industry can be categorized into several domains: cultural and artistic fields, media and content, creative services and design, digital creative industries, and cultural derivatives.

Market Size of Global Cultural and Creative Industry

From 2019 to 2024, the global cultural and creative industry expanded steadily, with the market size rising from RMB16.0 trillion in 2019 to RMB19.5 trillion in 2024. This period recorded a CAGR of 4.0%. In the subsequent five years, the market is projected to maintain a stable upward trajectory, reaching approximately RMB23.1 trillion by 2029. The CAGR for the 2024 to 2029 period is expected to reach 3.4%, reflecting relatively stable growth in cultural consumption and content-driven economic activity.

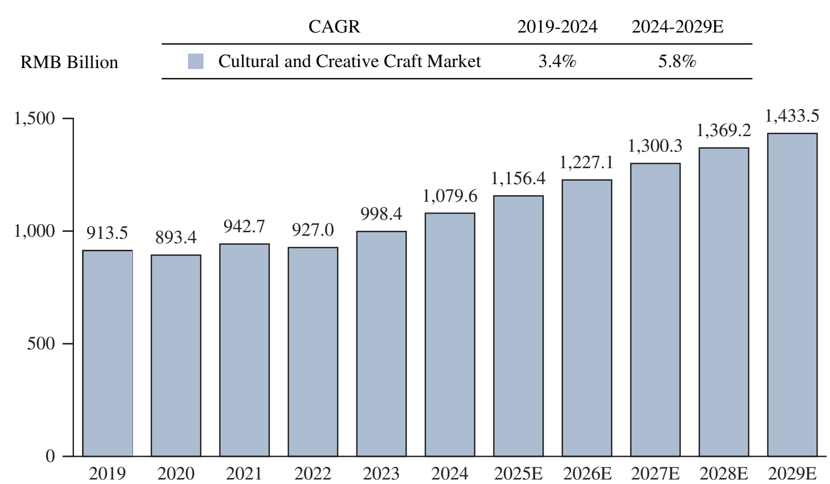
The sustained growth of the global cultural and creative industry is driven by a combination of structural forces. The ongoing digitalization of content creation, distribution, and consumption has significantly expanded the industry's reach across both developed and emerging markets. At the same time, consumer preferences are increasingly shifting toward personalized, immersive, and culturally resonant experiences, prompting greater diversification in product formats and commercialization models. Meanwhile, government policies that promote creative economy development and cultural exports continue to create a supportive macro environment. As cross-border collaboration, IP commercialization, and platform-based distribution further mature, the industry is well-positioned to remain a resilient and dynamic force within the global service economy.

Market Size of Global Cultural and Creative Craft Market

The global cultural and creative craft market was valued at RMB913.5 billion in 2019 and experienced modest fluctuations in the early years, reaching RMB1,079.6 billion by 2024. Over this five-year period, the market grew at a CAGR of 3.4%. Moving forward, the market is expected to enter a more dynamic growth phase, with projections indicating a rise to RMB1,433.5 billion by 2029. From 2024 to 2029, the market is set to expand at a significantly faster CAGR of 5.8%, driven by rising consumer interest in artisan products, localized manufacturing, and culturally embedded design.

Several factors contribute to the accelerating growth of the cultural and creative craft market globally. As consumers increasingly seek products that reflect personal identity, emotional value, and cultural meaning, handcrafted and design-focused goods are gaining wider acceptance. In parallel, the expansion of e-commerce platforms and social media marketing channels has improved market accessibility, particularly for independent creators and regional brands. Additionally, sustainability and craftsmanship are becoming key consumer priorities, aligning well with the positioning of cultural and creative crafts. This evolving landscape offers strong growth potential for both established players and emerging entrants across diverse material categories and design styles.

Market Size of Global Cultural and Creative Craft Market, by Sales Revenue, 2019-2029E



Source: Frost & Sullivan

Market Size of Cultural and Creative Industry in the PRC

The cultural and creative industry in the PRC recorded a total market size of RMB4.5 trillion in 2019 and showed consistent year-on-year growth, reaching RMB6.4 trillion by 2024. This represents a CAGR of 7.4% over the five-year period. Looking ahead, the market is forecast to expand continuously, with its size projected to climb to RMB8.8 trillion by 2029. The anticipated CAGR for 2024 to 2029 is 6.5%, indicating a sustained upward trajectory supported by both domestic consumption and institutional investment in cultural and creative sectors.

The steady growth of the PRC's cultural and creative industry is fueled by a combination of policy support, digital transformation, and evolving consumer preferences. On the policy side, the Chinese government continues to prioritize the development of cultural industries as part of its broader economic diversification strategy, offering funding, infrastructure, and regulatory guidance. At the same time, rising demand for culturally relevant, aesthetically refined, and emotionally resonant products is reshaping consumer markets, particularly among younger demographics. The widespread adoption of digital platforms for content creation, distribution, and consumption also enables greater scalability and cross-sector collaboration. These dynamics collectively enhance the resilience and long-term potential of the cultural and creative ecosystem in the PRC.

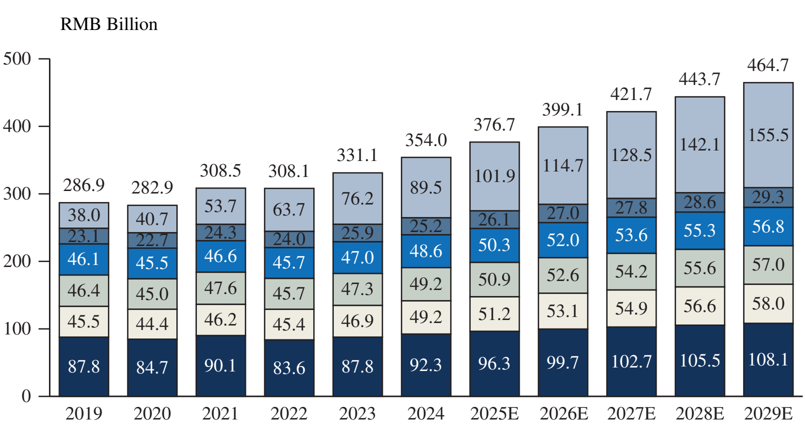
Market Size of Cultural and Creative Craft Market in the PRC

From 2019 to 2029, the cultural and creative craft market in the PRC demonstrates a steady overall expansion, growing from RMB286.9 billion in 2019 to a projected RMB464.7 billion in 2029. Among all materials, plastic and resin experienced the most significant growth, expanding from RMB38.0 billion in 2019 to an estimated RMB155.5 billion in 2029, reflecting its increasing popularity due to cost-efficiency and flexibility in design. Metal materials, while growing more slowly, remain stable in value, increasing from RMB23.1 billion in 2019 to RMB29.3 billion in 2029. Like the metal segment, other categories such as wood and bamboo, ceramic and clay, and stone and jade maintained relatively flat or moderate growth trends throughout the period.

It reflects a clear material shift in the industry, with plastic and resin rapidly gaining market share, particularly in mass-produced, modern, or youth-oriented craft products. Traditional materials such as metal and ceramic continue to retain strong cultural and aesthetic value in the cultural and creative craft industry. The market's evolving material composition suggests a dual trend: increasing industrialization of craft production, and a widening consumer base seeking both affordability and visual appeal.

Market Size of Cultural and Creative Craft Market in the PRC, Breakdown by Material, by Sales Revenue, 2019-2029E

CAGR	Plastic and Resin	Metal Materials	Ceramic and Clay	Wood and Bamboo	Stone and Jade	Others	Total
2019-2024	18.7%	1.8%	1.1%	1.2%	1.6%	1.0%	4.3%
2024-2029E	11.7%	3.1%	3.2%	3.0%	3.4%	3.2%	5.6%



Note: Others include fiber and textile, animal-and plant-based materials, glass and glazed glass, paper-based materials, composite materials, etc.

Source: Frost & Sullivan

Market Size of Metal Cultural and Creative Craft Market in the PRC

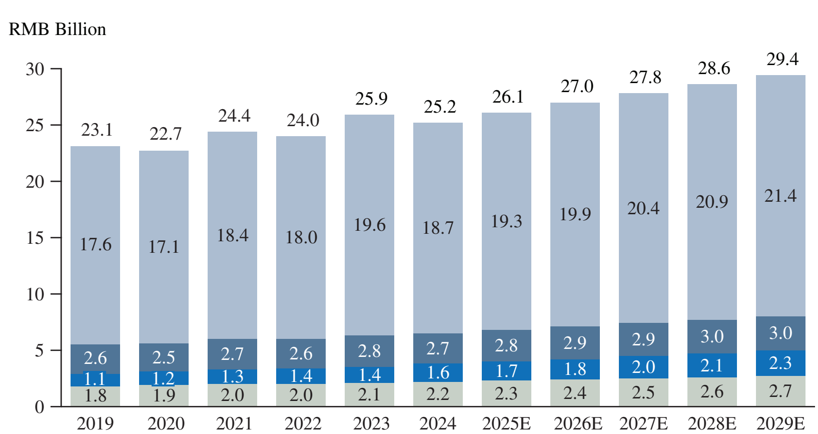
From 2019 to 2024, the overall market size of metal cultural and creative crafts in the PRC grew moderately from RMB23.1 billion to RMB25.2 billion, reflecting a CAGR of 1.8%. Among the various metal categories, copper crafts demonstrated the strongest growth momentum, rising from RMB1.1 billion in 2019 to RMB1.6 billion in 2024, representing a CAGR of 7.3%. In comparison, gold and silver crafts remained relatively weaker growth during the same period, with CAGRs of 1.2% and 0.8%, respectively. Looking ahead, copper crafts are expected to maintain strong momentum, reaching RMB2.3 billion by 2029 at a projected CAGR of 7.7% from 2024 to 2029, outperforming all other material segments. The overall metal craft market is forecast to grow to RMB29.4 billion by 2029, supported in part by the sustained performance of copper-based products. Within this market landscape, gold cultural and creative crafts are viewed as a separate category from traditional gold jewelry, as they focus more on cultural storytelling and artistic expression. These products attract consumers who prioritize symbolic meaning, craftsmanship, and aesthetic refinement over investment or fashion value.

The metal cultural and creative craft market in the PRC has benefited from growing consumer interest in culturally inspired, visually distinctive, and high-quality decorative items. Compared to traditional precious metal products, materials such as copper have gained wider popularity due to their affordability, symbolic cultural value, and adaptability to diverse design styles. The overall market continues to evolve toward more differentiated product offerings, with increased integration of traditional craftsmanship, contemporary aesthetics, and IP-driven design, supporting long-term value creation within the metal craft segment.

Moreover, metal cultural and creative crafts, especially those involving techniques such as casting, engraving, and inlaying, rely on manual craftsmanship. Due to the complexity and cultural specificity of these processes, large-scale mechanized production is often impractical and may compromise the artistic integrity and uniqueness of each piece. As such, human artisans continue to play a key role in preserving the cultural value and individuality embedded in metal craftworks.

Market Size of Metal Cultural and Creative Craft Market in the PRC, Breakdown by Material, by Sales Revenue, 2019-2029E

CAGR	Gold	Silver	Copper	Others	Total
2019-2024	1.2%	0.8%	7.3%	4.1%	1.8%
2024-2029E	2.7%	2.1%	7.7%	4.2%	3.1%



Note: Others include iron, bronze, steel, etc

Source: Frost & Sullivan

Market Drivers of Cultural and Creative Craft Market in the PRC

Rise of "Guochao" Culture

The rise of "Guochao" aesthetics, which reflects the reinterpretation of traditional Chinese culture through a contemporary design lens, has emerged as a key driver of consumer engagement in the cultural and creative crafts sector. This trend reflects a growing desire among consumers, particularly younger generations, to reconnect with their cultural roots in a way that feels relevant to modern life. In response, brands are placing greater emphasis on emotional storytelling and symbolic meaning of crafting products that not only preserve cultural heritage but also evoke personal resonance. The increasing popularity of culturally inspired gifting further illustrates a shift toward products that carry blessings, identity, and artistic value, enriching everyday life with deeper cultural significance.

Widening Appeal of Culturally Resonant Everyday Objects

The Chinese cultural and creative craft market is increasingly shaped by a growing aspiration to bring art and design into everyday life. Emphasizing cultural meaning, emotional resonance, and accessible pricing, these products reflect a broader shift toward "everyday aesthetics" that align with evolving consumer values. As aesthetic awareness and cultural confidence continue to rise, cultural and creative crafts are being embraced across a wide range of lifestyle scenarios, including gifting, decoration, personal collecting, and self-rewarding purchases. This trend has become an important driver of the market's ongoing expansion.

Elevating Demand with Design and IPs

As competition intensifies, brands that prioritize unique and innovative designs are increasingly differentiating themselves in the crowded marketplace. By emphasizing aesthetics and user experience, these brands capture consumer attention and foster brand loyalty. The combination of strong design and effective IP protection enhances marketability, enabling brands to craft compelling stories that resonate with consumers and create emotional connections. In today's market, where consumers seek personalized products, brands that successfully merge innovative design with strong IP differentiation are well-positioned to capture market share and achieve long-term sustainability.

Policy Support

Government initiatives that support cultural consumption and the preservation of traditional crafts enhance cultural and creative crafts market dynamics. For example, China's cultural industry development plans promote cultural heritage while fostering economic growth by providing resources for artisans and creating platforms to showcase their creations. Moreover, the government encourages innovation within the cultural sector by funding research and development initiatives, allowing businesses to explore new techniques and materials. This support includes grants for projects that revitalize traditional crafts or integrate them into modern designs. The focus on cultural tourism further attracts domestic and international visitors to experience traditional crafts firsthand. Overall, government support is essential for nurturing a vibrant cultural ecosystem, stimulating investment, and contributing to a thriving market for cultural and creative crafts.

Future Trends of Cultural and Creative Craft Market in the PRC

Emphasis on Originality and Design-Led Innovation

As consumers increasingly seek products that reflect individual taste and cultural relevance, the cultural and creative craft market in the PRC is expected to place greater emphasis on design-led innovation. Rather than relying solely on replication or licensing, leading brands are investing in internal creative capabilities to reinterpret and enrich authorized IPs, while selectively developing proprietary elements that enhance cultural storytelling. This approach supports long-term brand differentiation and reflects a broader consumer shift toward meaningful, story-driven products with a clear visual identity. In an increasingly competitive market, crafts that combine authentic cultural inspiration with contemporary design aesthetics are anticipated to shape the next phase of product and brand evolution.

Sustainable Craft Innovation

Driven by China's dual carbon goals and rising environmental awareness, the cultural craft industry is shifting toward greener and more sustainable development. An increasing number of cultural brands are incorporating eco-friendly materials such as recycled metals, natural fibers, and biodegradable packaging into their product designs. At the same time, companies are focusing on low-carbon manufacturing processes and resource-efficient production methods. Some brands are also partnering with non-profit organizations to launch environmentally themed collections, further enhancing their social responsibility and public image. The integration of sustainability not only aligns with national policies and social trends but also strengthens consumer loyalty and supports long-term value creation in the industry.

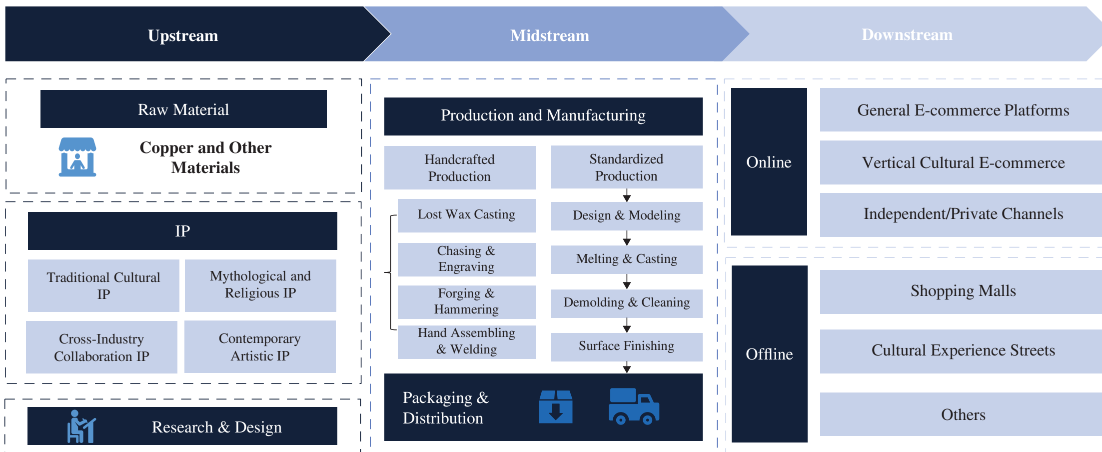
OVERVIEW OF COPPER CULTURAL AND CREATIVE CRAFT MARKET IN THE PRC

Copper cultural and creative crafts refer to the products primarily made of copper, created through traditional or modern techniques such as carving, casting, embossing, welding, and patination. These crafts integrate cultural and creative elements, often embodying symbolic meanings, aesthetic values, and traditional artistic expressions. Widely used in decoration, gifting, tourism souvenirs, and cultural exhibitions, copper crafts represent a unique intersection between traditional craftsmanship and modern cultural consumption, offering both ornamental and collectible value.

Value Chain of Copper Cultural and Creative Craft Market

The upstream segment covers raw material sourcing, IP development, and product research and design. IP sources include traditional culture, mythology, museum collections, and cross-industry collaborations. Design firms, museums, and creators help transform cultural elements into product concepts through cultural research and conceptual development. The midstream segment includes production, manufacturing, and packaging. Most companies adopt standardized production processes such as casting, modeling, and surface finishing to achieve efficiency and consistency. A few companies still apply handcrafted methods like lost wax casting and engraving to enhance cultural expression. The downstream segment involves product distribution across online and offline channels. Online includes major e-commerce and private traffic platforms, while offline covers museums, bookstores, and shopping venues. These channels help copper craft brands reach consumers and drive cultural value realization.

Value Chain of Copper Cultural and Creative Craft Market



Source: Frost & Sullivan

Market Size of Global Copper Cultural and Creative Craft Market

The global copper cultural and creative craft market recorded a sales revenue of RMB4,573.9 million in 2019 and reached approximately RMB6,267.0 million by 2024, representing a CAGR of 6.5% during the period from 2019 to 2024. Looking ahead, the market is expected to continue its upward momentum, with projections indicating a rise to RMB8,708.6 million by 2029. From 2024 to 2029, the market is forecast to expand at an even faster CAGR of 6.8%, reflecting sustained global interest in culturally meaningful, aesthetically refined, and collectible copper-based crafts.

The growth of the global copper craft market is primarily driven by rising demand for culturally inspired decorative products, the revival of traditional craftsmanship, and increasing consumer appreciation for artisanal design. Copper, as a material, offers a unique blend of durability, visual appeal, and symbolic richness, making it especially suited for cultural and creative applications. In recent years, product innovation, integration with local cultural themes, and expansion into global tourism and gifting channels have further enhanced the international competitiveness of copper crafts.

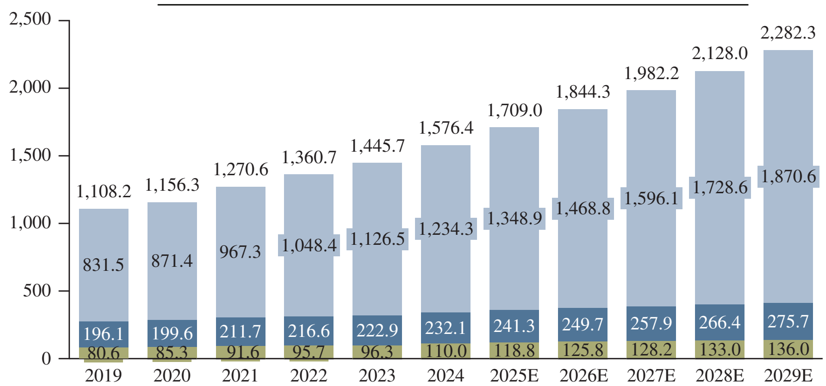
Market Size of Copper Cultural and Creative Craft Market in the PRC

The market size of copper cultural and creative craft market in the PRC reached RMB1,108.2 million in 2019 and is projected to grow to RMB2,282.3 million by 2029, nearly doubling over the decade. Copper ornaments consistently represent the largest product category, accounting for over 75% of the market. This segment is expected to grow from RMB1,234.3 million in 2024 to RMB1,870.6 million in 2029 in terms of sales revenue, with a CAGR of 8.7%, outperforming the overall market growth. In comparison, copper engraved artwork shows more modest growth, reaching RMB275.7 million by 2029, while the "Others" category remains relatively stable at around 7% of the total throughout the decade.

The market demonstrates strong expansion momentum, led by robust demand for copper ornaments driven by decoration and gifting scenarios. In contrast, copper engraved artworks and other product types grow at a slower pace, serving more as supplements to product diversity. As consumer preferences shift toward personalized aesthetics, cultural expression, and decorative items, copper ornaments are expected to remain the primary growth engine within the category.

Market Size of Copper Cultural and Creative Craft Market in the PRC, Breakdown by Product Type, by Sales Revenue, 2019-2029E

CAGR	2019-2024	2024-2029E
Copper Ornaments	8.2%	8.7%
Copper Engraved Artwork	3.4%	3.5%
Others	6.4%	4.3%
Total	7.3%	7.7%



Source: Frost & Sullivan

Note: Others include copper statues, copper bookmarks, copper incense burners, etc.

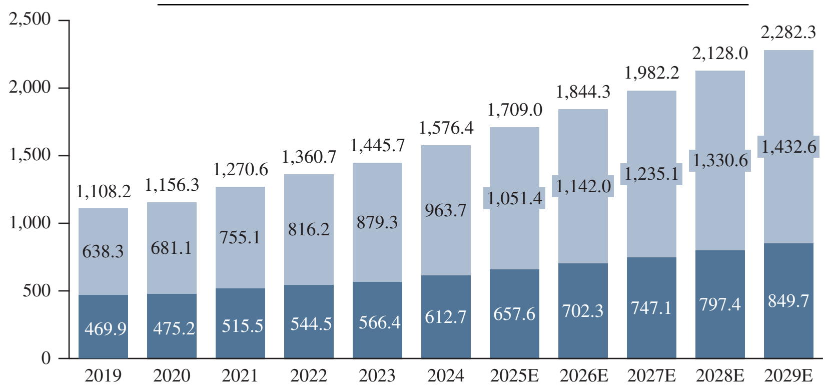
From 2019 to 2024, the overall copper cultural and creative craft market in the PRC grew steadily from RMB1,108.2 million to RMB1,576.4 million. Online sales expanded rapidly with a CAGR of 8.6%. By 2029, online channels are expected to account for over 62% of total sales, reflecting consumers' increasing preference for digital platforms and the growing role of livestreaming and social commerce.

The rapid rise of online sales is driven by the digitalization of retail, the proliferation of cultural e-commerce platforms, and increasing consumer acceptance of online shopping for aesthetic and collectible items. Short video, live streaming, and social commerce have become key traffic engines for copper craft brands, especially among younger and urban consumers. Offline channels, while slowing, still retain importance in experiential retail, premium customization, and cultural tourism scenarios. Together, online and offline integration is expected to become the mainstream sales model for copper crafts going forward.

Market Size of Copper Cultural and Creative Craft in the PRC, Breakdown by Sales Channel, by Sales Revenue, 2019-2029E

CAGR	2019-2024	2024-2029E
Online	8.6%	8.3%
Offline	5.5%	6.8%
Total	7.3%	7.7%

RMB Million



Source: Frost & Sullivan

Market Drivers of Copper Cultural and Creative Craft Market in the PRC

Emotional Value Appeal

As consumers increasingly seek products that resonate with personal emotions and aesthetic preferences, copper cultural and creative crafts have gained popularity for their symbolic meaning, artistic detail, and uniqueness. The demand for personalized, emotionally expressive, and visually refined items is particularly strong among consumers with higher purchasing power, such as young professionals and culturally aware middle-class buyers. This emotional value proposition helps expand the customer base and enhances long-term brand affinity.

Policy-driven Industry Development

During the 14th Five-Year Plan period, the PRC government released a series of supportive policies, including the "Key Projects of the Inheritance and Development of Fine Traditional Chinese Culture" and guidelines promoting cultural-tourism integration. These initiatives encourage the revitalization of traditional crafts, the commercialization of intangible cultural heritage, and the modernization of craft industries. Local governments have also introduced funding programs and craft industry parks. This favorable policy environment is driving the copper cultural and creative craft industry toward standardization, innovation, and high value-add development.

Cultural Storytelling and IP-Driven Engagement

The growing prominence of culturally inspired aesthetics, exemplified by the rise of "Guochao", has reshaped consumer expectations toward more emotionally resonant and narrative-rich experiences. Copper craft brands are enhancing consumer engagement by integrating traditional cultural elements with contemporary IPs across a range of formats, including mythology, heritage institutions, animation, and entertainment content. Strategic collaborations with sources such as the Palace Museum, Dunhuang art, and national-style media enable products to embody both symbolic meaning and visual relevance, strengthening their cultural expression and market appeal. In addition to driving immediate consumer interest, IP-powered storytelling supports long-term brand vitality by deepening emotional connections and creating a recognizable cultural identity over time.

Future Trends of Copper Cultural and Creative Craft Market in the PRC

Broadening Consumer Reach and Usage Scenarios

The consumer base for copper cultural and creative crafts in the PRC is expanding beyond its traditional core of mature, culturally inclined buyers with strong purchasing power. While this segment remains important, the rise of "Guochao" aesthetics, together with evolving brand narratives, contemporary design elements, and a more diversified pricing structure, is attracting a wider audience with varying aesthetic preferences and consumption motivations. In response, brands are enriching their product offerings across multiple price ranges and design styles to cater to a broader range of consumer expectations. At the same time, usage scenarios for copper crafts have evolved beyond conventional gift-giving and decorative scenarios to include personal collecting, self-rewarding purchases, and everyday cultural expression. This diversification in both audience and application is driving multidimensional growth and reinforcing the relevance of copper crafts in lifestyles.

Growing Global Presence of Chinese Cultural Craftsmanship

Driven by China's rising national influence and the continued promotion of cultural exchange, copper cultural and creative crafts are gradually gaining international visibility. Supported by government initiatives such as the "Belt and Road Initiative" and broader policies encouraging Chinese enterprises to expand overseas, traditional cultural expressions are finding resonance among global audiences. In parallel, the growing appeal of "Guochao" aesthetics has amplified international curiosity around Chinese design and storytelling. In this context, cultural brands are increasingly pursuing global expansion by developing product lines that retain the essence of Chinese artistry while adapting to local cultural preferences. Participation in international exhibitions, art fairs, museum collaborations, and cross-border retail partnerships has enabled these brands to present a modern vision of eastern aesthetics on global platforms. As Chinese cultural and creative products gain traction in markets such as Southeast Asia, Europe, and North America, they are not only opening new growth opportunities but also contributing to the emergence of internationally recognized expressions of Chinese cultural identity.

COMPETITIVE LANDSCAPE

The PRC has approximately 1,000 enterprises specializing in the production of copper cultural and creative crafts, encompassing both well-known national brands and numerous regional small to medium-sized enterprises ("SMEs") and workshops. The industry is characterized by a relatively high concentration, with two leading companies holding significant market shares, while the remaining enterprises engage in fragmented competition. Many of these smaller manufacturers focus on contract manufacturing or low-cost sales, often lacking original design capabilities and standardized quality control systems, resulting in varying product quality. They primarily operate in sectors such as customized gifts and low-end cultural tourism souvenirs. While these companies can meet the short-term demands of price-sensitive customers, their long-term competitiveness is limited. The industry is gradually transitioning towards greater brand development and standardization.

Ranking of Copper Cultural and Creative Craft Companies in the PRC, by Copper Craft Revenue (2024)

Ranking	Company	Listing Status	Copper Craft Revenue[3], 2024 (RMB Million)	Market Share by Copper Craft Revenue, 2024
1	**The Company**	**Private**	**551.3**	**35.0%**
2	Company A[1]	Private	501.2	31.8%
3	Company B[2]	Private	80.3	5.1%
		Top 3 Subtotal	1,132.8	71.9%

Source: Frost & Sullivan

Notes:

(1) Company A specializes in the design, production and selling of copper crafts in the consutruction field.

(2) Company B is engaged in the selling of metal handicrafts, and its main business is mainly copper handicrafts designed based on Feng Shui.

(3) The revenue figures reflect each company's sales revenue from copper cultural and creative craft products.

Ranking of Copper Cultural and Creative Craft Companies in the PRC, by Online Copper Craft Revenue (2024)

Ranking	Company	Listing Status	Online Copper Craft Revenue[3], 2024 (RMB Million)	Market Share by Online Copper Craft Revenue, 2024
1	**The Company**	**Private**	**425.1**	**44.1%**
2	Company A[1]	Private	200.5	20.8%
3	Company B[2]	Private	68.3	7.1%
		Top 3 Subtotal	693.9	72.0%

Source: Frost & Sullivan

Notes:

(1) Company A specializes in the design, production and selling of copper crafts in the construction field.

(2) Company B is engaged in the selling of metal handicrafts, and its main business is mainly copper handicrafts designed based on Feng Shui.

(3) The revenue figures reflect each company's online sales revenue from copper cultural and creative craft products.

Entry Barrier Analysis

Design Barrier

In the copper cultural and creative craft industry, original design has become a key barrier for differentiation and brand value creation. Leading companies are typically equipped with professional design teams capable of deeply integrating traditional culture, market trends, and modern aesthetics to develop a distinctive product style system. At the same time, they engage in in-depth collaborations with renowned artists and IP licensors to enhance design sophistication and cultural depth, strengthening brand recognition and emotional resonance with consumers. Original design not only increases the cultural value and market appeal of products but also significantly raises the industry 's entry barrier, forming a sustainable competitive advantage.

Technical Craftsmanship Barrier

The production of copper cultural and creative crafts involves a wide range of intricate techniques such as casting, engraving, polishing, patination, and gilding. These processes demand for a high level of manual skill, aesthetic judgment, and years of hands-on experience, particularly for traditional hand-crafted pieces. Unlike mass-produced items, copper crafts are often valued for their artisanal uniqueness, which is difficult to replicate through automation or rapid training. Leading companies in the industry have developed proprietary techniques and in-house craftsmanship systems, forming a significant barrier for new entrants who may lack the technical depth and production consistency required to compete at a high standard of quality.

Brand and Cultural Recognition Barrier

Copper cultural and creative crafts are inherently tied to cultural expression and emotional value, meaning that consumer purchasing decisions are influenced not only by product quality, but also by brand identity, cultural narrative, and historical resonance. Established players have spent years cultivating brand equity through collaborations with museums, cultural institutions, and well-known IPs, building strong consumer trust and market recognition. These brands often convey a deep connection to heritage, artistry, and symbolism, which strengthens customer loyalty. New entrants without a strong cultural foundation, storytelling ability, or brand visibility may struggle to gain traction, particularly in the mid- to high-end segments of the market where emotional attachment is a key purchasing driver.

Channel and Resource Integration Barrier

The distribution of copper craft products spans multiple specialized channels, including museum gift shops, cultural tourism venues, e-commerce platforms, custom gift services, and offline exhibitions. Leading companies have established long-term partnerships with key channel operators, IP licensors, designers, and raw material suppliers, forming an integrated ecosystem that supports product development, marketing, and distribution. This network effect allows incumbents to respond quickly to market trends and consumer preferences, while achieving economies of scale and scope. In contrast, new entrants often face challenges in accessing premium sales channels, securing collaborative partners, and coordinating supply chains, limiting their ability to scale operations and reach target consumers effectively.

OVERVIEW OF OTHER MARKETS

Overview of Gold Cultural and Creative Craft Market in the PRC

Gold cultural and creative crafts refer to gold-based products that integrate traditional craftsmanship with cultural narratives, symbolic motifs, and modern aesthetics for the purpose of gifting, decoration, collecting and so forth. Unlike traditional gold jewelry, which emphasizes material value and investment attributes, these crafts are designed to convey heritage, emotion, and storytelling. Typical consumption scenarios include festive gifting, religious or spiritual rituals, cultural expression, and artistic collecting. Products in this category often feature references to mythology, historical figures, intangible cultural heritage, or licensed IPs. Compared with traditional gold jewelry, they usually target broader price bands and more diverse consumer demographics, particularly those who value symbolic meaning and personalized cultural identity over pure material investment.

From 2019 to 2024, the size of gold cultural and creative craft market in terms of sales revenue in the PRC experienced modest growth, increasing from RMB17.6 billion to RMB18.7 billion, representing a CAGR of 1.2%. Despite temporary declines in 2020 and 2022 due to the public health crisis, this period reflects a sustained interest in gold crafts and wealth preservation, driven by increased consumer appreciation for cultural heritage, high-quality craftsmanship, and a growing tendency to invest in luxurious and meaningful items.

The market size is projected to continue expanding, reaching an estimated sales revenue of RMB21.4 billion by 2029, showing a CAGR of 2.7% from 2024 to 2029. The growth is driven by the rising interest in culturally significant and artistically crafted items from a burgeoning middle class with higher disposable incomes and an increasing emphasis on sustainable and ethically sourced materials.

Overview of Fashion Toy Market in the PRC

Fashion toys, also known as art toys or collectible toys, refer to stylized, limited-edition figurines and objects that are created by artists, designers, or brands, often featuring original IP characters, artistic aesthetics, and strong visual identity. Unlike mass-produced toys for children, designer toys are typically aimed at adult collectors and young consumers who seek emotional resonance, cultural value, and personal expression.

The PRC fashion toy market has demonstrated rapid expansion in recent years, with total sales revenue increasing from RMB20.7 billion in 2019 to RMB71.3 billion in 2024. This represents a remarkable CAGR of 28.1% during the period from 2019 to 2024. Looking ahead, although the growth is expected to moderate, the market is still projected to reach RMB132.1 billion by 2029, showing a CAGR of 13.1% from 2024 to 2029. This shift indicates the transition of the category from an emerging niche to a more structured and maturing consumer sector.

The strong performance of the PRC fashion toy market is driven by growing cultural consumption among Gen Z and millennials, increasing acceptance of collectible and expressive products, and the rise of IP-based content integration. As consumer preferences shift toward emotional value, personal identity, and lifestyle aesthetics, fashion toys are evolving from niche collectibles to mainstream cultural products. Continued innovation in IP collaboration, cross-sector partnerships, and digital interaction is expected to sustain the market's upward momentum.

SOURCE OF INFORMATION

In connection with the [**REDACTED**], we have engaged Frost & Sullivan to conduct a detailed analysis and prepare a market research report on the cultural and creative craft market and copper cultural and creative craft market in the PRC. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the U.S. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. The agreed fee paid to Frost & Sullivan for the preparation and use of the Frost & Sullivan Report is RMB420,000. The payment of such amount was not contingent upon our successful [**REDACTED**] or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other market research report in connection with the [**REDACTED**]. We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of the copper cultural and creative craft market for potential [**REDACTED**]. Unless otherwise indicated, market estimates or forecasts in this section represent Frost & Sullivan's view on the future development of the cultural and creative craft market and copper cultural and creative craft market.

In preparing the Frost & Sullivan Report, Frost & Sullivan has relied on its in-house database, independent third-party reports, and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices, and other relevant information. Frost & Sullivan has exercised due care in collecting and reviewing the information so collected and believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct, and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. In compiling and preparing the research, Frost & Sullivan assumed that the social, economic, and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the copper cultural and creative craft market. In addition, Frost & Sullivan has developed its forecast on the following bases and assumptions: (i) the economy in the global range is likely to maintain stable growth in the next decade, and (ii) the copper cultural and creative craft market is expected to grow based on the macroeconomic assumptions of the economy. Frost & Sullivan's research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources. Except as otherwise noted, all data and forecasts in this section come from the Frost & Sullivan Report.

The Company is subject to applicable PRC laws, administrative regulations, departmental rules and other normative documents in its business operations. This section sets out a summary of the major PRC laws, regulations and policies abided by the Company.

COMPANY LAW

According to the PRC Company Law (《中華人民共和國公司法》) implemented by the Standing Committee of the National People's Congress of the PRC (the "**SCNPC**") on December 29, 1993 and most recently amended on December 29, 2023 and became effective on July 1, 2024, both limited liability companies and joint stock companies with limited liability established in the PRC have the status of legal persons. The liability of shareholders of a limited liability company and a joint stock limited company is limited to the amount of capital they have contributed or shares they have subscribed for. The PRC Company Law shall also apply to foreign-invested companies unless laws on foreign investment have stipulated otherwise.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The National People's Congress of the PRC (the "**NPC**") promulgated the PRC Foreign Investment Law (《中華人民共和國外商投資法》) on March 15, 2019, which became effective on January 1, 2020, and sets out the definition of foreign investment and the framework for the promotion, protection and administration of foreign investment activities.

On December 30, 2019, the Ministry of Commerce of the PRC and the State Administration for Market Regulation jointly promulgated the Measures for Reporting of Information on Foreign Investment (《外商投資信息報告辦法》), which became effective on January 1, 2020. According to those measures, the relevant participants in the establishment of foreign invested enterprises, in the process of purchasing of the equities of a domestic enterprise by a foreign investor and in the process of the subscription of the increased registered capital of a domestic enterprise by a foreign investor are required to submit an initial report in a dedicated registration system. In addition, the relevant participant in the subsequent changes to important matters of the aforementioned enterprises, such as their shareholding structures, are required to submit a change report through the same registration system.

Investment activities in the PRC by foreign investors are principally governed by the Special Administrative Measures (Negative List) for Access of Foreign Investment (2024 Version) (《外商投資准入特別管理措施(負面清單)(2024年版)》), or the Negative List 2024. The Negative List 2024, which became effective on November 1, 2024, sets out special administrative measures in respect of the access of foreign investments in a centralized manner. Foreign investors shall not invest in any field prohibited by the Negative List and shall meet the investment conditions stipulated for any field restricted by the Negative List, while for foreign investments outside the Negative List, it shall be administered under the principle of equal treatment to domestic and foreign investment.

REGULATIONS RELATING TO PRODUCT QUALITY AND CONSUMER PROTECTION

The PRC Product Quality Law (《中華人民共和國產品質量法》) promulgated by the SCNPC on February 22, 1993 and most recently amended on December 29, 2018 is the principal governing law related to the supervision and administration of product quality. According to the PRC Product Quality Law, manufacturers shall be liable for the quality of products produced by them and sellers shall take measures to ensure the quality of the products sold by them. A manufacturer shall be liable to compensate for any physical injuries or damage to property other than the defective product itself resulting from the defects in the product, unless the manufacturer is able to prove that: (i) the product has not been put into circulation; (ii) the defects causing injuries or damage did not exist at the time when the product was put into circulation; or (iii) the science and technology at the time when the product was put into circulation were at a level incapable of detecting the existence of the defect. A seller shall be liable to compensate for any physical injuries or damage to property of others caused by the defects in the product. Where a product is defective due to a mistake made by the seller and such defect causes physical injury or damage to the property of others, the seller shall bear liability for compensation. Where a seller cannot specify the producer of a defective product nor the supplier of such defective product, the seller shall be liable for compensation. Where a defect in a product causes physical injuries to others or damages to the property of others, the victim may claim compensation from the producer of the product or from the seller of the product.

Pursuant to the PRC Civil Code (《中華人民共和國民法典》) promulgated by the NPC on May 28, 2020 and became effective on January 1, 2021, in the event of damages caused to other party due to the defects in a product, the infringed party may seek compensation from the manufacturer or the seller of such product and shall have the right to request the manufacturer and the seller to bear tortious liabilities, such as cessation of infringement, removal of obstruction, elimination of danger, etc.

The PRC Consumer Protection Law (《中華人民共和國消費者權益保護法》), which was promulgated on October 31, 1993 and was most recently amended on October 25, 2013, requires that all business operators shall comply with its stipulations when they manufacture or sell goods and/or provide services to consumers, and all business operators must pay high attention to protecting consumers' privacy and must strictly keep confidential any consumer information they obtain during their business operations. Further, if business operators sell goods via the internet, consumers shall have the right to return the goods within seven days of the receipt thereof without cause, subject to certain exceptions. Moreover, consumers are entitled to the protection of their personal safety and property security at the time of purchase and use of goods and receipt of services. Violations of the PRC Consumer Protection Law may result in the imposition of fines, suspension of operation, revocation of business license or even criminal liability for business operators.

The Regulations on the Implementation of the PRC Consumer Rights Protection Law (《中華人民共和國消費者權益保護法實施條例》), which was promulgated on March 15, 2024 and came into effect on July 1, 2024, require that business operators shall provide consumers with relevant information about goods or services in a manner that is easy to understand, true, and comprehensive. Business operators shall not engage in false or misleading promotion by fabricating their qualifications, credentials, or honors received by them, or by fabricating transaction information or business data of relevant goods or services, or tampering with, fabricating, or concealing user reviews. If a business operator discovers that the goods or services they provide may have defect that could endanger a person or property, they shall immediately report such defect to the relevant authorities and inform the consumers, and take measures such as stopping sales, issuing warnings, recalling goods, destruction, suspending manufacturing of goods or provision of services. In cases where recalls are made, the business operator shall bear the necessary costs incurred by consumers due to the recall of goods.

REGULATIONS RELATING TO THE SALE OF PRODUCTS

Anti-Unfair Competition Law

Pursuant to the PRC Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), which was promulgated by the SCNPC on September 2, 1993 and most recently amended on April 23, 2019, unfair competition behaviors refer to the behaviors of a business operator which violates the provisions of the PRC Anti-Unfair Competition Law in its production or business operation, disrupts the order of market competition, or harms the lawful rights and interests of other business operators or consumers. According to the PRC Anti-Unfair Competition Law, business operators shall not, among others, (i) conduct misleading behavior which may lead to consumers' confusion between products manufactured by them and the products manufactured by other business operators, or may lead consumers to believe that there are certain connections between their products and the products of other business operators; (ii) carry out any false or misleading commercial promotion activities in respect of the performance, functions, quality, sales status, user reviews, or accolades of their products in order to defraud or mislead consumers; (iii) assist other operators to carry out false or misleading commercial promotion activities by organizing false transactions; (iv) infringe on trade secrets; and (v) fabricate or disseminate false or misleading information to harm the business reputation of their competitors or the products of their competitors.

In addition, business operators making use of internet for their business operations shall also comply with the provisions of the PRC Anti-Unfair Competition Law. No business operator shall, by making use of technical means, among others, hinder and disrupt normal operation of the online products or services provided lawfully by other business operators.

Business operators in violation of the PRC Anti-Unfair Competition Law may be subject to orders to rectify, confiscation of illegal gains, fines, and/or revocation of business licenses or operating permits, and may bear corresponding civil or criminal responsibilities.

Advertisement Law

All commercial advertising activities for direct or indirect introduction of products or services promoted by product business operators or service providers via a certain medium and in a certain form within the territory of the PRC are governed by the PRC Advertisement Law (《中華人民共和國廣告法》), which was promulgated by the SCNPC on October 27, 1994 and most recently amended on April 29, 2021. The PRC Advertisement Law requires advertisers, advertising operators and advertising distributors to ensure that the content of the advertisements they produce or distribute are true and in full compliance with applicable laws and regulations, and the content of the relevant advertisement shall not contain prohibited information, such as (i) information that endangers the safety of persons or properties, or infringes upon personal privacy; (ii) information contains wordings such as "national level", "highest level" or "best"; and (iii) information that is ethnically, racially, religiously, or sexually discriminative.

In addition, the PRC Advertising Law requires that the advertisements distributed via electronic means shall explicitly demonstrate the true identities and contact details of their distributors, as well as the method for the recipients to refuse future distribution of such advertisements. Also, if the advertisers, advertising operators and advertising distributors publish any pop-up advertisement, the close button thereof shall be clearly displayed to make sure that the viewers can close the advertisement upon one-click.

Violations of these provisions may result in penalties, including fines, confiscation of income generated from relevant advertising operations, orders to cease dissemination of the advertisements and orders to publish an advertisement correcting the misleading information. For serious violations, the State Administration for Market Regulation (the "**SAMR**") or its local counterparts may order the violator to terminate its advertising operations or even revoke its business license. Furthermore, advertisers, advertising operators or advertising distributors may be subject to civil liabilities, if they infringe on the legal rights and interests of other parties.

Furthermore, Administrative Measures on Internet Advertisement (《互聯網廣告管理辦法》) was promulgated on February 25, 2023 by the SAMR and became effective on May 1, 2023. These measures shall be applied to any advertisement published through websites, webpages or internet application in the form of word, picture, audio, video or other forms. These measures also provides further detailed guidelines to the advertisers, advertising operators and advertising distributors regarding advertising via internet.

E-Commerce Law

The PRC E-commerce Law (《中華人民共和國電子商務法》), which was promulgated by the SCNPC on August 31, 2018, and became effective from January 1, 2019, establishes fundamental guidelines for e-commerce business operators. The PRC E-commerce Law emphasizes the importance of ethical conduct and compliance of applicable laws in the realm of electronic commerce, aiming to ensure integrity, fairness, and accountability within the digital marketplace. According to the PRC E-commerce Law, e-commerce business operators are obligated to uphold principles of voluntariness, equality, fairness, and good faith in their business operations. They are further mandated to comply with applicable laws and business ethics, participate equitably in market competition, fulfill responsibilities pertaining to consumer rights protection, environmental preservation, intellectual property safeguarding, network security, and personal information confidentiality. E-commerce business operators shall also be held accountable for the quality of the products and services they provide.

In instances where e-commerce business operators fail to meet their contractual obligations, breach agreed-upon terms, or cause harm to others, they shall bear relevant liabilities. Violations of the PRC E-Commerce Law may result in penalties, including fines and suspension of operation.

REGULATIONS RELATING TO IMPORTATION AND EXPORTATION OF GOODS

The PRC Foreign Trade Law (《中華人民共和國對外貿易法》) promulgated by the SCNPC on May 12, 1994 which came into effect on July 1, 1994 and most recently amended on December 30, 2022 and the PRC Regulations on the Administration of Import and Export of Goods (《中華人民共和國貨物進出口管理條例》) promulgated by the State Council of the PRC on December 10, 2001, most recently amended on March 10, 2024, and came into effect on May 1, 2024, both stipulate that the import and export of goods and technologies to and from the PRC are free, unless otherwise in relevant laws or administrative regulations, and all entities engaging in the business of importation and exportation of goods shall comply with applicable laws and regulations.

The PRC Customs Law (《中華人民共和國海關法》) promulgated on January 22, 1987, as most recently amended on April 29, 2021, stipulates that, among other things, the consignee or consignor of import or export goods or a customs agent shall file for record with relevant customs authority before going through any customs declaration procedures. Provisions on the Administration of Recordation of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of the PRC on November 19, 2021, and effective from January 1, 2022, further gives detailed requirement on the documents needed for the filing and the requirement on reporting certain changes of the filed information to the relevant customs authority.

REGULATIONS RELATING TO WORK SAFETY

The PRC Work Safety Law (《中華人民共和國安全生產法》) was promulgated by the SCNPC on June 29, 2002, most recently amended on June 10, 2021 and became effective on September 1, 2021. The Work Safety Law applies to all entities engaging in production and business activities in the PRC. Such entities shall, according to the PRC Work Safety Law, strengthen work safety management, establish and improve the all-staff work safety responsibility system and internal rules and regulations in relation to work safety, increase investment in funds, materials, technologies and staff for work safety, improve working conditions, strengthen the development of a standardized and information technology enabled work safety system, establish a dual prevention mechanism of graded management and control of safety risks and the screening and handling of hidden dangers, improve the risk prevention and resolution mechanism so as to ensure work safety. Violations of the PRC Work Safety Law may result in administrative penalties such as fine, suspension of operation and revocation of license.

REGULATIONS RELATING TO CYBERSECURITY AND DATA SECURITY

The Decisions of the Standing Committee of the National People's Congress on Maintaining Internet Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) promulgated on December 28, 2000, and most recently amended on August 27, 2009, stipulate that, among other things, the following activities conducted through the internet, if constitutes a criminal act under the PRC Criminal Law, are subject to criminal punishment: (i) the intrusion into any of the computer information systems relating to state affairs, national defense or cutting-edge science and technology; (ii) intentionally making and spreading destructive programs such as computer viruses to attack computer systems and communications networks, which result in damages to computer systems or communication networks; (iii) violation of applicable regulations, in the form of unauthorized interruption of any computer network or communication service, as a result of which the computer network or communication system cannot function normally; (iv) spreading rumor, slander or other harmful information through the internet for the purpose of inciting subversion of the administration or the socialist regime of the state, or inciting secession or sabotaging national unity; (v) stealing or divulging state secrets, intelligence or military secrets through the internet; (vi) using the internet for the purpose of inciting ethnic hatred or discrimination or undermining ethnic unity; (vii) using the internet for the purposes of organizing any cult organization, contacting any member of such cult organization and otherwise hindering the implementation of laws and regulations of the state; (viii) using the internet to market fake or substandard products or to carry out false publicity for any commodity or service; (ix) using the internet for the purpose of damaging the commercial reputation of any person or any products manufactured thereby; (x) using the internet for the purpose of infringing the intellectual property of any person; (xi) using the internet for the purpose of fabricating and spreading false information that affects the trading of securities or futures or otherwise disrupts the order of the financial market; (xii) the creation of any pornographic website or webpage on the internet, providing link services to pornographic websites, or disseminating pornographic books, magazines, movies, audio-visual products, or images through the internet; (xiii) using the internet for the purpose of insulting any other person or slandering any other person through fabrication; (xiv) unlawfully intercepting, tampering with, or deleting any email or any other data of any person, or otherwise infringing on any citizen's right to freedom and privacy of correspondence; and (xv) using the internet for theft, fraud or extortion.

The Provisions on Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》), as promulgated on December 13, 2005 by the Ministry of Public Security of the PRC ("**MPS**"), and became effective on March 1, 2006 require internet service providers and entity users of the internet to implement technical measures for internet security, for example, measures against computer viruses, invasion, attack, or destruction of the cyberspace, and require all internet access service providers to take measures to keep a record of and preserve user registration information.

The Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》) promulgated by the MPS, the National Administration of State Secrets Protection, the State Cipher Code Administration and the Information Office of the State Council (now abolished) of the PRC on June 22, 2007, divide the security protection of information systems into five grades based on the degree of harm caused by the destruction of such information system to the legitimate rights and interests of citizens, legal entities and other organizations, public order of the society, other public interests and national security. It further requires the operators of information systems ranking Grade II or above to file an application with the local competent public security authorities within 30 days from the date when its security protection grade is determined or its information system starts operation.

On July 1, 2015, the SCNPC promulgated the PRC National Security Law (《中華人民共和國國家安全法》), which became effective on the same day. It provides that the state shall build an internet and information security protection system and improve internet and information security protection capability to realize the controllable security of internet information key technologies, critical online infrastructure and the information systems and data in important fields. In addition, a national security review and supervision system is required to be established to review, among other things, foreign investment, key technologies and services and product in relation to internet information technologies that affect or are likely to affect the national security of the PRC.

On November 7, 2016, the SCNPC promulgated the PRC Cybersecurity Law (《中華人民共和國網絡安全法》), which became effective on June 1, 2017. It defines "networks" as systems that are composed of computers or other information terminals and relevant facilities used for the purpose of information collecting, storing, transmitting, exchanging and processing in accordance with certain rules and procedures, and "network operators" as owners or administrators of networks or the providers of network services. Network operators are subject to various security protection-related obligations, including: (i) complying with security protection obligations in accordance with tiered cybersecurity system's protection requirements, which include formulating internal security management systems and operation instructions, appointing responsible personnel for cybersecurity, adopting technical measures to prevent computer viruses and cybersecurity endangering activities, adopting technical measures to monitor and record network operation status and events relating to cybersecurity, taking data security measures such as data classification, backups and encryption; (ii) formulating cybersecurity emergency response plans, timely handling of security risks, initiating emergency response plans, taking appropriate remedial measures and reporting to regulatory authorities in case of any incident endangering cybersecurity; and (iii) providing technical assistance and support for public security authorities and national security authorities for protection of national security and criminal investigations in accordance with applicable laws. Network service providers who do not comply with the PRC Cybersecurity Law may be subject to corrective orders, warnings, fines, suspension of operation, shutdown of their websites, and/or revocation of their business licenses.

On June 10, 2021, the SCNPC promulgated the PRC Data Security Law (《中華人民共和國數據安全法》), which took effect on September 1, 2021. The PRC Data Security Law stipulates the obligations in relation to data security and privacy of entities and individuals carrying out data processing activities. The PRC Data Security Law also introduces a data classification system and a layered protection system based on the importance of data in the socio-economic development, as well as the degree of harm it will cause to national security, public interests, or legitimate rights and interests of individuals or organizations when such data is tampered with, destroyed, leaked, or illegally acquired or used. The appropriate level of protection measures is required to be taken respectively for each category of data. For example, processors of important data shall specify the person(s) responsible for data security and the relevant management body, carry out risk assessments for their data processing activities and file the risk assessment reports with the competent authorities. Violation of the PRC Data Security Law may be subject to an order to cease illegal activities, warnings, fines, suspension of business, and revocation of business licenses and/or operating permits, and the persons in charge or other directly responsible persons may be imposed with fines.

The Administrative Provisions on Security Vulnerabilities of Network Products (《網絡產品安全漏洞管理規定》) were jointly promulgated by the Ministry of Industry and Information Technology ("**MIIT**"), the Cyberspace Administration of China (the "**CAC**") and the MPS on July 12, 2021 and took effect on September 1, 2021, which stipulate that, providers of cyber products (including hardware and software), network operators, organizations or individuals engaged in activities relating to the discovering, collecting and releasing security vulnerabilities of cyber products are subject to these provisions, and shall establish channels to receive information of security vulnerabilities of their respective cyber products and keep logs for receiving such information for no less than six months. Network product providers are required to report relevant information of security vulnerabilities of network products with the MIIT within two days and to provide technical support for network product users. Network operators also shall make measures to examine and fix security vulnerabilities after discovering or knowing that their networks, information systems or equipment have security vulnerabilities. According to these provisions, violations thereunder may result in administrative penalties as stipulated in the PRC Cybersecurity Law.

On April 13, 2020, the Cybersecurity Review Measures (《網絡安全審查辦法》) was promulgated by the CAC together with other 12 PRC governmental authorities, which took effect from June 1, 2020 and was amended on December 28, 2021. Pursuant to these measures, the purchase of network products and services by a critical information infrastructure operator or the data processing activities of a network platform operator that affect or may affect national security will be subject to a cybersecurity review. In addition, network platform operators with personal information of over one million users shall also be subject to cybersecurity review before listing abroad. The competent governmental authorities may also initiate a cybersecurity review against the operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security. Article 10 of the Cybersecurity Review Measures also sets out certain general and important factors in assessing the national security risk during a cybersecurity review, including (i) risks of illegal control, interference or destruction of critical information infrastructure brought about by the use of products and services; (ii) the harm caused by the disruption of the supply of the product or service to the business continuity of critical information infrastructure; (iii) the security, openness, transparency and diversity of sources of the product or service, the reliability of supply channels, and risks of supply disruption due to political, diplomatic, trade and other factors; (iv) the information on compliance with PRC laws, administrative regulations and departmental rules by the provider of the product or service; (v) the risks of theft, disclosure, damage, illegal use or cross-border transfer of core data, important data or large amounts of personal information; (vi) the risks of influence, control or malicious use of critical information infrastructure, core data, important data or large amounts of personal information by foreign governments after listing abroad; and (vii) other factors that may endanger the security of critical information infrastructure, cybersecurity and data security. If the Office of Cybersecurity Review deems it necessary to conduct a cybersecurity review, it should complete a preliminary review within 30 business days from the issuance of a written notice to the operator, or 45 business days for complicated cases. Upon the completion of a preliminary review, the Office of Cybersecurity Review should reach a review conclusion suggestion and send the review conclusion suggestion to the members of the cybersecurity review working mechanism and relevant authorities for their comments. These members and authorities shall give a written reply within 15 business days from the receipt of the review conclusion suggestion. If the Office of Cybersecurity Review and these authorities can reach a consensus, then the Office of Cybersecurity Review shall inform the operator in writing, otherwise, the case will go through a special review procedure. The special review procedure should be completed within 90 business days, or longer for complicated cases. The Cybersecurity Review Measures provide that the relevant violators thereof shall be subject to legal consequences in accordance with the PRC Cybersecurity Law and the PRC Data Security Law.

The PRC Civil Code also stipulates that the personal information of a natural person shall be protected and provides main legal basis for privacy and personal information infringement claims. On August 20, 2021, the SCNPC promulgated the PRC Personal Information Protection Law (《中華人民共和國個人信息保護法》) which became effective on November 1, 2021. The PRC Personal Information Protection Law stipulates the scope of personal information, sets out the rules for processing personal information and the rules for cross-border transfer of personal information, as well as clarifies the individual's rights and the processor's obligations in the process of personal information processing. The PRC Personal Information Protection Law requires, among others, that (i) informing the individuals of the rules and purposes of personal information processing, impacts of personal information processing and how the individuals can exercise their rights, (ii) obtaining consents from individuals for personal information processing (separate consent for sensitive personal information processing, sharing personal information with other personal information processors, cross-border transfer of personal information, making personal information public, etc.), (iii) establishing internal policies and procedures in terms of personal information processing and taking appropriate technical measures, (iv) providing channels for individuals to exercise their personal information rights under the PRC Personal Information Protection Law and respond to their requests, and (v) conduct personal information protection impact assessment under certain personal information processing activities.

On September 24, 2024, the State Council promulgated the Regulations on the Management of Network Data Security (《網絡數據安全管理條例》), or the Network Data Regulations, which came into effect on January 1, 2025. The Network Data Regulations provide detailed implementing rules and guidance on various aspects of data compliance requirements under the existing data protection framework of the PRC Cybersecurity Law, the PRC Data Security Law and the PRC Personal Information Protection Law. The Network Data Regulations supplement the requirements on several aspects of the PRC Personal Information Protection Law regarding notification, consent, and the exercise of personal rights, provides more detailed compliance requirements for processors of important data, and also provides more guidance to streamline cross-border data transfers based on CAC's existing regulations.

Furthermore, on December 8, 2022, the MIIT promulgated the Administrative Measures for Data Security in Industry and Information Technology Sectors (for Trial Implementation) (《工業和信息化領域數據安全管理辦法(試行)》), or the Data Security Measures, which became effective on January 1, 2023. The measures apply to data in the industry and information technology sectors, including industrial data, telecom data and radio data (the "**Industry and IT Data**"). The Data Security Measures divide the Industry and IT Data into three categories based on the potential harm to national security, public interests and legal interests of individuals in the event of unauthorized alteration, destruction, leakage or illegal acquisition or use of such data: general data, important data and core data. The Industry and IT Data processors are also required by the Data Security Measures to establish a full life-circle data security management system, designate data security management personnel, reasonably manage operation authorization, formulate responses plan and conduct emergency drills and relevant trainings to data security incidents.

REGULATIONS RELATING TO LABOR CONTRACT, SOCIAL INSURANCE AND HOUSING PROVIDENT FUND

Labor Contract

According to (i) the PRC Labor Law (《中華人民共和國勞動法》) promulgated by the SCNPC on July 5, 1994, and most recently amended on December 29, 2018, (ii) the PRC Labor Contract Law (《中華人民共和國勞動合同法》) promulgated by the SCNPC on June 29, 2007, most recently amended on December 28, 2012 and became effective on July 1, 2013, and (iii) the Implementation Regulations for the PRC Labor Contract Law (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council of the PRC on September 18, 2008, the employment relationship between employers and employees must be executed in written form, and a minimum wage guarantee system shall be implemented. The wages paid by the employers to the employees shall not be less than the minimum wage as determined by the local governments at the provincial level. In addition, employers must establish a sound labor safety and hygiene system, and the labor safety and hygiene facilities must meet the standards stipulated by relevant authorities.

Social Insurance and Housing Provident Fund

According to the PRC Social Insurance Law (《中華人民共和國社會保險法》) promulgated by the SCNPC on October 28, 2010 and most recently amended on December 29, 2018, the Administrative Regulations on Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council of the PRC on April 3, 1994 and most recently amended on March 24, 2019, and the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) promulgated by the State Council of the PRC and most recently amended on March 24, 2019, an enterprise established within the PRC shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance, basic medical insurance and contribute to the housing provident fund for its employees at a rate stipulated by the relevant authorities.

Employers that fail to promptly pay social insurance premiums in full amount will be ordered by the social insurance premium collection agency to make or supplement contributions within a stipulated period, and shall be subject to a penalty for late payment from the due date at the rate of 0.05% per day. If such payment is still not made within the stipulated period, a fine ranging from one to three times of the amount in arrears will be imposed. Employers that fail to contribute to the housing provident fund in due time or contribute under the minimum amount will be ordered by the relevant housing provident fund management center to make the contribution within a stipulated period. If such contribution is still not made within the stipulated period, the relevant housing provident fund management center can file application with a people's court for compulsory enforcement.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY

Patent

According to the PRC Patent Law (《中華人民共和國專利法》) promulgated by the SCNPC on March 12, 1984, and most recently amended on October 17, 2020 which became effective on June 1, 2021 as well as the Implementation Rules for the PRC Patent Law (《中華人民共和國專利法實施細則》) promulgated by the State Council of the PRC on June 15, 2001, most recently amended on December 11, 2023 and became effective on January 20, 2024, invention creations that are eligible for the application of a patent shall include inventions, utility models and designs.

Inventions refer to new technical solutions for a product, method or the improvement thereof. Utility models refer to applicable and practical new technical solutions proposed for the shape or structure of a product or a combination thereof. Designs refer to new designs of the whole or partial shape or pattern of a product or a combination thereof, as well as a combination of color with shape or pattern, which has aesthetic value or is fit for industrial application. The validity period of patent for inventions is 20 years, the validity period of patent for utility models is ten years, and the validity period of patent for designs is 15 years, in each case starting from the date of application.

An invention creation that is accomplished by a person in the course of performing any task for an entity by which the inventor or designer is employed, or by using materials or technical means that are mainly from a certain entity shall be considered as a service-based invention creation. For a service-based invention creation, the right to apply for a patent belongs to the entity that employs the inventor or designer, or the entity that provided the majority of materials or technical means essential for the creation. Upon grant of the patent, such entity shall be the patentee. The patentee of a service patent shall reward the inventor or designer of the relevant service-based invention creation. After the implementation of the service patent, the inventor or designer shall be compensated reasonably according to the scope of market application of the patent as well as the economic benefits obtained from its implementation.

Trademark

The PRC Trademark Law (《中華人民共和國商標法》) promulgated by the SCNPC on August 23, 1982, and most recently amended on April 23, 2019 which became effective on November 1, 2019, and the Implementation Regulations of the PRC Trademark Law (《中華人民共和國商標法實施條例》) promulgated by the State Council of the PRC on August 3, 2002 and most recently amended on April 29, 2014 which became effective on May 1, 2014, prescribe the process of registration, de-registration, renewal, alteration, transfer and invalidation of a trademark. According to the aforesaid legislations, the registration of a trademark shall be valid for ten years from the date of approval. If there is a continuous need for the use of trademark, a renewal process shall be initiated within 12 months before the expiry of the registration. If the renewal process is not initiated within the stipulated period, a grace period of six months may be given for the filing of the renewal process. Each renewal of the trademark registration shall be valid for ten years from the date of the expiry of the previous registration. A trademark registrant may license the right to use its trademarks to other parties by entering into a trademark license agreement, but the licensing is not effective against a bona fide third party unless and until a relevant party has filed the record of such license to the relevant authority.

Copyright

According to the PRC Copyright Law (《中華人民共和國著作權法》) promulgated by the SCNPC on September 7, 1990, and most recently amended on November 11, 2020 which became effective on June 1, 2021, the works protected by copyright refer to original intellectual achievements in the fields of literature, art and science which can be expressed in a certain form, including: (i) written works; (ii) oral works; (iii) musical, dramatic, opera, dance, acrobatic artistic works; (iv) fine arts, architectural works; (v) photographic works; (vi) audio-visual works; (vii) graphic works and model works, such as engineering design plans, product design plans, maps, and schematic diagrams; (viii) computer software; and (ix) any other intellectual achievements which share the same characteristics of the aforesaid works. Copyright is a collection of personal and property rights, which, among others, includes the right of publication, the right of authorship, the right of modification, the right of distribution, the right of reproduction, and the right of internet information transmission.

According to the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration of the PRC on February 20, 2002 and became effective on the same date, and the Regulations on Computers Software Protection (《計算機軟件保護條例》) promulgated by the State Council of the PRC on December 20, 2001, and most recently amended on January 30, 2013 which became effective on March 1, 2013, the National Copyright Administration of the PRC shall be the competent authority for the nationwide administration of software copyright registration, and the Copyright Protection Center of China is designated as the authority responsible for the whole registration process of computer software. The Copyright Protection Center of China issues registration certificates to applicants for computer software copyrights that comply with the aforesaid measures and regulations.

Domain Name

According to the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and became effective on November 1, 2017, prior to the establishment of domain name root servers, domain name root server operation institutions, domain name registration management institutions and domain name registration service institutions within the PRC, the corresponding permits shall be obtained from the MIIT or its local counterparts.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

Pursuant to the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) promulgated by the SCNPC on March 16, 2007 and most recently amended on December 29, 2018, and the Implementation Regulations for the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council of the PRC on December 6, 2007, most recently amended on December 6, 2024 and became effective on January 20, 2025, an enterprise that is established within the PRC, and an enterprise that is established under the law of a foreign country (region) but whose actual functions of management is within the PRC, shall both be considered as a PRC resident enterprise. A resident enterprise shall pay enterprise income tax on its income originating from both inside and outside the PRC at a rate of 25%. According to the Administrative Measures on Accreditation of High and New Technology Enterprises (《高新技術企業認定管理辦法》) promulgated by the Ministry of Technology of the PRC, the Ministry of Finance of the PRC and State Taxation Administration of the PRC on April 14, 2008 and most recently amended on January 29, 2016, high and new technology enterprises accredited by the government may enjoy a reduced enterprise income tax rate of 15%. Further, qualified small low-profit enterprises are given certain preferential status in taxation. According to the Announcement of State Taxation Administration on Matters Relating to Implementation of Income Tax Incentives for Supporting Development of Small Low-profit Enterprises and Businesses Owned by Individuals (《國家稅務總局關於落實支持小型微利企業和個體工商戶發展所得稅優惠政策有關事項的公告》) published on April 7, 2021, from January 1, 2021 to December 31, 2022, the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 12.50%, with the applicable enterprise income tax rate of 20%. According to the Announcement on Preferential Income Tax Policies for Small Low-profit Enterprises and Businesses Owned by Individuals (《關於小微企業和個體工商戶所得

稅優惠政策的公告》) published on March 26, 2023 and the Announcement on Relevant Tax Policies for Further Supporting the Development of Small Low-profit Enterprises and Businesses Owned by Individuals (《關於進一步支持小微企業和個體工商戶發展有關稅費政策的公告》) published on August 2, 2023, the policy that the annual taxable income of a small low-profit enterprise that is not more than RMB1 million shall be included in its taxable income at the reduced rate of 25%, with the applicable enterprise income tax rate of 20% will continue to apply from January 1, 2023 to December 31, 2027.

Value-added Tax

According to the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council of the PRC on December 13, 1993 and most recently amended on November 19, 2017, and the Implementation Rules for the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance of the PRC on December 18, 2008, and most recently amended on October 28, 2011 which became effective on November 1, 2011, all entities selling goods, providing services or importing goods within the PRC shall pay value-added tax ("**VAT**"). For general VAT taxpayers engaging in sale of goods, labor, lease of tangible and movable goods or importation of goods other than those specifically listed in the aforesaid rules and regulations, the VAT rate is 17%, which was adjusted to 13% according to the Announcement on Policies for Deepening the Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》) promulgated jointly by the Ministry of Finance, the STA and the General Administration of Customs on March 20, 2019. For general VAT taxpayers engaging in, among others, the sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, the transfer of land use rights and the sale or importation of certain goods, the VAT rate is 11%. For general VAT taxpayers engaging in the sale of services and intangible assets, the VAT tax rate is 6%. Furthermore, the VAT rate shall be 3% for small-scale taxpayers, and the VAT rate for taxpayers engaging in the exportation of goods as well as the cross-border sale of services and intangible assets shall be zero, unless otherwise stipulated by the State Council of the PRC.

The SCNPC promulgated PRC Value-added Tax Law (《中華人民共和國增值稅法》) on December 25, 2024, which will came into effect on January 1, 2026. According to the PRC Value-added Tax Law, the VAT rate for general VAT taxpayers engaging in sale of goods, provision of processing, repair and replacement services, lease of tangible and movable goods or importation of goods was adjusted to 13%, the VAT rate for general VAT taxpayers engaging in, among others, the sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, the transfer of land use rights, and the sale or importation of certain goods as specified in the PRC Value-added Tax Law, was adjusted to 9%. From the effective date of the PRC Value-added Tax Law, which will be January 1, 2026, the Interim Regulations on Value-added Tax of the PRC will be repealed.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environment Protection

The PRC Environmental Protection Law (《中華人民共和國環境保護法》), which was promulgated by the SCNPC on December 26, 1989, most recently amended on April 24, 2014 and came into effect on January 1, 2015, outlines the authorities and duties of various environmental protection regulatory agencies. The MEE is authorized to issue national standards for environmental quality and discharge of pollutants, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards for discharge of pollutants which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

Environmental Impact Appraisal

According to the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council of the PRC on November 29, 1998 and most recently amended on July 16, 2017, depending on the impact of the construction project on the environment, an construction proprietor shall submit an environmental impact report or an environmental impact statement, or file a registration form. As to a construction project, for which an environmental impact report or the environmental impact statement is required, the construction proprietor shall, before the commencement of construction, submit the environmental impact report or the environmental impact statement to the relevant authority at the environmental protection administrative department for approval. If the environmental impact assessment documents of the construction project have not been examined or approved upon examination by the approval authority in accordance with the law, the construction proprietor shall not commence the construction.

According to the Environmental Impact Appraisal Law of PRC (《中華人民共和國環境影響評價法》), which was promulgated by the SCNPC on October 28, 2002 and most recently amended on December 29, 2018, for any construction projects that have an impact on the environment, the construction proprietor is required to prepare an environmental impact report or an environmental impact statement, or file a registration form depending on the seriousness of effect that may be exerted on the environment.

Pollutant Discharge

Pursuant to the Administrative Measures for Pollutant Discharge Permit (《排污許可管理辦法》) promulgated on April 1, 2024 by the MEE and became effective on July 1, 2024, enterprises and public institutions as well as other entities engaging in production and business operations included in a certain designated catalog for pollutant discharge management shall apply for and obtain a pollutant discharge permit or complete the registration as a stationary pollution source within a prescribed time limit.

According to the Catalog for Categorized Administration of Pollutant Discharge Permit for Stationary Pollution Sources (2019 Version) (《固定污染源排污許可分類管理名錄(2019年版)》) issued by the MEE on December 20, 2019, key management, simplified management and registration management are applied to different kind of pollutant discharging entities according to factors including the amount of pollutants generated, the amount of pollutants discharged, the degree of impact on the environment, etc., and only pollutant discharge entities that are under registration management do not need to apply for a pollutant discharge permit.

REGULATIONS RELATING TO FIRE PREVENTION

The PRC Fire Prevention Law (《中華人民共和國消防法》) was promulgated by the SCNPC on April 29, 1998, and was most recently amended and became effective on April 29, 2021. According to the PRC Fire Prevention Law, enterprises are required to perform the following duties in relation to fire prevention: (i) implement fire safety accountability system, prepare fire safety system and fire safety operational procedures for their organization, and prepare fire extinguishment and emergency evacuation plans; (ii) prepare and install firefighting facilities and equipment pursuant to applicable laws and industry standards, install fire safety signs, and organize inspection and maintenance on a regular basis to ensure that the facilities and equipment are in good working conditions; (iii) conduct comprehensive inspection of firefighting facilities in the buildings they are in at least once a year to ensure that they are in good working conditions, the inspection records shall be complete and accurate and be well kept for reference and regulatory inspection; (iv) ensure that evacuation access, safety exits and fire engine access roads are unblocked, and ensure that the fire and smoke bay and firebreak distance comply with relevant technical standards; (v) organize fire prevention checks to promptly eliminate hidden fire hazards; (vi) organize and carry out targeted fire drills; and (vii) perform any other fire safety duties stipulated by applicable laws and regulations.

According to the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》) promulgated by the Ministry of Housing and Urban-Rural Development ("**MOHURD**")of the PRC on April 1, 2020 and most recently amended on August 21, 2023, before the start of construction of certain special construction projects as specified in the provisions, the design for fire prevention of such projects shall be examined and approved by the local counterpart of the MOHURD. Before the completion of construction of the aforementioned special construction projects, facilities and constructions in relation to fire prevention in such projects shall also be inspected and accepted by the local counterpart of the MOHURD that approves the fire prevention design thereof. For construction projects not categorized as special construction projects, the entity responsible for the construction shall provide fire prevention design and other relevant technical information when applying for construction permit; before the completion of these projects, the entity responsible for the construction shall complete a filing for acceptance of completion of fire prevention related construction. The local counterparts of MOHURD shall make random inspections on construction projects where the filing mechanism applies. Failures to comply with the aforesaid approval or filing procedures in the Interim Provisions on the Administration of Examination and Acceptance of Fire Prevention Design of Construction Projects may result in fines, an order to suspend construction, an order to suspend use or an order to suspend operation, as stipulated in the PRC Fire Prevention Law.

REGULATIONS RELATING TO LEASE OF REAL ESTATE

According to the PRC Civil Code, individuals owning either real or movable property have the legal entitlement to possess, utilize, generate income from and dispose of their property. According to the Interpretation of Supreme People's Court on Several Issues Concerning the Specific Application of Law in the Trial of Cases Involving Disputes over Lease of Urban Houses (Amended in 2020) (《最高人民法院關於審理城鎮房屋租賃合同糾紛案件具體應用法律若干問題的解釋》(2020年修正)) promulgated on December 29, 2020, the lease concluded between a lessor and a lessee for a house that has not obtained the construction project planning permits or has not been constructed in accordance with the construction project planning permits shall be invalid.

On December 1, 2010, the MOHURD promulgated the Administrative Measures on Leasing of Commodity Housing (《商品房屋租賃管理辦法》), which became effective on February 1, 2011. According to these measures, both the lessor and the lessee are obligated to register and file the lease with the local counterpart of the MOHURD within 30 days from the date of execution of the relevant lease. Failure to complete the registration and filing may result in an order to rectify within a specified period of time; if the relevant entity fails to rectify in time, a fine ranging from RMB1,000 to RMB10,000 may be imposed for each lease.

REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal regulation governing foreign currency exchange in the PRC is the Regulations on Foreign Exchange Administration of the PRC (《中華人民共和國外匯管理條例》) promulgated on January 29, 1996 and most recently amended on August 5, 2008. According to these regulations, international payments in foreign currencies and transfers of foreign currencies under current account shall not be subject to any state control or restriction. Foreign currency transactions under the capital account, such as transactions incurred under direct investment or capital contribution, will be subject to restrictions and require approvals from, or registration with, the foreign exchange administrative authorities, i.e. the State Administration of Foreign Exchange (the "**SAFE**") or its local counterparts.

According to the Circular of the State Administration of Foreign Exchange on Issues concerning the Administration of Foreign Exchange Involved in Overseas Listing (《國家外匯管理局關於境外上市外匯管理有關問題的通知》) announced by the SAFE on February 1, 2005 and most recently amended on December 26, 2014, the SAFE and its local counterparts will oversee, regulate and inspect PRC domestic companies regarding their business registration, opening and use of accounts, trans-border payments and receipts, exchange of funds and other conduct involved in overseas listing. The said PRC domestic company shall, within fifteen working days upon the end of its overseas public offering, handle registration formalities for overseas listing with the foreign exchange authority at its place of registration with the required materials.

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

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

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

REGULATIONS RELATING TO OVERSEAS SECURITIES OFFERING

Overseas Securities Offering

The Trial Administrative Measures on 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 "**Overseas Listing Trial Measures**") were promulgated by the CSRC on February 17, 2023, and implemented on March 31, 2023. According to these trial measures, issuers seeking an overseas initial public offering or listing must file with the CSRC within three working days following the submission of their application documents for issuance and listing abroad. Issuers are also prohibited from overseas offering and listing if they fall under one of the following circumstances: (i) where such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) where the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council of the PRC in accordance with applicable laws; (iii) where the domestic company intending to make the securities offering and listing, or its controlling shareholders and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) where the domestic company intending to make the securities offering and listing is suspected of committing crimes or major violations of laws and regulations, and is under investigation according to law, and no conclusion has yet been made thereof; and (v) where there are material ownership disputes over equity held by the domestic company's controlling shareholder or by other shareholders that are controlled by the controlling shareholder and/or actual controller. Where a domestic company seeks to directly offer and list securities in overseas markets, the issuer shall file with the CSRC, submit a filing report, legal opinion, and other relevant materials and undertake that the submitted materials are all truthful, accurate and complete.

On February 24, 2023, the CSRC, the Ministry of Finance of the PRC, the National Administration of State Secrets Protection of the PRC, and the National Archives Administration of China published the Provisions on Strengthening Confidentiality and Archive Management 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》) which came into force on March 31, 2023. These provisions require that, in relation to the direct and indirect overseas securities offering and listing activities of domestic companies, such domestic company, as well as securities companies and securities service institutions providing 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 fulfill their confidentiality and archives management duties. According to these provisions, during an overseas offering and listing, if a domestic company needs to provide or publicly disclose to securities companies, securities service providers and/or overseas regulators any materials that may contain state secrets or have an adverse impact on the national security or public interests of the PRC, the domestic company should complete the relevant approval/filing and other regulatory procedures as required.

H Share "Full Circulation"

The Company shall comply with regulations on the H share "full circulation" to converse its domestic shares into H shares and circulate on the Hong Kong Stock Exchange. Pursuant to the Guidelines on Application for "Full Circulation" of Domestic Unlisted Shares of H Share Companies (《H股公司境內未上市股份申請"全流通"業務指引》), promulgated and implemented by the CSRC on November 14, 2019 and revised on August 10, 2023, holders of domestic unlisted shares may determine by themselves through consultation the amount and proportion of shares, for which an application will be filed for circulation, provided that the requirements in all applicable laws and regulations are met. After domestic unlisted shares are listed and circulated at the stock exchange, they may not be transferred back to the PRC.

According to the Overseas Listing Trial Measures and its corresponding guidelines, "Full Circulation" represents the shareholders of domestic unlisted shares of domestic companies, which directly offer and list securities in overseas markets, converting its domestic unlisted shares into foreign listed shares circulating in overseas markets. The shareholders of domestic unlisted shares shall authorize the domestic company to file the "Full Circulation" application with CSRC by filing materials on key compliance issues, including whether the "Full Circulation" has fulfilled adequate internal decision-making procedures, necessary internal approvals and authorizations, and whether the "Full Circulation" involves approval or filing procedures set out in the laws, regulations and policies for state-owned asset administration, industry supervision and foreign investment, and if so, whether such approval or filing procedures have been performed.

According to the Implementation Rules of H Share "Full Circulation" Business (《H股"全流通"業務實施細則》), promulgated by the China Securities Depository and Clearing Corporation Limited (the "**CSDCC**"), and the Shenzhen Stock Exchange (the "**SZSE**") on December 31, 2019, the all businesses in relation to the H share "Full Circulation", such as cross-border transfer registration, maintenance of deposit and holding details, transaction entrustment and instruction transmission, settlement, management of participants, services of nominal holders, etc., are subject to the these implementation rules. Under the circumstances that no clear provision is given in the implementation rules, it shall be handled with reference to other operational rules of the CSDCC, China Securities Depository and Clearing (Hong Kong) Company Limited, and SZSE. In order to fully promote the reform of H shares "Full Circulation" and clarify the business arrangement and procedures for the relevant shares' registration, escrow, settlement and delivery, the CSDCC has issued the Circular on Issuing the Guide for "Full Circulation" of H Shares (《關於發佈<H股"全流通"業務指南>的通知》) on February 7, 2020, the latest version of which was issued by Shenzhen Branch of the CSDCC on September 20, 2024, which specifies the requirement and guidelines in relation to business preparation, account arrangement, cross-border share transfer registration and overseas centralized custody, etc.

OUR HISTORY

Overview

We, TONGSHIFU (銅師傅), are a leading cultural and creative craft brand rooted in Chinese heritage and dedicated to redefining Eastern aesthetics for the modern world. Since our inception in 2013, we have been guided by a singular mission: to preserve and elevate Chinese artistry by integrating traditional craftsmanship into contemporary living. Through a vertically integrated model encompassing research, design, and development, production, and sales, we deliver products that are culturally resonant, emotionally compelling, and crafted with artistic integrity. According to the F&S Report, we ranked No. 1 in China's copper-based cultural and creative crafts market in terms of overall revenue for the year ended December 31, 2024, with a market share of 35.0%, underscoring our leadership in the industry.

Our history traces back to March 2013, when Mr. Yu, our founder, chairman and general manager founded our Company. Under the leadership of our founder Mr. Yu, who possesses a fine-arts academic background and is a steadfast advocate of craftsmanship and cultural heritage, we have developed a distinctive artistic language that integrates traditional Chinese heritage with contemporary design, making cultural artistry more accessible to modern consumers. In November 2014, our Company was converted into a joint stock company with limited liability.

Milestones

The following sets out a summary of our key development milestones:

Year	Milestones
2013	Our Company was established by Mr. Yu and our first flagship store on Tmall (天貓) commenced operation
2016	Our Company was awarded "Leading companies in the industry" (行業龍頭企業), "Key industrial enterprises" (重點工業企業) and "Growth-oriented enterprises" (成長型企業) by the People's Government of Jiande City (建德市人民政府)
2017	We launched our first annual "Copper Fans Convention" (銅粉節)
2019	The first offline distributorship stores were opened in Beijing, Shanxi Province and Liaoning Province
2020	Our first flagship store on Douyin, JD.com and Pinduoduo commenced operation
2021	We were awarded the 2021 New Consumer Brand Future Unicorn (2021新消費品牌未來獨角獸) by Sina Finance (新浪財經), Pencil News (鉛筆道) and Qichacha (企查查)
2022	We were awarded Startup 100 Future Unicorns (創業邦100未來獨角獸) by CYZone 100 (創業邦100)

Year	Milestones
	We were awarded the Top 100 Future Unicorns in New Consumer Brands 2022 (2022新消費品牌未來獨角獸TOP100) by Blue Shark Consume (藍鯊消費)
	We were awarded the Tmall Popular Brand Award (天貓人氣品牌獎) by Tmall and Taobao
	We were awarded the 2022 Douyin E-commerce Home & Appliance Industry Annual Peak Brand (2022抖音電商家居家電行業年度巔峰品牌) by Douyin
	Reassuring Service Golden Award (2022年省心服務金獎) by JD.com
2023	We were awarded the 2023 Outstanding Licensee Award – Trendy Toy Industry (2023年優秀被授權商獎 – 潮流玩具行業) by Hasbro Trading (China) Co., Ltd. at the China Licensing Expo (中國授權展)
	We were awarded the 2023 Global Product & Consumer Experience – Most Artisanal Cultural Product of the Year Award (2023年度環球產品與消費體驗最具匠心文創產品獎) by Universal Product & Experience (環球產品與消費體驗)
2024	We were awarded as one of the key cultural enterprises in Zhejiang Province (浙江省重點文化企業) in 2024 by the Publicity Department of Zhejiang Provincial Party Committee of the CPC (中共浙江省委宣傳部)
	We were awarded as one of the enterprises in 2024 the second batch of Zhejiang province digital culture gradient cultivation enterprises leader type (2024第二批浙江省數字文化梯度培育企業領軍型) by Zhejiang Provincial Department of Culture and Tourism and Economy and Information Technology Department of Zhejiang (浙江省經濟和信息化廳)
	We were awarded as one of the leading enterprises in 2024 the third batch of Zhejiang Province Culture and Tourism Enterprises Gradient Cultivation Program (第三批浙江省文化和旅遊企業梯度培育計劃) by Zhejiang Provincial Department of Culture and Tourism (浙江省文化和旅遊廳)
	We were awarded the 2024 Artisanal Design Brand (2024年匠心設計品牌) by Alifish (阿裡魚)
2025	We were awarded as the subsidies for the Protection and Inheritance of Intangible Cultural Heritage in Hangzhou City in 2025 for provincial Intangible Cultural Heritage Workshop on "Lost Wax Casting Copper" (杭州市非遺保護傳承載體專項基金補助(2025年失蠟鑄銅省級非遺工坊)) by Hangzhou Municipal Bureau of Culture, Radio, Television and Tourism (杭州市文化廣電旅遊局)

ESTABLISHMENT AND DEVELOPMENT OF THE COMPANY

A. Establishment of our Company

Our Company was established on March 26, 2013. Upon establishment, the registered capital of our Company was RMB3 million and our Company had 17 Shareholders at the time. Details of the shareholding structure of our Company at the time of our establishment were as follows:

No.	Name of Shareholder	Registered capital contributed	Percentage of equity interests
		(RMB)	
1.	Mr. Yu	2,160,000	72.00%
2.	Yang Feng (楊風)	180,000	6.00%
3.	Li Li (李麗)(2)	150,000	5.00%
4.	He Yun (何贇)(1)	90,000	3.00%
5.	Luo Renxiang (羅仁祥)(1)	90,000	3.00%
6.	Lu Zheheng (盧哲恒)(2)	60,000	2.00%
7.	Lu Huahua (盧華華)(2)	30,000	1.00%
8.	Wang Qiuxia (王秋霞)(2)	30,000	1.00%
9.	Lv Liang (呂亮)(2)	30,000	1.00%
10. ...	Xu Wei (徐偉)(2)	30,000	1.00%
11. ...	Ding Hongliang (丁紅良)(2)	30,000	1.00%
12. ...	Yu Qing (俞清)(2)	30,000	1.00%
13. ...	Xu Yan (徐燕)	30,000	1.00%
14. ...	Li Gan (李淦)(2)	15,000	0.50%
15. ...	Huang Nannan (黃楠楠)(2)	15,000	0.50%
16. ...	Li Xifang (李希芳)(2)	15,000	0.50%
17. ...	Huang Xing (黃星)(2)	15,000	0.50%
	Total:	**3,000,000**	**100.00%**

Notes:

(1) The registered capital were paid by Mr. Yu to Mr. He Yun and Mr. Luo Renxiang, our executive Directors, for the purpose of jointly developing our Company.

(2) The registered capital were paid by Mr. Yu to the these persons, who were at the time employees of our Company or Yading Creative Home Furnishing Co., Ltd (雅鼎創意家居股份有限公司), now known as Xijiang Technology (Hangzhou) Co., Ltd.* (璽匠科技(杭州)有限公司) ("**Xijiang Technology**"), a company founded by Mr. Yu, for the purpose of retaining, incentivizing and remunerating the these persons.

B. Equity transfers in March 2013 and June 2013

Pursuant to an equity transfer agreement dated March 29, 2013, Huang Xing transferred 0.50% equity interest of our Company to Yang Feng (楊風), a then Shareholder, for nil consideration. Pursuant to an equity transfer agreement dated June 21, 2013, Lu Zheheng transferred 2% equity interest of our Company to Liang Yuehua (梁越華), a then Shareholder, for nil consideration. Both Huang Xing and Lu Zheheng were then employees of our Company or Xijiang Technology and they initially obtained our equity interests paid by Mr. Yu for the purpose of retaining, incentivizing and remunerating them. As a result of their resignation, according to the arrangement of our Company, Huang Xing and Lu Zheheng transferred the aforesaid equity interests to Yang Feng and Liang Yuehua.

C. Conversion into joint stock limited liability company and capital increase in November 2014

Pursuant to Shareholders' resolutions passed on October 15, 2014, October 20, 2014 and October 22, 2014, our Company was converted into a joint-stock company with limited liability and renamed as Hangzhou Xijiang Cultural Arts Co., Ltd.* (杭州璽匠文化藝術品股份有限公司) on November 11, 2014.

Pursuant to the Shareholders' resolutions passed on October 20, 2014, it was resolved that based on the audited net assets value of our Company (upon deducting special reserves) as of September 30, 2014, being RMB2,909,167.72, (i) RMB2,900,000 was credited as the registered share capital of our Company and was converted into 2,900,000 Shares of our Company with a nominal value of RMB1.00 each on a 1.003:1 ratio, and (ii) the remaining RMB9,167.72 was credited as the capital reserve of our Company. The difference of RMB100,000 in registered share capital as a result would be subscribed on a pro-rata basis by the then Shareholders in proportion to their capital contribution.

Further, it was also resolved by the Shareholders on October 20, 2014 that Mr. Yu would further subscribe for 2,000,000 Shares at a price of RMB1 per share. Upon completion of the conversion into joint stock limited liability company and the aforesaid capital increase, the shareholding structure of our Company was as follows:

No.	Name of Shareholder	Number of Shares	Approximate shareholding
1.	Mr. Yu	4,160,000	83.20%
2.	Yang Feng (楊風)	195,000	3.90%
3.	Li Li (李麗)	150,000	3.00%
4.	He Yun (何贇)	90,000	1.80%
5.	Luo Renxiang (羅仁祥)	90,000	1.80%
6.	Liang Yuehua (梁越華)	60,000	1.20%
7.	Lu Huahua (盧華華)	30,000	0.60%
8.	Wang Qiuxia (王秋霞)	30,000	0.60%
9.	Lv Liang (呂亮)	30,000	0.60%
10. ...	Xu Wei (徐偉)	30,000	0.60%
11. ...	Ding Hongliang (丁紅良)	30,000	0.60%
12. ...	Yu Qing (俞清)	30,000	0.60%
13. ...	Xu Yan (徐燕)	30,000	0.60%
14. ...	Li Gan (李淦)	15,000	0.30%
15. ...	Huang Nannan (黃楠楠)	15,000	0.30%
16. ...	Li Xifang (李希芳)	15,000	0.30%
	Total:	**5,000,000**	**100.00%**

D. Changes in the shareholding structure of our Company

Since the conversion of our Company into a joint stock company, several rounds of capital increase and share transfers took place and our Company brought in new Shareholders. As at the Latest Practicable Date, our registered capital was RMB57,000,000, comprising 57,000,000 Shares. The changes in our registered capital and shareholding after the conversion and up to the Latest Practicable Date are summarized as follows. See "– [**REDACTED**] Investment" in this section for details of our principal [**REDACTED**] Investors and their corresponding investments.

(i) Capital Increase in May 2015

On May 2015, the registered capital increased from RMB5,000,000 to RMB10,000,000. The newly increased registered capital of RMB5,000,000 was subscribed by Mr. Yu, Mr. He Yun, Mr. Luo Renxiang, Mr. Xiao Feng, and 13 other individuals at the subscription price of RMB5 per Share.

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

Shareholders	Number of Shares held	Percentage of shareholding
Mr. Yu	6,915,000	69.15%
3 individuals who are our Directors[(1) and (2)]	800,000	8.00%
25 individuals, consisting of Mr. Yu Qing (俞清), brother of Mr. Yu and 24 individuals who are independent third parties including employees and/or ex-employees of our Group[(1)]	2,285,000	22.85%
Total:	**10,000,000**	**100%**

Notes:

1. Each of such individuals was interested in less than 5% of the Shares in our Company.

2. Consisting of Directors, namely Mr. Luo Renxiang, Mr. He Yun and Mr. Xiao Feng.

(ii) Share Transfers between January 2016 and April 2017 and Capital Increase in May 2017

Between January 2016 and April 2017, there were 48 share transfers carried out between the Shareholders. Immediately before the capital increase in May 2017, the then Shareholders included Mr. Yu, three members of our Directors and 56 other Shareholders. For details of the identities and basis of considerations of the [**REDACTED**] Investors, please see the section headed "[**REDACTED**] Investments" below.

In May 2017, the registered capital increased from RMB10,000,000 to RMB10,208,333. The newly increased registered capital of RMB125,000 and RMB83,333 was subscribed by Xie Liangliang (謝亮亮) and Hangzhou Jinyuan Zhecheng Investment Management Partnership (Limited Partnership)* (杭州錦元哲誠投資管理合夥企業(有限合夥)) now known as Changxing Jinyuan Zhecheng Investment Management Partnership (Limited Partnership)* (長興錦元哲誠投資管理合夥企業(有限合夥)) ("**Jinyuan Zhecheng**"), respectively, both at the subscription price of RMB24 per Share.

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

Shareholders	Number of Shares held	Percentage of shareholding
Mr. Yu	5,407,500	52.97%
3 individuals who are our Directors[(1) and (2)]	700,000	6.86%
58 individuals/companies, consisting of Mr. Yu Qing (俞清), brother of Mr. Yu and 57 individuals who are independent third parties including employees and/or ex-employees of our Group[(1)]	4,100,833	40.17%
Total:	**10,208,333**	**100%**

Notes:

1. Each of such individuals was interested in less than 5% of the Shares in our Company.

2. Consisting of Directors, namely Mr. Luo Renxiang, Mr. He Yun and Mr. Xiao Feng.

(iii) Share Transfers in May and June 2017

In May 24, 2017, the Shareholders approved the transfer made by Lv Lihan (呂立翰) to Li Li (李麗) for a consideration of RMB5 per Share for a total of 300,000 Shares.

In June 21, 2017, the Shareholders approved the transfers made by Liang Yuehua and Ding Hongliang to Mr. Yu for a total of 90,000 Shares for a consideration of RMB3 per Share and nil consideration, respectively. In June 30, 2017, the Shareholders approved the transfer made by Li Li to Luo Wenjuan (羅文娟) for a total of 400,000 Shares at the consideration of RMB23 per Share.

In relation to Ding Hongliang's transfer, Ding Hongliang initially obtained our Shares paid by Mr. Yu for the purpose of retaining, incentivizing and remunerating our employees. As a result of Mr. Ding's resignation, according to the arrangement of our Company, Ding Hongliang transferred the aforementioned Shares to Mr. Yu.

Luo Wenjuan held 40,000 Shares and 10,000 Shares as a nominee on behalf of Dong Shengfang and Wang Lijing respectively. Please refer to the subsection headed "(x) Share Transfer in February 2023" for details of the termination of the nominee arrangements.

(iv) Capital Increase in August 2017, September 2017, January 2018 and August 2018 and Share Transfers in February and August 2018

(a) We went through four rounds of capital increase in August 2017, September 2017, January 2018 and August 2018, the details of which are summarized as follows:

	August 2017		September 2017		January 2018		August 2018	
Shareholders	**Number of Shares held**	**Percentage of shareholding**	**Number of Shares held**	**Percentage of shareholding**	**Number of Shares held**	**Percentage of shareholding**	**Number of Shares held**	**Percentage of shareholding**
Mr. Yu	5,497,500	51.39%	5,497,500	41.11%	5,497,500	40.20%	5,497,500	29.10%
3 individuals who are our Directors[(1) and (2)]	700,000	6.54%	700,000	5.23%	700,000	5.12%	595,000	3.15%
Luo Wenjuan	600,000	5.61%	600,000	4.49%	600,000	4.38%	600,000	3.18%
Individuals/companies, consisting of Mr. Yu Qing (俞清), brother of Mr. Yu and others who are independent third parties including employees and/ or ex-employees of our Group[(1)]	3,410,833	31.88%	3,410,833	25.51%	3,410,833	24.94%	3,315,833	17.55%
New Shareholders								
Ningbo Jinyuan Hanfei Investment Management Center (Limited Partnership)* (寧波錦元翰飛投資管理中心(有限合夥) now known as Changxing Jinyuan Hanfei Investment Management Center (Limited Partnership)* (長興錦元翰飛投資管理中心(有限合夥) ("**Jinyuan Hanfei**")	490,000	4.58%	490,000	3.66%	490,000	3.58%	490,000	2.59%
Shunwei Ventures III (Hong Kong) Limited ("**Shunwei**")	–	–	1,872,208	14.00%	1,872,208	13.69%	2,644,739	14.00%
Tianjin Jinmi Investment Partnership (Limited Partnership)* (天津金米投資合夥企業(有限合夥)) ("**Tianjin Jinmi**")	–	–	802,375	6.00%	802,375	5.87%	1,889,099	10.00%

Shareholders	August 2017		September 2017		January 2018		August 2018	
	Number of Shares held	Percentage of shareholding	Number of Shares held	Percentage of shareholding	Number of Shares held	Percentage of shareholding	Number of Shares held	Percentage of shareholding
Beijing Hezhong Venture Capital Equity Investment Center (Limited Partnership)* (北京合眾創投股權投資中心(有限合夥)) ("**Beijing Hezhong**")	–	–	–	–	303,930	2.22%	696,047	3.68%
Euro Master Limited (歐之福有限公司) ("**Euro Master**")	–	–	–	–	–	–	1,966,047	10.41%
Beijing GX Equity Investment Fund Partnership Enterprise (Limited Partnership) ("**Beijing GX**")	–	–	–	–	–	–	1,196,724	6.33%
Total Shares	**10,698,333**	**100%**	**13,372,916**	**100%**	**13,676,846**	**100%**	**18,890,989**	**100%**
Consideration per Share (RMB)	25		20		24		58.49	

Notes:

1. Save for Luo Wenjuan, each of such individuals was interested in less than 5% of the Shares in our Company.

2. Consisting of Directors, namely Mr. Luo Renxiang, Mr. He Yun and Mr. Xiao Feng.

(b) In February 2018, the Shareholders approved the eight transfers made by eight individuals to Beijing Hezhong for a total of 200,000 Shares at the consideration of RMB20 per Share.

(c) In August 2018, the Shareholders approved the 23 transfers made by 23 individuals to Shenzhen Guolinfeng Asset Management Center (Limited Partnership)* (深圳市國林豐資產管理中心(有限合夥)) ("**Shenzhen Guolinfeng**") for a total of 215,500 Shares at the consideration of RMB51 per Share.

(v) Demerger of the Company in December 2020

In October 2020, the Shareholders resolved to undergo the Demerger, pursuant to which our Company was demerged into our Company and Tongmu Zhuyi. The main purpose of the Demerger is to exclude the production and design of solid wood furnitures from our Group so as to allow our Company to concentrate our resources on the development of our Company's current business.

As a result of the Demerger, Tongmu Zhuyi was established on December 17, 2020 with a registered capital of RMB11,275,453. Immediately after the restructuring, Tongmu Zhuyi had the same shareholding structure as our Company prior to the Demerger. The Demerger was registered in Jiande Municipal Market Supervision Administration (建德市場監督管理局) on December 17, 2020, the registered capital of our Company was reduced from RMB18,890,989 to RMB7,615,536.

The following table sets out the shareholding structure of our Company immediately after completion of the Demerger of the Company as mentioned above:

Shareholders	Number of Shares held	Percentage of shareholding
Mr. Yu	2,216,211	29.10%
Shunwei	1,066,175	14.00%
Euro Master	792,574	10.41%
Tianjin Jinmi	761,554	10.00%
Beijing GX	482,436	6.33%
3 individuals who are are our Directors(1) and (2)	239,862	3.15%
44 individuals/companies, consisting of Yu Qing (俞清), brother of Mr. Yu and 43 individuals/companies who are independent third parties including employees and/or ex-employees of our Group(1)	2,056,724	27.01%
Total:	**7,615,536**	**100%**

Notes:

1. Each of such individuals was interested in less than 5% of the Shares in our Company.

2. Consisting of Directors, namely Mr. Luo Renxiang, Mr. He Yun and Mr. Xiao Feng.

(vi) Capital Increase in July 2021

In July 2021, the registered capital increased from RMB7,615,536 to RMB7,962,805. The newly increased registered capital of RMB301,576, RMB41,733, RMB3,960 were subscribed by SME Development Fund (Xi'an) Guozhong Partnership Enterprise (Limited Partnership)* (中小企業發展基金(西安)國中合夥企業(有限合夥)) now known as Guozhong Private Equity Investment Fund (Xi'an) Partnership (Limited Partnership)* (國中私募股權投資基金(西安)合夥企業(有限合夥)) ("**Guozhong Fund**"), Ningbo Meishan Bonded Port Area Fosun Weiying Equity Investment Fund Partnership (Limited Partnership)* (寧波梅山保稅港區復星惟盈股權投資基金合夥企業(有限合夥)) ("**Fosun Weiying**") and Xu Danni (徐丹妮), respectively, at a subscription price of approximately RMB328.28 per Share.

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

Shareholders	Number of Shares held	Percentage of shareholding
Mr. Yu	2,216,211	27.83%
Shunwei	1,066,175	13.39%
Euro Master	792,574	9.95%
Tianjin Jinmi	761,554	9.56%
Beijing GX	482,436	6.06%
3 individuals who are our Directors[(1) and (2)]	239,862	3.01%
47 individuals/companies, consisting of Mr. Yu Qing (俞清), brother of Mr. Yu and 46 individuals/companies who are independent third parties including employees and/or ex-employees of our Group[(1)]	2,403,993	30.20%
Total:	**7,962,805**	**100%**

Notes:

1. Each of such individuals was interested in less than 5% of the Shares in our Company.

2. Consisting of Directors, namely Mr. Luo Renxiang, Mr. He Yun and Mr. Xiao Feng.

(vii) Share Transfers in July 2021

On July 30, 2021, certain of our then existing Shareholders disposed part or all of their Shares in our Company to Gongqingcheng Jinda Equity Investment Partnership (Limited Partnership)* (共青城金達股權投資合夥企業(有限合夥)) ("**GQC Jinda**"), details of which are set out below:

Transferor	Transferee	Number of Shares	Consideration per Share
			(RMB)
Mr. Yu	GQC Jinda	124,775	328.28
Li Li	GQC Jinda	80,626	328.28
Shi Jun	GQC Jinda	32,250	328.28
Yu Qing	GQC Jinda	6,047	328.28

(viii) Capitalization Issue in January 2022

In January 2022, to expand our Company's share capital in accordance with our business strategy and development plan, the then Shareholders agreed to increase our registered capital from RMB7,962,805 to RMB57,000,000 by way of capitalization of capital reserve with the percentage of shareholdings of each Shareholder remained unchanged.

The following table sets out the shareholding structure of our Company immediately after completion of the capitalization issue:

Shareholders	Number of Shares held	Percentage of shareholding
Mr. Yu	14,971,100	26.27%
Shunwei	7,631,981	13.39%
Euro Master	5,673,468	9.95%
Tianjin Jinmi	5,451,418	9.56%
Beijing GX	3,453,413	6.06%
3 individuals who are are our Directors(1) and (2)	1,716,999	3.01%
45 individuals/companies who are independent third parties including employees and/or ex-employees of our Group(1)	18,101,621	31.76%
Total:	**57,000,000**	**100%**

Notes:

1. Each of such individuals was interested in less than 5% of the Shares in our Company.

2. Consisting of Directors, namely Mr. Luo Renxiang, Mr. He Yun and Mr. Xiao Feng.

(ix) Share Transfers in December 2022

In December 2022, Euro Master entered into transfer agreements with the below transferees to dispose of a total of 501,625 Shares in our Company, details of which are set out below:

Transferor(s)	Transferee(s)	Date (Month/ Date/Year)	Number of Shares	Consideration per Share
				(RMB)
Euro Master	Shanghai Ruma Youhua Enterprise Management Partnership (Limited Partnership)* (上海如碼有花企業管理合夥企業(有限合夥)) ("**Shanghai Ruma**")	12.31.2022	171,000	28.07^
Euro Master	Zhang Lei (張磊)	12.31.2022	142,500	28.07
Euro Master	Jin Hongwei (金宏偉)	12.31.2022	106,875	28.07

Transferor(s)	Transferee(s)	Date (Month/ Date/Year)	Number of Shares	Consideration per Share
				(RMB)
Euro Master	Chen Lisheng (陳理升)	12.31.2022	35,625	28.07
Euro Master	Liang Yu (梁鈺)	12.31.2022	35,625	28.07
Euro Master	Qian Jiayang (錢家陽)	12.31.2022	10,000	28.07

(x) Share Transfer in February 2023

In February 2023, Luo Wenjuan transferred her 115,429 Shares to Dong Shengfang (董聖芳) for RMB920,000.

(i) Nominee Arrangements between Luo Wenjuan and Dong Shengfang/Wang Lijing (王利靜)

In June 2017, Luo Wenjuan acquired 400,000 Shares of our Company from Li Li, of which (i) 40,000 Shares were held by Luo Wenjuan as a nominee for Dong Shengfang and (ii) 10,000 Shares were held by Luo Wenjuan as a nominee for Wang Lijing, and (iii) 350,000 Shares were held by herself as the beneficial and legal owner. Dong Shengfang and Luo Wenjuan were friends while Wang Lijing was at the time an employee of Luo Wenjuan's controlled entity. Prior to Luo Wenjuan's acquisition of the Shares from Li Li, Luo Wenjuan and Wang Lijing as well as Dong Shengfang mutually agreed to invest together in respect of this investment opportunity. It was also mutually agreed by Dong Shengfang and Wang Lijing respectively that the person with the largest shareholding (namely Ms. Luo Wenjuan) between themselves would hold and manage the relevant Shares on their behalf.

(ii) Nominee Arrangement between Luo Wenjuan and Dong Shengfang and the Subsequent Termination of the Arrangement

In May 2017, while Luo Wenjuan was negotiating a share transfer of 400,000 Shares from Li Li, Ms. Luo and Dong Shengfang mutually agreed to co-invest and acquire certain Shares from the transfer. On June 28, 2017, Dong Shengfang paid Luo Wenjuan a total of RMB920,000 to acquire 40,000 Shares transferred by Li Li, and Luo Wenjuan would act as a nominee to hold these Shares on her behalf. In August 2017, Dong Shengfang and Luo Wenjuan signed a nominee agreement confirming that the 40,000 Shares were held by Luo Wenjuan on behalf of Dong Shengfang, and the corresponding payment had been transferred from Dong Shengfang to Luo Wenjuan's account in June 2017.

On February 18, 2023, Luo Wenjuan and Dong Shengfang entered into (i) a termination agreement ceasing the nominee arrangement and (ii) a share transfer agreement to transfer 115,429 Shares (being the same 40,000 Shares, but the number of Shares was increased after the completion of the Demerger in December 2020 and the capitalization of capital reserves in January 2022) from Luo Wenjuan to Dong Shengfang for a consideration of RMB920,000, the payment of which was settled by Dong Shengfang in June 2017. Upon completion of the share transfer, the nominee arrangement between Luo Wenjuan and Dong Shengfang was fully terminated.

(iii) Nominee Arrangement between Luo Wenjuan and Wang Lijing and the Subsequent Termination of the Arrangement

In May 2017, while Luo Wenjuan was negotiating a share transfer of 400,000 Shares from Li Li, Ms. Luo and Wang Lijing mutually agreed to co-invest and acquire certain Shares from the transfer. On May 24, 2017, Wang Lijing paid RMB230,000 to Luo Wenjuan's designated account to acquire 10,000 Shares transferred by Li Li, and Luo Wenjuan would act as a nominee to hold these Shares on her behalf. In August 2017, Wang Lijing and Luo Wenjuan signed a nominee agreement confirming that the 10,000 Shares were held by Luo Wenjuan on behalf of Wang Lijing and the corresponding payment had been transferred to Luo Wenjuan's designated account in May 2017.

On August 18, 2022, Luo Wenjuan and Wang Lijing entered into a termination and transfer agreement ceasing the nominee arrangement as Wang Lijing agreed to transfer the 28,857 Shares (being the same 10,000 Shares, but the number of Shares was increased after the completion of the Demerger in December 2020 and the capitalization of capital reserves in January 2022) to Luo Wenjuan for a consideration of RMB675,000, the payment of which was settled in August 2022.

Upon the termination of the abovementioned nominee arrangements, Luo Wenjuan is the legal and beneficial owner of 1,616,002 Shares (being the same 360,000 Shares, but the number of Shares was increased after the completion of the Demerger in December 2020 and the capitalization of capital reserves in January 2022).

(xi) Share Transfers in May 2023, May 2024 and December 2024

In May 2023, Euro Master transferred its 2,493,750 Shares, including 1,781,250 Shares to CMG Media Convergence Industry Investment Fund (Limited Partnership)* (央視融媒體產業投資基金(有限合夥) ("**CMG Fund**") and 712,500 Shares to Guangdong Bay Area No. 1 Digital Cultural Industry Investment Partnership (Limited Partnership)* (廣東灣區一號數字文化產業投資合夥企業(有限合夥)) ("**GBA No. 1**") for a consideration of approximately RMB28.07 per Share.

In May 2024, due to her family arrangements, Liu Dan (劉丹) transferred her 57,717 Shares to her spouse Ding Yi (丁屹) for nil consideration.

In December 2024, Wang Jiaying (王佳瑩) entered into a share transfer agreement with Jin Lihua (金麗華), pursuant to which Wang Jiaying has transferred her 144,282 Shares of the Company to Jin Lihua for a consideration of RMB600,000.

The following table sets out the shareholding structure of our Company immediately after completion of the abovementioned share transfers and as at the Latest Practicable Date:

No.	Name of Shareholder	Number of Shares	Approximate shareholding
1.	Mr. Yu(Note)	14,971,100	26.27%
2.	Shunwei	7,631,981	13.39%
3.	Tianjin Jinmi	5,451,418	9.56%
4.	Beijing GX	3,453,413	6.06%
5.	Euro Master	2,678,093	4.70%
6.	Guozhong Fund	2,158,766	3.79%
7.	Beijing Hezhong	2,008,599	3.52%
8.	CMG Fund	1,781,250	3.13%
9.	GQC Jinda	1,744,459	3.06%
10. . . .	Luo Wenjuan (羅文娟)	1,616,002	2.84%
11. . . .	Jinyuan Hanfei	1,414,004	2.48%
12. . . .	Qiu Dekang (裘德康)	1,154,287	2.03%
13. . . .	Qingdao Yunzhi Investment Management Partnership (Limited Partnership)* (青島贇智投資管理合夥企業(有限合夥)) ("**Qingdao Yunzhi**")	1,096,577	1.92%
14. . . .	Xiao Feng (肖峰)(Note)	1,067,715	1.87%
15. . . .	GBA No. 1	712,500	1.25%
16. . . .	Shenzhen Guolinfeng	621,875	1.09%
17. . . .	Ruan Zhuoer (阮卓爾)	519,434	0.91%
18. . . .	Yang Ke (楊軻)	490,571	0.86%
19. . . .	Zhao Lei (趙磊)	481,917	0.85%
20. . . .	Lv Lihan (呂立翰)	447,285	0.78%
21. . . .	Zhang Lei (張磊)	431,071	0.76%
22. . . .	He Yun (何贇)(Note)	360,713	0.63%
23. . . .	Fosun Weiying	298,737	0.52%
24. . . .	Luo Renxiang (羅仁祥)(Note)	288,571	0.51%
25. . . .	Li Wanqiang (黎萬強)	288,571	0.51%
26. . . .	Ding Pengfei (丁鵬飛)	288,571	0.51%
27. . . .	Jinyuan Zhecheng	240,475	0.42%
28. . . .	Chen Jingzhi (陳靜芝)	216,431	0.38%
29. . . .	Yin Xuelong (殷雪龍)	202,000	0.35%
30. . . .	Zhang Jianmei (張建梅)	178,914	0.31%
31. . . .	Shanghai Ruma	171,000	0.30%
32. . . .	Jin Zeguang (金澤廣)	144,283	0.25%
33. . . .	Jin Lihua (金麗華)	144,282	0.25%
34. . . .	Zhang Weijiang (張衛江)(Note)	144,282	0.25%
35. . . .	Lv Hangjun (呂杭軍)	144,282	0.25%
36. . . .	Shentu Jiahui (申屠佳惠)	144,282	0.25%
37. . . .	Yang Junjie (楊竣傑)	144,282	0.25%
38. . . .	Qian Jiayang (錢家陽)	125,427	0.22%
39. . . .	Yu Hong (俞宏)	124,089	0.22%

No.	Name of Shareholder	Number of Shares	Approximate shareholding
40. . . .	Dong Shengfang (董聖芳)	115,429	0.20%
41. . . .	Huang Dongsheng (黃東升)	115,427	0.20%
42. . . .	Ren Bingzhang (任炳章)	109,658	0.19%
43. . . .	Jin Hongwei (金宏偉)	106,875	0.19%
44. . . .	Zhou Chengfeng (周乘風)	95,227	0.17%
45. . . .	Shi Ziming (史子鳴)	92,342	0.16%
46. . . .	An Hui (安輝)	92,342	0.16%
47. . . .	Ren Liang (任亮)	89,457	0.16%
48. . . .	Wang Yuezhen (王玥楨)	86,572	0.15%
49. . . .	Lu Huahua (盧華華)(Note)	86,572	0.15%
50. . . .	Hu Wenping (胡文萍)(Note)	57,717	0.10%
51. . . .	Ding Yi (丁屹)	57,717	0.10%
52. . . .	Lv Liang (呂亮)	57,717	0.10%
53. . . .	Zhang Jie (張傑)(Note)	57,717	0.10%
54. . . .	Wang Qiuxia (王秋霞)(Note)	57,717	0.10%
55. . . .	Liang Yu (梁鈺)	35,625	0.06%
56. . . .	Chen Lisheng (陳理升)	35,625	0.06%
57. . . .	Xu Danni (徐丹妮)	28,347	0.05%
58. . . .	Jia Jinfu (賈金富)(Note)	14,431	0.03%
59. . . .	Huang Ningning (黃寧寧)	14,431	0.03%
60. . . .	Cui Yushu (崔玉舒)	11,546	0.02%
	Total:	**57,000,000**	**100.00%**

Note: The shareholders are the current employees or Director of our Company as at the Latest Practicable Date and are the legal and beneficial owners of their respective Shares.

Our PRC Legal Adviser has confirmed that the aforesaid joint stock conversion, Demerger, capitalization issue, capital increases and equity transfers have complied with all applicable PRC laws and regulations effective at the time and have been properly and legally completed and settled in all material respects.

[**REDACTED**]

Following the conversion of the Domestic Unlisted Shares into H Shares and upon completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised):

(a) (i) Mr. Yu, our Single Largest Shareholder and executive Director, (ii) Mr. Luo Renxiang, Mr. He Yun and Mr. Xiao Feng, our Directors and (iii) Shunwei, our substantial Shareholder, will be deemed as our core connected persons and a total of [**REDACTED**] Shares held by them will not be counted towards the [**REDACTED**], representing approximately [**REDACTED**]% of our share capital in aggregate;

(b) a total of [**REDACTED**] Domestic Unlisted Shares held by Beijing Hezhong and Shanghai Ruma will not be converted into H Shares and [**REDACTED**] on the Stock Exchange, and therefore will not be counted as part of the [**REDACTED**], representing approximately [**REDACTED**]% of our share capital in aggregate; and

(c) a total of [**REDACTED**] Domestic Unlisted Shares held by 53 Shareholders will be converted into H Shares and [**REDACTED**] on the Stock Exchange, and therefore will be counted as part of the [**REDACTED**], representing approximately [**REDACTED**]% of our share capital in aggregate.

See "Share Capital – Conversion of our Domestic Unlisted Shares into H Shares" for more details of the H Shares to be converted from Domestic Unlisted Shares and [**REDACTED**] on the Stock Exchange following the completion of the [**REDACTED**] and the conversion of Domestic Unlisted Shares into H Shares.

As a result, immediately upon completion of the [**REDACTED**] and the conversion of Domestic Unlisted Shares into H Shares, taking into account [**REDACTED**] H Shares to be [**REDACTED**] pursuant to the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), an aggregate of [**REDACTED**] H Shares will count towards the [**REDACTED**] of our Company, representing [**REDACTED**]% of the total issued Shares of our Company.

PREVIOUS SZSE CHINEXT LISTING ATTEMPT

Our Company previously considered the possibility of seeking an initial public offering on the SZSE Chinext Board in the PRC ("**Chinext Listing Attempt**"). In June 2022, our Company engaged China International Capital Corporation Limited (中國國際金融股份有限公司) ("**CICC**") to provide guidance and preliminary compliance advice in regards to the requirements of the CSRC. Due to market conditions and our strategic considerations, we adjusted our listing plan and terminated our engagement with CICC in September 2024 and that such termination were filed to the CSRC Zhejiang Regulatory Bureau (中國證券監督管理委員會浙江監管局).

Our Directors believe that the [**REDACTED**] on the Stock Exchange can enable us to access the overseas financing opportunities and investors on the international [**REDACTED**] and facilitate our strategy of expansion into overseas market.

To the best of the Directors' knowledge and belief, they consider that (i) there are no matters relating to the Chinext Listing Attempt or there are no material or unresolved differences between the Company and the parties relating to the Chinext Listing Attempt that may affect the appropriateness of the Company's [**REDACTED**] on the Stock Exchange; (ii) there are no matters relating to the Chinext Listing Attempt that require the attention of prospective [**REDACTED**]; (iii) there are no matters relating to the Chinext Listing Attempt that will have any material adverse impact on the Company's [**REDACTED**] on the Stock Exchange.

Based on the Sole Sponsor's due diligence work, the Sole Sponsor is not aware of any material issue relating to the Chinext Listing Attempt, which materially and adversely affects our Company's suitability for the [**REDACTED**], and of any other matter to be brought to the attention of the Stock Exchange regarding the Chinext Listing Attempt.

[REDACTED] INVESTMENTS

Our [**REDACTED**] Investments consist of several rounds of investments from the [**REDACTED**] Investors by way of transfer of equity interests and/or subscription of our additional registered share capital.

The table below summarizes the principal terms of the [**REDACTED**] Investments:

[REDACTED] Investor	Date of Agreement (Month. Date.Year)	Settlement Date (Month. Date.Year)	Approximate cost per Share with a nominal value of RMB1.00(1)	(Discount)/ Premium to the [REDACTED](2)	Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)(3)	
					Number of Shares	Approximate shareholding
I. Professional investors(4)						
1. . . Shunwei	08.25.2017 and 07.31.2018	09.30.2017 and 08.20.2018	6.93 20.27	[REDACTED] [REDACTED]	[REDACTED]	[REDACTED]
2. . . Tianjin Jinmi	08.25.2017 and 07.31.2018	09.30.2017 and 08.22.2018	6.93 20.27	[REDACTED] [REDACTED]	[REDACTED]	[REDACTED]
3. . . Beijing GX	07.31.2018	08.23.2018	20.27	[REDACTED]	[REDACTED]	[REDACTED]
4. . . Euro Master	07.31.2018	09.12.2018	20.27	[REDACTED]	[REDACTED]	[REDACTED]
5. . . Guozhong Fund	06.25.2021	07.21.2021	45.86	[REDACTED]	[REDACTED]	[REDACTED]
6. . . Beijing Hezhong	10.25.2017, 01.15.2018 and 07.31.2018	11.10.2017, 05.14.2018 and 08.28.2018	8.32 6.93 20.27	[REDACTED] [REDACTED] [REDACTED]	[REDACTED]	[REDACTED]
7. . . CMG Fund	04.27.2023	05.23.2023	28.07	[REDACTED]	[REDACTED]	[REDACTED]
8. . . GQC Jinda	07.30.2021	08.09.2021	45.86	[REDACTED]	[REDACTED]	[REDACTED]
9. . . . Jinyuan Hanfei	07.08.2017	07.11.2017	8.66	[REDACTED]	[REDACTED]	[REDACTED]
10. . . Qingdao Yunzhi	07.20.2018	07.27.2018	17.67	[REDACTED]	[REDACTED]	[REDACTED]
11. . . GBA No. 1	04.27.2023	05.25.2023	28.07	[REDACTED]	[REDACTED]	[REDACTED]
12. . . Shenzhen Guolinfeng	07.20.2018	08.06.2018	17.67	[REDACTED]	[REDACTED]	[REDACTED]
13. . . Fosun Weiying	06.25.2021	07.19.2021	45.86	[REDACTED]	[REDACTED]	[REDACTED]
14. . . Jinyuan Zhecheng	04.27.2017	04.27.2017	8.32	[REDACTED]	[REDACTED]	[REDACTED]
15. . . Shanghai Ruma	12.31.2022	02.28.2023	28.07	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED] Investor	Date of Agreement (Month. Date.Year)	Settlement Date (Month. Date.Year)	Approximate cost per Share with a nominal value of RMB1.00[1]	(Discount)/ Premium to the [REDACTED][2]	Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[3]	
					Number of Shares	Approximate shareholding
II. Individual investors[5]						
1. . . Luo Wenjuan (羅文娟)	01.15.2017 and 06.23.2017	01.24.2017 and 06.30.2017[8]	7.62 7.97	[REDACTED] [REDACTED]	[REDACTED]	[REDACTED]
2. . . . Qiu Dekang (裘德康)	08.26.2016	08.31.2016	6.93	[REDACTED]	[REDACTED]	[REDACTED]
3. . . . Xiao Feng (肖峰)	04.18.2015	04.28.2015	1.73	[REDACTED]	[REDACTED]	[REDACTED]
4. . . . Ruan Zhuoer (阮卓爾)	04.18.2015	04.28.2015	1.73	[REDACTED]	[REDACTED]	[REDACTED]
5. . . . Yang Ke (楊軻)	04.18.2015	04.28.2015	1.73	[REDACTED]	[REDACTED]	[REDACTED]
6. . . . Zhao Lei (趙磊)	07.26.2016	01.06.2016	5.54	[REDACTED]	[REDACTED]	[REDACTED]
7. . . . Lv Lihan (呂立翰)	04.18.2015 and 07.26.2016	04.28.2015[9]	1.73 1.73	[REDACTED] [REDACTED]	[REDACTED]	[REDACTED]
8. . . . Zhang Lei (張磊)	01.09.2017 and 12.31.2022	08.31.2016 and 02.15.2023	6.93 28.07	[REDACTED] [REDACTED]	[REDACTED]	[REDACTED]
9. . . . Li Wanqiang (黎萬強)	06.29.2016	01.19.2022	5.54	[REDACTED]	[REDACTED]	[REDACTED]
10. . . Ding Pengfei (丁鵬飛)	05.06.2016	01.21.2022	5.54	[REDACTED]	[REDACTED]	[REDACTED]
11. . . Chen Jingzhi (陳靜芝)	01.09.2017	08.27.2016 and 09.01.2016	6.93	[REDACTED]	[REDACTED]	[REDACTED]
12. . . Yin Xuelong (殷雪龍)	10.30.2016	09.01.2016	6.93	[REDACTED]	[REDACTED]	[REDACTED]
13. . . Zhang Jianmei (張建梅)	07.26.2016	01.06.2016	5.54	[REDACTED]	[REDACTED]	[REDACTED]
14. . . Jin Zeguang (金澤廣)	10.30.2016	09.05.2016	6.93	[REDACTED]	[REDACTED]	[REDACTED]
15. . . Lv Hangjun (呂杭軍)	04.18.2015	04.23.2015	1.73	[REDACTED]	[REDACTED]	[REDACTED]
16. . . Shentu Jiahui (申屠佳惠)	04.18.2015	04.28.2015[11]	1.73	[REDACTED]	[REDACTED]	[REDACTED]
17. . . Yang Junjie (楊竣傑)	07.26.2016	01.11.2016	5.54	[REDACTED]	[REDACTED]	[REDACTED]
18. . . Jin Lihua (金麗華)	12.26.2024	12.31.2024	4.16	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED] Investor	Date of Agreement (Month. Date.Year)	Settlement Date (Month. Date.Year)	Approximate cost per Share with a nominal value of RMB1.00[1]	(Discount)/ Premium to the [REDACTED][2]	Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[3]	
					Number of Shares	Approximate shareholding
19. . . Qian Jiayang (錢家陽)	07.26.2016 and 12.31.2022	01.07.2016 and 01.30.2023	5.54 28.07	[REDACTED] [REDACTED]	[REDACTED]	[REDACTED]
20. . . Yu Hong (俞宏)	07.26.2016	01.07.2016	5.54	[REDACTED]	[REDACTED]	[REDACTED]
21. . . Dong Shengfang (董聖芳)	08.15.2017[8]	06.28.2017[8]	7.97	[REDACTED]	[REDACTED]	[REDACTED]
22. . . Huang Dongsheng (黃東升)	07.26.2016	01.07.2016	5.54	[REDACTED]	[REDACTED]	[REDACTED]
23. . . Ren Bingzhang (任炳章)	07.26.2016	01.08.2016	5.54	[REDACTED]	[REDACTED]	[REDACTED]
24. . . Jin Hongwei (金宏偉)	12.31.2022	02.22.2023	28.07	[REDACTED]	[REDACTED]	[REDACTED]
25. . . Zhou Chengfeng (周乘風)	07.26.2016	01.06.2016	5.54	[REDACTED]	[REDACTED]	[REDACTED]
26. . . Shi Ziming (史子鳴)	07.26.2016	01.06.2016	5.54	[REDACTED]	[REDACTED]	[REDACTED]
27. . . An Hui (安輝)	07.26.2016	01.08.2016	5.54	[REDACTED]	[REDACTED]	[REDACTED]
28. . . Ren Liang (任亮)	07.26.2016	01.06.2016	5.54	[REDACTED]	[REDACTED]	[REDACTED]
29. . . Wang Yuezhen (王玥楨)	10.30.2016	08.26.2016	6.93	[REDACTED]	[REDACTED]	[REDACTED]
30. . . Ding Yi (丁屹)	05.09.2024	–[10]	–	[REDACTED]	[REDACTED]	[REDACTED]
31. . . Liang Yu (梁鈺)	12.31.2022	02.07.2023	28.07	[REDACTED]	[REDACTED]	[REDACTED]
32. . . Chen Lisheng (陳理升)	12.31.2022	02.02.2023	28.07	[REDACTED]	[REDACTED]	[REDACTED]
33. . . Xu Danni (徐丹妮)	06.25.2021	07.14.2021	45.86	[REDACTED]	[REDACTED]	[REDACTED]
34. . . Cui Yushu (崔玉舒)	10.30.2016	08.26.2016	6.93	[REDACTED]	[REDACTED]	[REDACTED]
35. . . Huang Ningning (黃寧寧)	10.30.2016	01.19.2022	6.93	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED] Investor	Date of Agreement (Month. Date.Year)	Settlement Date (Month. Date.Year)	Approximate cost per Share with a nominal value of RMB1.00(1)	(Discount)/ Premium to the [REDACTED](2)	Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)(3)	
					Number of Shares	Approximate shareholding
III. Employees(6)						
1. . . . He Yun (何贇)	04.18.2015	04.28.2015(12)	1.73	[REDACTED]	[REDACTED]	[REDACTED]
2. . . . Luo Renxiang (羅仁祥)	04.18.2015	04.28.2015(12)	1.73	[REDACTED]	[REDACTED]	[REDACTED]
3. . . . Zhang Weijiang (張衛江)	04.18.2015	04.28.2015(12)	1.73	[REDACTED]	[REDACTED]	[REDACTED]
4. . . . Hu Wenping (胡文萍)	04.18.2015	05.05.2015	1.73	[REDACTED]	[REDACTED]	[REDACTED]
5. . . . Zhang Jie (張傑)	04.18.2015	04.28.2015	1.73	[REDACTED]	[REDACTED]	[REDACTED]
6. . . . Jia Jinfu (賈金富)	12.09.2015	–(13)	–	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) Calculated based on the amount of consideration paid divided by the number of Shares as adjusted after Demerger and/or Capitalization Issue (as the case maybe) in December 2020 and January 2022, respectively.

(2) The discount/premium to the [**REDACTED**] percentages are based on an [**REDACTED**] of HK$[**REDACTED**], being the mid-point of the indicative range of the [**REDACTED**], and based on the currency conversion rate of RMB0.9378:HK$1.

(3) The calculation is based on the total number of [**REDACTED**] Shares with a nominal value of RMB1.00 each in issue immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

(4) These [**REDACTED**] Investors consist of private equity funds, institutions. The basis of respective consideration was determined based on arm's length negotiation taking into consideration our business prospects and the commercial consideration between the relevant parties at the time of transfers/capital increases.

(5) These [**REDACTED**] Investors consist of individual investors that obtained Shares from our capital increases, transfers from Mr. Yu and Euro Master or transfers from other investors. In relation to our capital increases or transfers from Mr. Yu and Euro Master, the basis of respective consideration was determined based on arm's length negotiation taking into consideration our business prospects and the commercial consideration between the relevant parties at the time of transfers/capital increases. In relation transfers from other investors, our Company was not involved in the negotiations on between the respective parties of these transfers but to the best of the knowledge of our Directors, save as to the notes 8, 9 and 10 in relation to certain of our individual [**REDACTED**] Investors set out below, the respective consideration of the [**REDACTED**] Investors was determined on arm length's basis, with reference to the timing of the investments, our business prospects, the transferor's personal funding needs at the time and the consideration paid by the transferors at the time of the investment.

(6) These [**REDACTED**] Investors consist of employees of our Company. The basis of the respective consideration was determined with the purpose of incentivizing these employees when our Company was still at an early stage of our development.

(7) There were capital increases and share transfers made by Mr. Yu, our founder, after the establishment of the Company that were not included in the above table. Particulars of the capital increases and share transfers made by Mr. Yu are set out as follows:

(i) The capital increase in November 2014 was not included in the above table as the consideration of the capital increase in the aggregate amount of RMB2,072,000 was paid by Mr. Yu, our founder, to the Company, with the date on which full consideration was paid being January 14, 2015. The cost per Share of such capital increase was RMB0.35 per Share. The discount to the [**REDACTED**] of such capital increase was [**REDACTED**]%. For details of the capital increase, see "C. Conversion into joint stock limited liability company and capital increase in November 2014" above.

(ii) The capital increase in May 2015 was not included in the above table as the consideration of the capital increase in the amount of RMB13,775,000 was paid by Mr. Yu, our founder, to the Company, with the date on which full consideration was paid being April 28, 2015. The cost per Share of such capital increase was RMB1.73 per Share. The discount to the [**REDACTED**] of such capital increase was [**REDACTED**]%. For details of the capital increase, see "D. Changes in the shareholding structure of our Company – (i) Capital Increase in May 2015" above.

(iii) The nine transfers in January 2016 and August 2016 were not included in the above table, of which (1) two transfers were made with nil consideration, as Mr. He Yun and Mr. Luo Renxiang transferred the 95,000 Shares initially paid by Mr. Yu back to him for his transfer to the incoming employees and/or investors; (2) two Share transfers from Xu Wei (徐偉) and Li Gan (李淦) of a total of 45,000 Shares to Mr. Yu were made with nil consideration, as they initially obtained the Shares of the Company paid by Mr. Yu for the purpose of retaining, incentivizing and remunerating them. As a result of their resignation, on accordance with the arrangement of our Company, the said Shareholders transferred 140,000 Shares to Mr. Yu; (3) two transfers of a total of 195,000 Shares from Yang Feng (楊風), a then Shareholder, to Mr. Yu were determined based on arm's length negotiation and based on the true intention of the parties; (4) one Share transfer of 490,000 Shares from Wang Songmei (王松梅) to Mr. Yu was entered into for the purpose of reversing and transferring back the Shares to the transferor as the transferee had not paid the consideration to the transferor; and (5) two Share transfers from Lv Lihan (呂立翰) and Shentu Jiahui (申屠佳惠) of a total of 150,000 Shares to Mr. Yu was entered into for the purpose of offsetting an outstanding loan by the transferor to the transferee. For details of the Share transfers, see "D. Changes in the shareholding structure of our Company – (ii) Share Transfers between January 2016 and April 2017 and Capital Increase in May 2017" above. The number of Shares listed in this note have not been adjusted as a result of the Demerger in December 2020 and the capitalization of capital reserves in January 2022.

(iv) The two Share transfers in June 2017 were not included in the above table; (1) of which one transfer of 60,000 Shares from Liang Yuehua (梁越華) was paid by Mr. Yu, with the date on which full consideration was paid being July 5, 2017. The cost per Share of such capital increase was RMB1.73 per Share. The discount to the [**REDACTED**] of such Share transfer was [**REDACTED**]%; and (2) one transfer of 30,000 Shares from Ding Hongliang (丁紅良) to Mr. Yu was at nil consideration. Mr. Ding obtained the said Shares of the Company paid by Mr. Yu for the purpose of retaining, incentivizing and remunerating our employees. As a result of Mr. Ding's resignation from our Company, according to the arrangement of our Company, Mr. Ding transferred the aforementioned Shares to Mr. Yu. For details of the Share transfers, see "D. Changes in the shareholding structure of our Company – (iii) Share Transfers in May and June 2017" above. The number of Shares listed in this note have not been adjusted as a result of the Demerger in December 2020 and the capitalization of capital reserves in January 2022.

(8) Dong Shengfang entered into the nominee arrangement with Luo Wenjuan on August 15, 2017. Please refer to the paragraph headed "(x) Share Transfer in February 2023 - (i) Nominee Arrangements between Luo Wenjuan and Dong Shengfang/Wang Lijing (王利靜)" for details of the termination of the nominee arrangement between Luo Wenjuan and Dong Shengfang.

(9) In relation to the agreement dated April 18, 2015, the funding by Mr. Lv was originated from a loan of RMB1.5 million from Mr. Yu. Subsequently, RMB1 million was repaid by Mr. Lv to Mr. Yu, and the remaining RMB500,000 was offset against the transfer of 100,000 Shares from Mr. Lv to Mr. Yu in December 2015. In relation to the agreement dated July 26, 2016, Lv Lihan obtained Shares from Lv Jieqiong (呂潔瓊), sister of Lv Lihan, determined based on arm's length negotiation and based on the true intention of the parties. The number of Shares listed in this note have not been adjusted as a result of the Demerger in December 2020 and the capitalization of capital reserves in January 2022.

(10) Due to her family arrangements, Liu Dan (劉丹) transferred her 57,717 Shares to her spouse Ding Yi (丁屹) for nil consideration.

(11) The funding by Ms. Shentu was originated from a loan of RMB0.5 million from Mr. Yu. Subsequently, RMB0.25 million was repaid by Ms. Shentu to Mr. Yu, and the remaining RMB0.25 million was offset against the transfer of 50,000 Shares from Ms. Shentu to Mr. Yu in January 2016. The number of Shares listed in this note have not been adjusted as a result of the Demerger in December 2020 and the capitalization of capital reserves in January 2022.

(12) The funding by Mr. Luo, Mr. He and Mr. Zhang, of RMB0.55 million, RMB 0.55 million and RMB0.25 million, respectively were paid by Mr. Yu to them for the purpose of retaining, incentivizing and remunerating our employees or to jointly develop the Company.

(13) The transfer of 5,000 Shares was made with nil consideration by Mr. He Yun to Jia Jinfu, an employee at time, as employee incentive. The number of Shares listed in this note have not been adjusted as a result of the Demerger in December 2020 and the capitalization of capital reserves in January 2022.

Principal Terms of the [REDACTED] Investments

Special Rights

Pursuant to the Shareholders' agreement and the amendments thereto from time to time (the "**Shareholders' Agreement**") and the capital increase agreements, the [**REDACTED**] Investors were entitled to certain special rights, such as directors nomination rights, repurchase rights, information rights, liquidation preferences, dividend right, anti-dilution and co-sale rights.

Pursuant to a termination agreement entered into between our Company and the [**REDACTED**] Investors on December 31, 2022, all special rights granted to the [**REDACTED**] Investors have been terminated.

Lock-up

Pursuant to the applicable PRC laws, all of our existing Shareholders (including the [**REDACTED**] Investors) are subject to a lock-up period of 12 months following the [**REDACTED**].

Use of proceeds

The proceeds we obtained from the [**REDACTED**] Investors (where applicable) were used to expand our production scale of our business, purchase plant and equipment and as our general working capital. We have utilized all the proceeds our Company received from relevant [**REDACTED**] Investors.

Strategic benefits of the [REDACTED] Investors to our Company

Our Directors are of the view that our Group could benefit from the [**REDACTED**] Investors' commitment to our Company as their investments fueled our expansion and development of our business and demonstrate such investors' confidence in the business operation of our Group and serves as an endorsement of our Company's performance, strength and growth prospects. In addition, at the time of respective investment made by our [**REDACTED**] Investors, our Directors were of the view that our Group could benefit from the additional capital that would be contributed by these [**REDACTED**] Investors in our Company as well as their knowledge and/or experience.

Further, our Directors are of the view that the [**REDACTED**] Investors would be able to provide valuable advice and business insights relating to our operation and business strategies. Some of the [**REDACTED**] Investors' are professional investment companies and they were able to brought us extensive experience in their insight on business strategies and advice on our corporate governance, financial reporting and internal control, we would also be able to enhance our business development and have access to experience sharing of such leading development. In addition, our Group could benefit from the business resources and potential business opportunities that may be provided by the [**REDACTED**] Investors from time to time.

Information about our principal [REDACTED] Investors

We set out below a description of our principal [**REDACTED**] Investors, being individuals, private equity funds or corporations that have made meaningful investments in our Company and each or in aggregate holding more than 1% of our total issued share capital immediately prior to the [**REDACTED**].

Shunwei

Shunwei Ventures III (Hong Kong) Limited is wholly owned by Shunwei China Internet Fund III, L.P.. As at the Latest Practicable Date, the general partner of Shunwei China Internet Fund III, L.P. is Shunwei Capital Partners III GP, L.P., and the general partner of Shunwei Capital Partners III GP, L.P. is Shunwei Capital Partners III GP Limited. Silver Unicorn Ventures Limited holds more than 50% of the issued and outstanding shares of Shunwei Capital Partners III GP Limited, and Mr. Koh Tuck Lye is the sole shareholder of Silver Unicorn Ventures Limited. Mr. Koh Tuck Lye co-founded Shunwei Capital in 2011, an early to growth stage venture capital firm focusing on deep technology, smart manufacturing, Internet+, consumer IoT, consumption, enterprise services and electric vehicle ecosystem sectors, and has served as its chief executive officer.

Tianjin Jinmi

Tianjin Jinmi is a PRC-based limited partnership principally engaged in equity investment. As at the Latest Practicable Date, Tianjin Jinmi was owned as to approximately 86.20% by Tianjin Venus Venture Capital Co., Ltd.* (天津金星創業投資有限公司) ("**Tianjin Venus**") as general partner and 13.80% by Tianjin Zhongmi Enterprise Management Partnership (Limited Partnership)* (天津眾米企業管理合夥企業(有限合夥)), of which its general partner was Tianjin Venus. Tianjin Venus was wholly-owned by Xiaomi Inc.* (小米科技有限責任公司), a consolidated affiliated entity of Xiaomi Corporation (stock code: 1810), of which Mr. Lei Jun (雷軍) was the ultimate controlling shareholder, an independent third party.

Beijing GX

Beijing GX is a PRC-based limited partnership principally engaged in investment of non-securities business and investment management and consultation. As at the Latest Practicable Date, Beijing GX was owned as to approximately (i) 2.75% by Jiaxing GX Private Equity Fund Management Partnership (Limited Partnership) ("**Jiaxing GX**") as its general partner and (ii) 97.25% by nine entities as its limited partners, all of whom contributed less than 30% of the equity interests of Beijing GX. As at the Latest Practicable Date, Jiaxing GX was owned as to approximately 2% by GX Private Equity Fund Management (Beijing) Co., Ltd. ("**GX Capital**") as its general partner and 98% by Pingxiang Daxin Business Consulting Center (Limited Partnership) ("**Pingxiang Daxin**") as its limited partner. Both GX Capital and Pingxiang Daxin were owned as to 90% and 10% by Huang Guanchen and Feng Tao, respectively. Each of Huang Guanchen, Feng Tao and the limited partners of Beijing GX is an independent third party.

Euro Master

Euro Master is a company incorporated in Hong Kong principally engaged in equity investment. As at the Latest Practicable Date, Euro Master was wholly owned by Cathay Small-Cap III (凱輝中小企業基金三期), the ultimate controlling shareholder of the fund management company was Cai Ming-Po (蔡明潑), an independent third party.

Guozhong Fund

Guozhong Fund is a PRC-based limited partnership principally engaged in private equity investment, venture capital fund management services. As at the Latest Practicable Date, Guozhong Fund was owned as to approximately (i) 1% by Shenzhen Guozhong Changrong Asset Management Co., Ltd.* (深圳國中常榮資產管理有限公司) ("**Shenzhen Guozhong**") as its general partner; and (ii) 33.33% and 65.67% by National Small and Medium Enterprise Development Fund Co., Ltd.* (國家中小企業發展基金有限公司) ("**SME Development Fund**") and eight institutions, respectively as its limited partners. Save as to SME Development Fund, none of the eight institutions held more than 20% of Guozhong Fund. As at the Latest Practicable Date, Shenzhen Guozhong was ultimately controlled by Shi Anping (施安平), an independent third party. The limited partners of Guozhong Fund are all independent third parties.

Beijing Hezhong

Beijing Hezhong is a PRC-based limited partnership principally engaged in investment management and consultation services. As at the Latest Practicable Date, Beijing Hezhong was owned as to approximately (i) 3.63% by Beijing Baiquan Nahai Investment Management Co., Ltd.* (北京百泉納海投資管理有限公司) ("**Baiquan Nahai**") as its general partner and (ii) 96.37% by 19 entities as its limited partners, all of whom contributed less than 15% of the equity interests of Beijing Hezhong. As at the Latest Practicable Date, Baiquan Nahai was owned as to approximately 35%, 25% and 25% by Wang Wenzhong (汪文忠), Hu Haiquan (胡海泉), Wang Yu (王昱) respectively. All the shareholders of Baiquan Nahai and the limited partners of Beijing Hezhong are independent third parties.

CMG Fund

CMG Fund is a PRC-based limited partnership principally engaged in equity investment, investment and asset management services. As at the Latest Practicable Date, CMG Fund was owned as to approximately (i) 0.70% by Haitong Creative Private Equity Fund Management Co., Ltd.* (海通創意私募基金管理有限公司) ("**Haitong Creative**") and CTV Fusion (Shanghai) Enterprise Management Partnership Enterprise (Limited Partnership)* (中視融合(上海)企業管理合夥企業(有限合夥)) ("**CTV Fusion**") as its general partners and (ii) 99.30% by 24 entities as its limited partners, all of whom contributed less than 20% of the equity interests of CMG Fund. As at the Latest Practicable Date, Haitong Creative was owned as to 53.25% equity interests by Haitong Capital Co., Ltd. (海通開元投資有限公司), which in turn was a wholly-owned subsidiary of Guotai Haitong Securities Co., Ltd. (國泰海通證券股份有限公司) ("**Guotai Haitong**

Securities"), a company listed on the Stock Exchange (stock code: 2611) and Shanghai Stock Exchange (stock code: 601211). As at the Latest Practicable Date, the actual controller of Guotai Haitong Securities Co., Ltd. was Shanghai International Group Co., Ltd.* (上海國際集團有限公司). All the limited partners of CMG Fund are independent third parties.

GQC Jinda

GQC Jinda is a PRC-based limited partnership principally engaged in equity investment, investment and asset management services. As at the Latest Practicable Date, GQC Jinda was owned as to approximately (i) 0.1148% by Beijing Fangyuan International Investment Management Co., Ltd.* (北京方圓金鼎投資管理有限公司) ("**Beijing Fangyuan**") as its general partner and (ii) 99.89% by 20 entities as its limited partners, all of whom contributed less than 25% of the equity interests of GQC Jinda. As at the Latest Practicable Date, Beijing Fangyuan was a wholly-owned subsidiary of Beijing Tongchuang Jinding Investment Management Co., Ltd.* (北京同創金鼎投資管理有限公司), which was owned as to 62.50% by Beijing Huaxia Jinding Investment Management Co., Ltd.* (北京華夏金鼎投資管理有限公司), which in turn was owned as to 51.20% by He Fuchang (何富昌). All the shareholders of Beijing Fangyuan and the limited partners of GQC Jinda are independent third parties.

Luo Wenjuan and Qiu Dekang

Luo Wenjuan and Qiu Dekang are investors both with more than 15 years of experience in equity investments and are independent third parties. Ms. Luo is the spouse of Mr. Qiu.

Jinyuan Hanfei and Jinyuan Zhecheng

Jinyuan Hanfei is a PRC-based limited partnership principally engaged in investment management, asset investment and industrial investment. As at the Latest Practicable Date, Jinyuan Hanfei was owned as to approximately (i) 1.17% by Hangzhou Jinyuan Asset Management Co., Ltd.* (杭州錦元資產管理有限公司) ("**Hangzhou Jinyuan**") as its general partner; and (ii) 38.91% and 59.92% by Wang Jianyun (王箭雲) and five entities as its limited partners. Save as to Wang Jianyun, none of the five entities held more than 20% of Jinyuan Hanfei. As at the Latest Practicable Date, Hangzhou Jinyuan was owned as to 70% and 30% by Xie Liangliang (謝亮亮) and Lan Yu (蘭鈺). Jinyuan Zhecheng is a PRC-based limited partnership principally engaged in investment management, investment consultation and asset investment. As at the Latest Practicable Date, Jinyuan Zhecheng was owned as to approximately (i) 0.99% by Hangzhou Jinyuan as its general partner and (ii) 54.01%, 27.00%, 9.00% and 9.00% by Zhang Yunfeng (張雲峰), Wang Jianyun (王箭雲), Wang Tianyu (王天煜) and Xie Liangliang (謝亮亮) as its limited partners. Save as to Zhang Yunfeng, each of Xie Liangliang, Lan Yu, Wang Jianyun and other limited partners of Jinyuan Hanfei and Jinyuan Zhecheng is an independent third parties.

Qingdao Yunzhi

Qingdao Yunzhi is a PRC-based limited partnership principally engaged in equity investment, investment and asset management services. As at the Latest Practicable Date, Qingdao Yunzhi was owned as to approximately (i) 0.50% by Shanghai Yunhui Equity Investment Management Co., Ltd.* (上海贇匯股權投資管理有限公司) ("**Shanghai Yunhui**") as its general partner and 99.50% by Horgos Skyworth Coocaa Culture Media Co., Ltd.* (霍爾果斯創維酷開文化傳媒有限公司) ("**Skyworth Media**") as its limited partner. As at the Latest Practicable Date, Shanghai Yunhui was owned as to 55% and 45% by Chen Pengfei (陳鵬飛) and Ge Jianghui (鬲江慧). As at the Latest Practicable Date, Skyworth Media was a wholly-owned subsidiary of Shenzhen Kukai Network Technology Co., Ltd. (深圳市酷開網絡科技股份有限公司), which in turn was owned by 56.95% by Shenzhen Chuangwei-RGB Electronics Co., Ltd. (深圳創維-RGB電子有限公司), which was ultimately controlled by Wong Wang Sang, Stephen (黃宏生), Lin Wei Ping (林衛平) and Lin Jin (林勁). Each of Chen Pengfei, Ge Jianghui and the limited partner of Qingdao Yunzhi is an independent third party.

Xiao Feng

Xiao Feng is a non-executive Director of our Company. For details, please refer to section headed "Directors and Senior Management - Non-executive Director".

Compliance with [REDACTED] Investment Guidance

On the basis that (i) the consideration for the [**REDACTED**] Investment was irrevocably settled more than 28 clear days before the date of our first submission of the [**REDACTED**] application to the Stock Exchange in relation to the [**REDACTED**]; all special rights granted to the [**REDACTED**] Investors pursuant to the terms of the [**REDACTED**] Investment will be terminated upon the [**REDACTED**], the Sole Sponsor is of the view that the [**REDACTED**] Investment is in compliance with Chapter 4.2 under the Guide for New Listing Applicants.

OUR SUBSIDIARIES

As at the Latest Practicable Date, we have established seven wholly-owned subsidiaries in the PRC to expand our business development in the PRC. The principal business activities, date and place of establishment of our subsidiaries are set forth below:

Name of Subsidiary	Principal business activities	Date of establishment
Tongshifu Cultural and Creative	retails of literary and artistic creation, arts and crafts, and collectibles(note)	April 17, 2023
Xijiang Art Painting	operating store(s) on the e-commerce platform to sell bronze sculptures	October 11, 2021
Huanxi Xiaojiang	operating store(s) on e-commerce platforms to sell plastic trendy products	November 2, 2021
Xijiang Gold Shop	operating store(s) on an e-commerce platforms to sell gold cultural and creative products	July 17, 2024

Name of Subsidiary	Principal business activities	Date of establishment
Hangzhou Yueyin	operating store(s) on an e-commerce platform to sell silver cultural and creative products	June 27, 2022
Hangzhou Zhibo	house and land leasing	June 1, 2012
Hangzhou Weitan	operating store(s) on e-commerce platforms to sell wooden cultural and creative products	March 29, 2021

Note: As of the Latest Practicable Date, Tongshifu Cultural and Creative has not commenced operations.

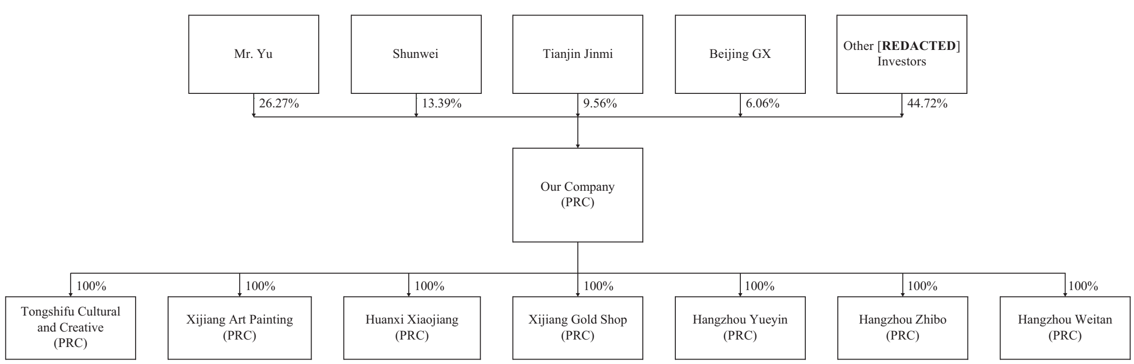
MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

During the Track Record Period and as at the Latest Practicable Date, our Group did not have any major acquisitions, disposals or mergers.

CORPORATE STRUCTURE OF THE COMPANY

Corporate Structure as at the Latest Practicable Date

The following chart illustrates the shareholding structure and corporate structure of our Group as at the Latest Practicable Date:

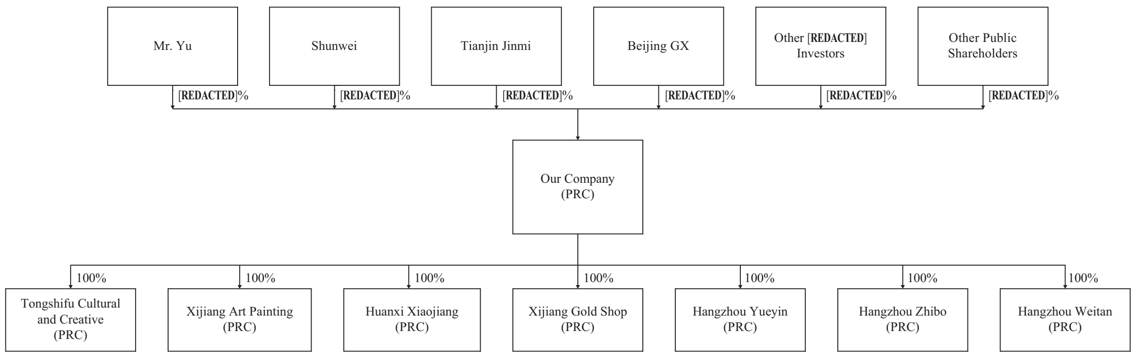


Note:

(1) For details of the principal [**REDACTED**] Investors, please refer to the paragraph headed "Information about our principal [**REDACTED**] Investors" above. Further details on H Shares to be converted from Domestic Unlisted Shares upon [**REDACTED**] and held by each of the [**REDACTED**] Investors are set out in the section headed "Share Capital – Conversion of our Domestic Unlisted Shares into H Shares" in this document.

Corporate Structure Immediately Following the Completion of the [REDACTED]

The following chart illustrates the shareholding structure and corporate structure of our Group immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised and no changes in the following shareholdings since the Latest Practicable Date):



Note:

Please refer to the note (1) to the paragraph headed "Corporate Structure as at the Latest Practicable Date" above for more information.

MISSION & VISION

Preserving and elevating Chinese artistry through innovation, we seamlessly blend time-honored craftsmanship with contemporary aesthetics, bringing tradition into modern living.

Our vision is to redefine Eastern aesthetics on the global stage, shaping a lifestyle rooted in cultural heritage where artistic ingenuity enriches everyday life.

OVERVIEW

We, TONGSHIFU (銅師傅), are a leading cultural and creative craft brand rooted in Chinese heritage and dedicated to redefining Eastern aesthetics for the modern world. Since our inception in 2013, we have been guided by a singular mission: to preserve and elevate Chinese artistry by integrating traditional craftsmanship into contemporary living. Through a vertically integrated model encompassing research, design, and development, production, and sales, we deliver products that are culturally resonant, emotionally compelling, and crafted with artistic integrity. According to the F&S Report, we ranked No. 1 in China's copper-based cultural and creative crafts market in terms of overall revenue for the year ended December 31, 2024, with a market share of 35.0%, underscoring our leadership in the industry.

Originating as a copper workshop steeped in classical Chinese techniques, TONGSHIFU has evolved into a nationally leading cultural brand that reinterprets tradition through thoughtful design and widespread consumer resonance over the past decade. Copper remains at the heart of our brand, and through continuous investment in original design and research and development, we have extended our materials portfolio to include gold, silver, and plastic, reaching a broader audience and unlocking new creative possibilities. We firmly believe that art should not be confined to museums or exclusive collections, but rather woven into modern craftsmanship and process refinement, fostering emotional connections and bridging generations through thoughtful designs and graceful forms in everyday life. Anchored in our unwavering commitment to "value-driven quality (質價比)," we unite refined artistry with techniques to craft original works that preserve cultural memory, convey blessings, and spark inner resonance.

The cultural and creative industry, or the CCI, is an expansive and rapidly evolving sector that translates cultural heritage into contemporary relevance. Globally, the CCI has emerged as a key driver of consumer engagement, fostering innovation at the intersection of art, design, and commerce. As consumers increasingly prioritize personal expression and cultural identity, the demand for thoughtfully designed, emotionally resonant products continue to rise. Within this broader landscape, cultural and creative crafts have gradually carved out a distinctive position, which emphasizing artistry, materiality, and symbolic and emotional meaning. In China, the CCI has witnessed accelerated growth in recent years, supported by rising disposable income, a growing pursuit of emotional fulfillment, evolving aesthetic sensibilities, and national policies encouraging cultural consumption.

Among the various materials used in the CCI, copper holds distinctive artistic and cultural significance. With roots tracing back to the Xia (夏) and Shang (商) dynasties, copper has long been a cornerstone of Chinese craftsmanship, valued for its strength, malleability, and capacity to convey sculptural depth and symbolic meaning. For us, copper is not merely a material; it serves as a medium that carries heritage, emotion, and identity, expressing enduring themes such as prosperity, harmony, and spiritual reflection. We apply the ancient lost-wax casting method to achieve exceptional sculptural precision, fluidity, and expressive realism. Through this refined approach, we have extended copper's cultural expressiveness into contemporary cultural contexts, transforming it into a vehicle for modern storytelling. Our copper-based creations encompass a wide range of formats, including decorative centerpieces, gifts conveying blessings and emotional meaning, and collectible icons blending cultural value with aesthetics, each reflecting a thoughtful integration of tradition and modern design.

Today, copper-based cultural and creative products remain at the heart of our offerings. According to the F&S Report, we ranked first in China's copper-based cultural and creative crafts market both in terms of total revenue and online revenue for the year ended December 31, 2024, with market shares of approximately 35.0% and 44.1%, respectively. The copper-based cultural and creative crafts segment is relatively concentrated, with the top three market participants collectively accounting for over 71.9% of the total market by revenue for the year ended December 31, 2024. Our leading position is underpinned by our full-stack creative and manufacturing model, strong brand equity, and highly engaged community of cultural consumers. During the Track Record Period, we consistently ranked among the top-selling cultural and creative craft brands on major e-commerce platforms. According to the F&S Report, we were ranked No.1 in the copper-based cultural and creative product category on Tmall and JD.com for each of the years ended December 31, 2022, 2023 and 2024. For the years ended December 31, 2022, 2023 and 2024, revenue from our copper-based cultural and creative products amounted to RMB479.6 million, RMB488.0 million, and RMB551.3 million, respectively, representing 95.4%, 96.3%, and 96.6% of our total revenue for the same periods. Building on this foundation, we have progressively expanded into diverse material categories, including plastic collectibles and trendy toys, silver cultural and creative products, and gold cultural and creative products. This expansion leverages our accumulated strengths in aesthetic design and scalable craftsmanship, while addressing the growing consumer demand for culturally expressive products made from diverse materials.

Cultural Integration and "Guochao" (國潮) Innovation

In recent years, consumer preferences have increasingly shifted toward culturally expressive and design-driven products that reinterpret tradition through a modern lens, a consumer trend widely known as "Guochao". Our product philosophy is inherently aligned with this trend: by drawing from classical Chinese culture and symbolism and reimagining them with contemporary design language, we create works that bridge heritage and innovation. We innovate from the foundation of tradition, blending artistic creativity with refined craftsmanship to define our own distinctive expression of Guochao aesthetics.

Since 2018, we have been exploring an innovation approach that blends traditional culture images with contemporary design language, embarking on systematic creative practices related to "Guochao". We took the lead in collaborating with leading cultural institutions and contemporary artists to reinterpret traditional culture elements into collectible cultural and creative product lineup. In 2022 and 2023, we deepened this approach through joint cultural reinterpretations with national museums and developed themed collections inspired by classical motifs, supported by livestream debuts, user co-creation and online interactions, successfully broadening cultural participation among younger consumers.

Our original IP portfolio spans diverse themes and expanding array of product series, each exploring distinct cultural line, historical background, and emotional themes to create a multi-dimensional Eastern storytelling system. These include:

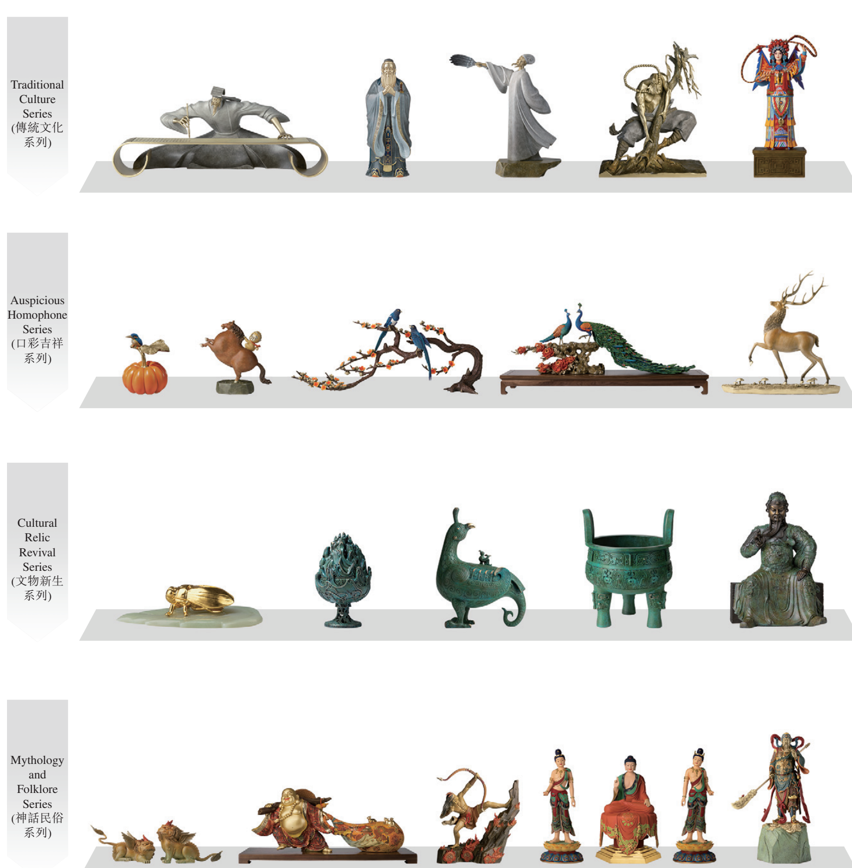
- Traditional Culture Series, which brings to life legendary historical figures and literary icons, transforming revered symbols of virtue into sculptural tributes that resonate across generations.

- Auspicious Homophone Series, inspired by the traditional Chinese linguistic charms of "Koucai" (口彩) culture, creatively fuses homophones, visual metaphors, and blessing culture into symbolic copper artworks that convey well-wishes through culturally embedded language.

- Cultural Relic Revival Series, developed both independently and in collaboration with museums, reinterprets classical artifacts such as bronzeware and censer into collectible forms that combine historical fidelity with imaginative storytelling.

- Mythology and Folklore Series, inspired by folk beliefs and festive traditions, reimagines mythical characters, seasonal archetypes, and auspicious animals in dynamic, contemporary sculptural language.

Our Product Series Offering



For further details on our product series, please refer to the section headed "– Our Products – Our Product Categories" in this document. Our original IP collections lie at the heart of our creative identity, each drawing from Chinese mythology, folklore, and symbolic tradition to deliver emotionally resonant, sculpturally compelling products. Among them, the Copper Gourd series and the Great Sage series stand out as two of our most iconic and best-selling lines, illustrating our ability to translate cultural meaning into collectible artistic forms.

The Copper Gourd series reimagines the traditional Chinese auspicious symbol of hulu (葫蘆) in modern design language, translating its long associated with protection, fortune, and vitality, into a versatile product line that has evolved alongside our brand. The series began with our value-focused *Copper Blessing Gourd (好運銅葫蘆)*, which introduced a wide audience to the beauty of copper craftsmanship. Building on its popularity, we progressively developed more refined and symbolically enriched editions. Key pieces such as *Five Gourds of Fortune (福祿滿堂)* express the five traditional blessings through a harmonious and auspicious sculptural composition. During the Track Record Period, the Copper Gourd series recorded sales of over 578,460 units and revenue of approximately RMB102.6 million, reflecting its enduring appeal and strong consumer engagement.

The Great Sage series draws inspiration from Sun Wukong, the key character of Journey to the West (《西遊記》), one of the Four Great Classical Novels of Chinese literature. As a widely celebrated cultural icon, the image of Sun Wukong, also known as the "Great Sage Equal to Heaven" (齊天大聖), has been deeply ingrained in the generations of Chinese collective imagination through countless adaptations in literature, opera, film, television, theater, and other art forms. With profound roots in history, folklore, and popular belief, the character embodies an enduring spirit of rebellion, perseverance, and transformation. Our Great Sage series reinterprets this timeless figure through a sculptural narrative that spans three distinct life stages, each representing a pivotal emotional and symbolic arc. During the Track Record Period, the Great Sage series generated revenue of approximately RMB89.5 million, solidifying its status as one of our most iconic and emotionally resonant product lines.

Beyond copper-based cultural and creative crafts, we have expanded our product portfolio to include gold, silver, and plastic cultural and creative products, reflecting the continued evolution of our brand and craftsmanship. Our gold cultural and creative products emphasize intricate detailing and symbolic richness, making them particularly suited for commemorative and gifting occasions. Our plastic collectibles and trendy toys reinterpret cultural elements through vibrant, playful designs that resonate with younger, design-conscious consumers.

Recognizing the universal resonance of storytelling through craftsmanship, we have also engaged in IP collaborations to reimagine globally recognized characters through a Chinese lens. For further details, please refer to the section headed "– Our IP Portfolio – Strategic IP Collaborations and Licensed Partnerships" in this document. These partnerships allow us to engage broader global audiences while showcasing the expressive potential of traditional Chinese craftsmanship in modern storytelling formats.

To sustain creative leadership, we have always adhered to a "self-creation-first, IP licensing as supplement" development strategy. This approach ensures that our core product development is rooted in original artistic innovation, while selectively integrating external quality IPs to enrich our product mix, realizing the synergy of diversified expression and audience reach. For the years ended December 31, 2022, 2023, and 2024, we offered 2,137, 2,296, and 2,485 SKUs, respectively, with

464, 382, and 574 newly launched SKUs each year. As of December 31, 2024, we had obtained 1,575 artistic copyrights, 285 design patents, 12 utility model patents, 9 software copyrights and 2 invention patents, demonstrating our continued investment in creative autonomy and cross-industry collaboration.

Omnichannel Expansion: Strengthening Online and Offline Presence

From a channel perspective, our sales are categorized into online and offline sales, with online channels consistently contributing the majority of our revenue. From a business model perspective, our channels are further segmented into (i) direct sales, (ii) distribution partnerships, and (iii) consignment arrangement. Direct sales serve as our core revenue engine, comprising online direct sales, offline direct sales through self-operated stores, and a small portion of sales to institutional customers. Distribution partnerships include both online and offline distributors operating under a buyout model, while consignment sales are primarily conducted through third-party online platforms.

We adopted an online first strategy from the outset, recognizing early the power of e-commerce in driving scalable growth, operational efficiency, and direct consumer engagement. Our online direct sales, primarily through flagship stores such as Tmall, JD.com, and Douyin, represented 70.6%, 69.9%, and 70.5% of total revenue in 2022, 2023, and 2024, respectively. When combined with online distributor sales, revenue generated from online channels accounted for 80.9%, 79.2%, and 77.2% of total revenue in the same periods.

While online channels remain dominant, we have selectively expanded into offline retail to complement and enhance digital experience. Offline channels include both offline direct sales and offline distribution. As of December 31, 2024, we operated 9 self-operated offline stores. In parallel, we maintained a broader offline footprint through 54 authorized offline distributors operating 68 stores.

Years of strategic content development, storytelling, and channel cultivation have helped us foster a passionate and highly engaged consumer community. Our unique brand identity, differentiated product offerings, and focused marketing efforts have attracted a large base of loyal consumers and cultural enthusiasts often referred to as "Copper Fans (銅粉)". Copper Fans regularly participate in our seasonal campaigns and brand events such as the annual "Copper Fans Convention (銅粉節)". This consistent engagement reinforces our brand's emotional resonance and consumer stickiness across platforms. We define repurchase rate as the proportion of users who placed more than one confirmed purchase order on a given platform within the same calendar year. Our strong brand affinity is further reflected in the consistently high repurchase rates achieved across all our online direct sales channels during the Track Record Period. Our weighted average repurchase rate across all online direct sales channels was approximately 59.2%, 56.9% and 56.4% for the years ended December 31, 2022, 2023 and 2024, respectively.

During the Track Record Period, our market presence continued to expand alongside our consumer base, with our market share reaching 35.0% for the year ended December 31, 2024 in terms of sales revenue. Looking forward, we remain committed to product innovation, international expansion, and data-driven operations to capture emerging opportunities in the domestic and global cultural and creative sectors, while further enhancing our brand influence and market leadership.

STRENGTHS

No. 1 in China's copper cultural and creative crafts market: innovating tradition with modern aesthetics

We are the No. 1 brand in China's copper-based cultural and creative crafts market, as measured by both total revenue and online revenue in the year ended December 31, 2024, according to the F&S Report, with corresponding market shares of approximately 35.0% and 44.1%, respectively. The copper-based cultural and creative crafts market in China is relatively concentrated, with the top three players accounting for over 71.9% of the total market by revenue in the year ended December 31, 2024. Our leadership is built upon a vertically integrated model that combines original cultural storytelling, refined artistic interpretation, and full-process production. We lead with self-developed IPs and artistically distinctive product lines, supported by strong brand resonance and consumer loyalty. Our ability to translate Chinese cultural symbols into collectible forms with emotional value, across both digital and physical retail channels, reinforces our position as the benchmark in this category.

The copper cultural and creative crafts market represents a distinct and evolving segment within China's broader cultural and creative industry. According to the F&S Report, the market grew from RMB1,108.2 million in 2019 to RMB1,576.4 million in 2024, representing a CAGR of approximately 7.3%, and is projected to reach RMB2,282.3 million by 2029, with an accelerating CAGR of 7.7%. This steady momentum reflects sustained consumer interest in symbolic, collectible, and aesthetically refined products.

Copper offers unique advantages as a material and capable of capturing intricate artistic detail and symbolic richness. These qualities allow it to convey a wide range of cultural and emotional narratives. Consumers increasingly see copper cultural and creative products as both aesthetic objects and emotional carriers. Despite its potential, the copper cultural and creative crafts market remains fragmented. Many small-scale manufacturers operate with limited product variety and lack differentiated design or storytelling capacity. This creates room for integrated brands with in-house design, proprietary IP, and production expertise to consolidate market influence and set new standards for quality and creativity. Our product system addresses unmet demand through emotionally resonant, artistically distinctive offerings, ranging from collectible figurines and spiritually symbolic artifacts to decorative artworks and contemporary cultural icons.

Our strong commercial performance and brand appeal have also been recognized across mainstream e-commerce platforms and retail ecosystems. Recent accolades include:

- 2024: Tmall Home & Living Annual Outstanding Brand Award
- 2024: Alifish Artisanal Design Award
- 2023: Douyin Planting Marketing Award
- 2023: Hasbro Trendy Toy Industry Award
- 2023: Hasbro Trading (China) Co., Ltd. at the China Licensing Expo – the Outstanding Licensee Award – Trendy Toy Industry

- 2023: Taobao and Tmall Home Decoration & Home Furnishing Ecosystem Conference – Tmall Home 618 Transaction Contribution Award
- 2022: Tmall Popular Brand Award
- 2022: Douyin E-commerce Home & Appliance Industry Annual Peak Brand
- 2022: Universal Pictures Greater China Best Cultural & Creative Product Development Award
- 2022: JD.com Reassuring Service Golden Award

These awards affirm our ability to translate cultural craftsmanship into commercially successful and broadly embraced consumer products.

Delivering refined artistry through value-driven product craftsmanship

At the core of our brand philosophy is the belief that exceptional craftsmanship and refined artistic expression should be widely accessible. We pursue a differentiated approach built on value-driven quality.

Our pricing strategy plays a pivotal role in realizing this vision. We carefully balance material quality, production complexity, and design sophistication to ensure that each product delivers a high perceived value. Whether crafted from copper, silver, or other complementary materials, our products maintain consistent standards of finish, symbolism, and aesthetic refinement. Our portfolio reflects this philosophy in action. From symbolic copper collectibles and spiritually inspired artworks to accessible desktop engravings and commemorative pieces, each item is priced to reflect both its artistic merit and emotional meaning. This multi-tiered structure enables us to reach a wide range of consumers, including first-time buyers, repeat customers, and long-term collectors.

We have also embedded this value-driven approach across our product development and retail channels. Through disciplined cost management, efficient in-house production, and vertical integration, we are able to control quality while maintaining pricing flexibility. Our omni-channel retail presence further ensures that our pricing structure remains consistent, transparent, and accessible to consumers nationwide.

By delivering refined artistry at a compelling value, we have redefined what it means to consume cultural craftsmanship in the modern era. Our growing consumer base and strong repeat purchase behavior affirm that pricing is not simply a commercial consideration, but a critical component of brand trust, artistic reach, and cultural influence.

Innovating and elevating traditional craftsmanship through modern process thinking

Building on our deep-rooted respect for traditional Chinese techniques, particularly the ancient lost-wax casting method, we have developed a craft-driven production system that blends heritage with innovation. While our core processes remain grounded in time-honored methods such as tongcai kiln-fired coloring and yancai mineral pigment hand-painting, we have introduced a modern layer of process thinking to support consistency, scalability, and quality.

Our production model emphasizes hand craftsmanship, strengthened by structured workflows, modular design principles, and selective use of technology. At our Hangzhou production base, we operate a vertically integrated system that enables close coordination between design, casting, finishing, and inspection. While every piece is hand-finished by trained artisans, we improve production efficiency and quality control by decomposing complex artworks into multiple standardized processing procedures for processing, allowing us to preserve artistic integrity while reducing lead time.

According to the F&S Report, the cultural and creative crafts industry continues to feature a high proportion of manual craftsmanship, which serves as a deliberate and defining element of both product quality and artistic value. Many intricate processes, such as fine carving and detailed painting, are currently irreplaceable by machines due to their complexity and the nuanced skills required. Moreover, large-scale mechanization is often impractical or uneconomical for such crafts, as it may compromise the authenticity and cultural significance inherent in handcrafted products. This industry characteristic underscores the importance of preserving traditional techniques and the artisans who master them, ensuring that the cultural essence and artistic merit of each piece are maintained.

To support this system, we have reimagined the traditional apprenticeship model. Through targeted training, defined skill pathways, and structured team deployment, we have shortened onboarding time for novice artisans and improved overall consistency across teams. This approach not only ensures the continuity of traditional techniques but also allows them to evolve in line with changing consumer expectations.

Technology plays a supporting role in this framework. Digital sculpting tools, automated engraving aids, and AI-assisted modeling are used to enhance accuracy and workflow speed. However, the creative essence of our work remains rooted in human craftsmanship, guided by a respect for detail, material, and tradition.

Original design as drivers of long-term differentiation

At the heart of our business is a deep and sustained commitment to original design and cultural innovation. Our research and development focus lies in creative development, from cultural research and thematic exploration to design ideation, sculpting, and prototyping. In the years ended December 31, 2022, 2023, and 2024, we allocated approximately RMB18.8 million, RMB28.6 million, and RMB28.2 million to research and development activities, representing approximately 3.7%, 5.7%, and 4.9% of our total revenue in the respective years.

Led by our founder Mr. Yu, our in-house creative team guides the artistic direction of our brand, ensuring that every product reflects a balance of cultural resonance, visual refinement, and market relevance. We have established a structured and iterative creative development process that allows us to translate abstract cultural ideas into tangible, high-quality products. This process includes early-stage cultural curation and storyboarding, collaborative design workshops, 3D modeling and clay sculpting, and final-stage prototyping and refinement. Each step is governed by clear stage gates, internal review mechanisms, and rapid feedback loops, enabling us to maintain design consistency while accelerating time-to-market. Our model empowers cross-functional coordination between designers, sculptors, sampling teams, and production planners, ensuring feasibility without compromising creativity.

To protect and enhance our creative assets, we maintain a disciplined IP management system covering patents, artistic copyrights, and proprietary techniques. As of December 31, 2024, we had obtained 1,575 artistic copyrights, 285 design patents, 12 utility model patents, 9 software copyrights and 2 invention patents. These safeguards preserve our creative integrity and reinforce our differentiation in a highly competitive market.

A wide omnichannel reach powered by diverse channels

Our omnichannel strategy is designed to extend both the accessibility and resonance of our brand across varied geographies and product categories. While our early growth was built upon strong online retail performance in China, where we maintain leading positions across major e-commerce platforms, our channel approach continues to evolve alongside our expanding product portfolio and brand objectives. Our online presence allows us to efficiently serve consumers nationwide, particularly in lower-tier cities where access to cultural and creative retail is limited and remains a cornerstone of our brand engagement and commercial success.

As our product offerings have diversified, so have our sales strategies. For instance, our gold cultural and creative products, given their premium material, higher unit value, and refined craftsmanship, are better suited for offline retail channels, where consumers can physically engage with their detailing and quality. These products are often positioned at higher price points and benefit from in-person presentation. Internationally, our overseas sales are currently conducted primarily through offline distributors. These distribution partnerships have played a critical role in expanding our reach to overseas consumers. As we explore new market opportunities in Southeast Asia, we expect local offline distributors to continue serving as a key component of our international expansion strategy.

A visionary team driving innovation and development of the cultural and creative craft industry

Our success is powered by a visionary team that combines deep industry expertise with an unfaltering commitment to artistic excellence. Our founder, Mr. Yu, possesses a fine-arts academic background and is a steadfast advocate of craftsmanship and cultural heritage. He currently serves as our chairman of the Board, executive Director and general manager, and leads the overall creative direction of the Company. With deep roots in both industrial design and sculptural aesthetics, Mr. Yu has received multiple accolades that reflect his longstanding dedication to original design. He was the recipient of the internationally renowned iF Product Design Award (iF產品設計獎) and was named Best Creative Designer (最佳創新設計師) at the China Innovation Design Forum. He also received the Kapok Prize Gold Award (紅棉獎金獎) and the National-Level Bronze Award for Cultural Artistry Product Innovation (中國工藝美術文化創意獎銅獎) to award his innovation in the industry. These recognitions not only highlight his ability to fuse form with function, but also affirm his leadership in shaping a uniquely Chinese design language that resonates with contemporary audiences.

Our senior management team brings together cross-disciplinary expertise in the cultural and creative sector, finance, engineering, and business operations, providing the strategic vision required for long-term innovation and growth. They are supported by a dedicated creative team of designers, sculptors and artisans, most of whom have over a decade of relevant experience. With professional backgrounds spanning painting, industrial design, sculpture, and metal arts, this team transforms complex artistic concepts into meticulously crafted works with precision and consistency. In recent years, the introduction of advanced tools has been accompanied by a new generation of young talent, whose fluency in digital methods brings fresh energy to our heritage-based practices. Through continuous research and development, we have refined our craftsmanship to ensure that each creation reflects both artistic depth and technical sophistication. Grounded in a deep understanding of material language and cultural narrative, our works are designed to embody identity, aesthetic sensibility, and emotional resonance.

STRATEGIES

Continuous product innovation to catalyze new growth momentum

We are advancing a product innovation strategy centered on our core strength in copper-based cultural and creative crafts, aiming to solidify our market leadership while capturing evolving consumer preferences. We remain focused on developing original IP product lines, expanding licensed collaborations, and launching new SKUs that respond to the increasingly diverse needs of our consumer base. These efforts are grounded in refined craftsmanship, cultural symbolism, and differentiated aesthetics, reinforcing our position as a leading brand in the cultural and creative sector.

Domestically, we are accelerating the expansion of our offline retail footprint through self-operated stores in high-traffic cultural and commercial locations. Internationally, we plan to scale our offline distribution network in key overseas markets, particularly through curated partnerships with local resellers and retail channels. This dual-channel strategy enables us to build deeper consumer engagement, strengthen brand exposure, and unlock new sources of revenue.

As part of our broader material and category exploration, we are also selectively investing in the development of a gold cultural and creative product line. These products incorporate smaller-scale, symbolic formats such as pendants, charms, and decorative miniatures that appeal to consumers seeking both emotional resonance and material elegance. Drawing on the artisanal techniques refined through our copper craftsmanship, we adapt our design and production processes to reflect the higher material value and intricacy of gold, while retaining a focus on cultural meaning and artistic expression.

Optimizing an omnichannel sales network for a seamless retail ecosystem

We aim to optimize and expand our omnichannel sales network by integrating online and offline strategies into a unified retail ecosystem that enhances consumer interaction, brand consistency, and market coverage. Online engagement remains a core strength and growth engine of our business. We will continue to deepen this advantage by leveraging social media, livestreaming platforms, and content-driven strategies to refine consumer targeting and boost conversion. Through strategic integration of digital media resources, we intend to strengthen our presence on key platforms and enhance customer loyalty, and expand our reach across diverse consumer segments.

Offline, we plan to significantly scale our self-operated retail footprint in China's major metropolitan and regional centers. As of December 31, 2024, we operated 9 self-operated stores. In the future, we intend to open an additional 30 stores over the next three years, focusing on tier-one, new tier-one and tier-two cities such as Beijing, Shanghai, Hangzhou, Xi'an and Fuzhou. These stores will be designed as immersive cultural spaces that combine product showcases with curated storytelling and interactive elements, offering a differentiated consumer experience and deepening brand resonance.

In parallel, we are proactively optimizing our distributor network in the PRC. During the Track Record Period, we began phasing out underperforming or subscale offline distributors whose market reach and brand alignment no longer matched our strategic goals. This allows us to allocate more operational resources toward developing self-operated stores while focusing our offline partnerships on higher-quality, regionally effective distributors. Through this dual-track approach, we aim to deliver a more consistent consumer experience, improve channel efficiency, and support long-term brand development.

Improving demand forecasting and resource allocation to optimize order fulfillment

One of our core operational priorities is to enhance production planning and delivery efficiency in response to fluctuating consumer demand and extended pre-order lead times. While our highly detailed handcrafted products naturally entail longer production cycles, the fundamental challenge lies not in absolute production capacity, but in how that capacity is allocated and how accurately we forecast demand across product lines.

During the Track Record Period, certain products experienced concentrated surges in demand that outpaced internal sales forecasts, placing pressure on workshop scheduling and skilled labor allocation. These fluctuations led to temporary imbalances in capacity utilization, and extended pre-order windows for select items, sometimes lasting several months. Despite these localized pressures, our overall production capacity utilization remained relatively high. In the years ended December 31, 2022, 2023, and 2024, our production capacity utilization rate was 99.7%, 99.3% and 101.7%, respectively. We aim to further optimize this by improving allocation efficiency and scaling output capacity where needed.

To address these challenges, we are refining our integrated planning framework to enhance visibility across sales and production functions and enable more responsive capacity allocation. Key components of this framework include:

- SKU-level planning for products: For our historically best-performing SKUs that remain within their product lifecycle, we intend to project monthly production requirements based on expected annual sales target to ensure steady fulfillment without overconcentration of workshop resources.

- Production forecasting for new launches: For newly developed SKUs, we aim to establish full-year planning models covering projected launch volume, pricing tiers, and rollout schedules. These models will be used to guide phased production plans and mitigate front-loaded demand surges.

- Refinement of process-level manpower models: For our top-selling products, we are compiling detailed production cycle data, including per-process labor time, to determine optimal staffing combinations for stable and efficient workshop operations.

- Pre-production simulation for upcoming SKUs: For each upcoming product line, we will estimate anticipated labor input across major steps and formulate best-fit process combinations, enabling smoother ramp-up and minimizing learning curve disruptions.

- Enhanced demand forecasting using data from e-commerce platforms, social media engagement, and pre-order trends, allowing for more precise allocation of production resources in real time.

- Implementation of early-warning mechanisms and feedback loops to promptly adjust production scheduling in response to deviations from forecasted demand.

- Digital enablement through integrated systems, including data analytics tools, inventory monitoring platforms, and production scheduling software.

This framework will not only improve planning accuracy and reduce volatility but also support the gradual enhancement of our overall production capacity, allowing us to meet consumer expectations while preserving the artisanal essence of our brand. We aim to deliver a more balanced and responsive fulfillment experience that matches the pace of our expanding product portfolio.

Expanding regional presence and advancing global cultural resonance

We are pursuing a focused and culturally rooted international expansion strategy, beginning with markets that share historical, linguistic, or cultural affinity with Chinese craftsmanship. Our near-term priority is Southeast Asia, where consumer appreciation for symbolic artistry, coupled with a strong offline retail culture, presents a natural opportunity for market entry. We also plan to progressively expand into Hong Kong and Macau, using these culturally aligned regions as the initial hubs and bridges for broader international development.

We are preparing to enter the Southeast Asia markets with a focus on offline sales channels, including partnerships with regional distributors and select placements in high-traffic retail spaces such as cultural venues and shopping malls. In these regions, offline engagement plays a pivotal role in shaping brand perception, enabling consumers to physically experience our craftsmanship and storytelling.

In the medium to long term, we plan to explore additional opportunities in Japan and Europe. These markets are expected to represent the next phase of our international expansion following the establishment of brand awareness and operational foundations in Southeast Asia. As part of our early-stage efforts, we have participated in one exhibition in Europe to further showcase our brand and connect with local distributors and cultural consumers.

We aim to become a conduit for cultural exchange by introducing Chinese cultural symbols and craftsmanship to global audiences. As interest in "Guochao" and Eastern design continues to grow internationally, we believe that our products offer a compelling narrative that blends artistic depth with modern sensibility. Through thoughtful regional expansion and a focus on offline experiential retail, we aspire to shape a global appreciation for Chinese artistry that is both emotionally resonant and culturally authentic.

Selective digital enhancement to support operational efficiency

We view digital technologies as a complementary tool to support our core operations in design, craftsmanship, and retail. While our business remains fundamentally rooted in cultural creativity and artisan execution, we are selectively enhancing digital capabilities in areas where they can improve planning, coordination, and resource efficiency.

Our strategy focuses on practical, lightweight, and modular solutions aimed at enhancing cross-departmental visibility and improving the efficiency of production, warehousing, and sales coordination. In particular, we are in the process of implementing enterprise software systems tailored to our business needs, including a Manufacturing Execution System ("**MES**") for production planning, on-site execution, and traceability, as well as a Warehouse Management System ("**WMS**") for inventory tracking, inbound and outbound logistics, and cycle counting. These systems are expected to be developed and deployed in stages, with matching terminal hardware instaled to enable real-time data collection and system operability. We also plan to upgrade our IT infrastructure through the deployment of supporting hardware such as data servers, network firewalls, and IoT-enabled sensor nodes, which will improve information security and support real-time tracking of materials and workflow status across key production and storage locations.

Together, these upgrades are expected to improve our ability to anticipate consumer demand, allocate production resources more effectively, and respond more rapidly to fluctuations in order volumes and inventory levels.

OUR PRODUCTS

Our Product Categories

We design, develop, manufacture, and sell a diverse range of cultural and creative products that blend traditional Chinese artistry with modern aesthetics. With a deep commitment to craftsmanship and cultural storytelling, our product portfolio is centered around copper-based cultural and creative products, complemented by plastic collectibles and trendy toys as well as silver and gold cultural and creative products. For the years ended December 31, 2022, 2023, and 2024, revenue generated from copper-based cultural and creative products accounted for 95.4%, 96.3% and 96.6% of our total revenue, respectively.

Our products can be classified into four main categories based on material and craftsmanship: (i) copper-based cultural and creative products, (ii) plastic collectibles and trendy toys, (iii) silver cultural and creative products, and (iv) gold cultural and creative products. Each product category is curated to integrate traditional craftsmanship with modern innovation, catering to various consumer preferences and market trends.

The following table sets forth the breakdown of our revenue by product categories during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*% of Revenue*	*RMB'000*	*% of Revenue*	*RMB'000*	*% of Revenue*
Copper-based cultural and creative products	479,645	95.4	488,005	96.3	551,251	96.6
– Copper ornaments	428,004	85.1	434,161	85.7	497,831	87.2
– Copper carved paintings	51,641	10.3	53,844	10.6	53,420	9.4
Plastic collectibles and trendy toys	3,286	0.7	13,304	2.6	14,252	2.5
Silver cultural and creative products	4,771	0.9	3,320	0.7	4,232	0.7
Gold cultural and creative products	–	–	–	–	1,274	0.2
Wooden cultural and creative products	15,483	3.0	1,754	0.4	179	0.0
Total	**503,185**	**100.0**	**506,383**	**100.0**	**571,188**	**100.0**

Building on our deep-rooted expertise in copper craftsmanship, we have progressively expanded our product offerings into gold-based cultural and creative crafts. This transition represents a natural evolution in material innovation and artistic expression, as both copper and gold are malleable metals suitable for detailed sculpting, engraving, and casting. The shared properties between these metals allow us to leverage synergies in design, craftsmanship, and production processes, enabling a smoother and more efficient expansion.

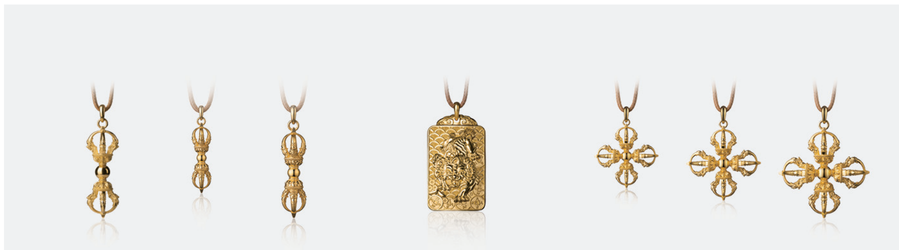
Our gold cultural and creative products are marketed under a dedicated sub-brand, "Xijiang gold shop," which signifies a new chapter in our journey to reinterpret traditional Chinese aesthetics through precious metals. This brand is positioned to appeal to discerning collectors and consumers who seek auspicious, refined, and symbolically meaningful gold pieces that blend cultural depth with artisanal excellence. By applying traditional techniques such as lost-wax casting, engraving, and high-polish finishing, we have developed a premium line of gold collectibles that reflect both decorative artistry and intrinsic value. These products are crafted with 999 pure gold and designed to commemorate heritage, blessings, and timeless mythology. In addition to our gold offerings, select SKUs under the "Xijiang Gold Shop" sub-brand are also available in pure silver versions.

As of the Latest Practicable Date, our popular gold product line includes:

- *Vajra Pendant (*金剛杵): inspired by the traditional Vajra, a ritual object symbolizing indestructibility and spiritual power in Buddhist culture, this pendant is meticulously crafted in pure gold. It embodies strength and resilience, serving as a talisman for protection and spiritual growth.

- *Pixiu Gold Amulet (金貔貅牌)*: a solid gold amulet featuring the legendary creature Pixiu (貔貅), traditionally regarded as a powerful symbol of wealth accumulation and protection.

Gold Cultural and Creative Products



During the Track Record Period, we also offered a limited range of wooden cultural and creative products under our "Weitan" brand. For the years ended December 31, 2022, 2023, and 2024, revenue generated from wooden cultural and creative products accounted for 3.0%, 0.4% and less than 0.1% of our total revenue, respectively. Both the absolute value and proportion of revenue from this category were low, and the significant decrease resulted from our decision to cease production of wooden cultural and creative products starting in 2022. Revenue in the subsequent period was primarily derived from the sale of remaining inventory.

Copper-Based Cultural and Creative Products

Copper-based cultural and creative products form the foundation of our product portfolio, embodying a seamless fusion of traditional craftsmanship, modern aesthetics, and artistic storytelling. Our commitment to copper craftsmanship is deeply rooted in its historical significance in Chinese art, leveraging the material's malleability, durability, and aesthetic versatility to create an extensive range of products that cater to both collectors and contemporary consumers.

To address diverse consumer preferences, we have structured our copper-based cultural and creative products into two primary brands. "TONGSHIFU" is our core brand, offering a wide range of copper cultural and creative products that integrate traditional Chinese cultural themes with modern design. "Tai Tong (太銅)," on the other hand, represents our mid-to-high-end, collectible-grade series. The name "Tai Tong" symbolizes the ultimate in copper artistry, embodying the fusion of soul and craftsmanship. This brand targets consumers who value high-quality, unique pieces that serve as emotional anchors and convey cultural depth.

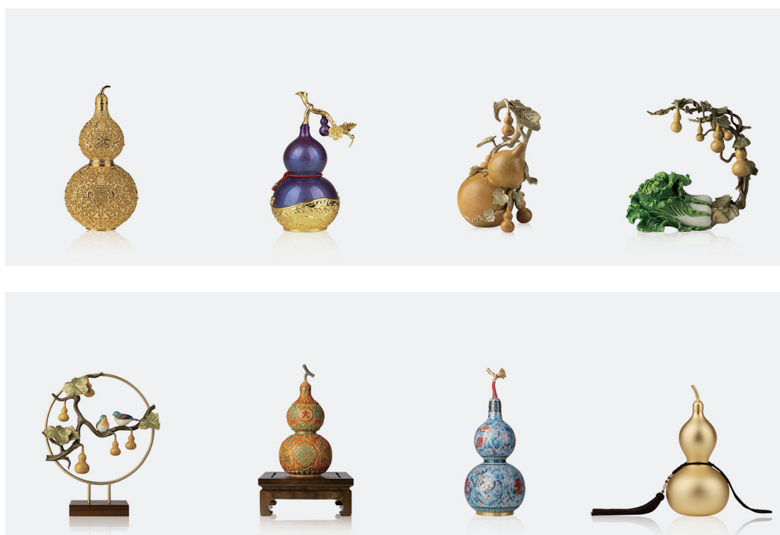
Our copper-based cultural and creative products are further segmented into two primary categories: (i) copper ornaments and (ii) copper engraved artworks. Among these, copper ornaments account for the majority of our sales, reflecting strong consumer demand for three-dimensional artistic expressions inspired by Chinese mythology, history, and folklore.

Copper ornaments

Two of our most iconic and best-selling copper ornament series are the Copper Gourd series and the Great Sage series. As flagship lines under our "TONGSHIFU" brand, both series exemplify our ability to develop culturally resonant, design-rich collections that evolve over time through artistic innovation and consumer insight. These products have consistently ranked among our top-selling items across major online, with strong consumer engagement and high repurchase rates.

The Copper Gourd series draws inspiration from the traditional Chinese symbol of the hulu (葫蘆), long associated with good fortune, health, and protection. This series originated from our earliest value-driven product offering – *Copper Blessing Gourd (好運銅葫蘆)*, which helped introduce a wider audience to copper craftsmanship. Since then, the series has expanded into a diverse collection of artistic expressions with increasing complexity, material refinement, and symbolic richness.

Copper Gourd Series



Key pieces within the series include:

- *Floral Silk Gourd (花絲葫蘆):* A premium collectible crafted with authentic filigree (花絲) techniques and real gold plating, showcasing elaborate floral patterns and classical craftsmanship.

- *Great Fortune Gourd (大吉大利葫蘆):* A stylized form representing auspiciousness and prosperity, commonly used as a New Year's blessing gift.

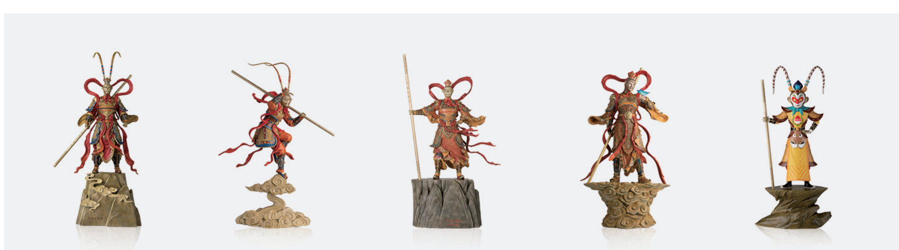
- *Five Gourds of Fortune (福祿滿堂):* This design fuses Taoist philosophy and folk symbolism by shaping five copper gourds into a harmonious composition representing *fu* (福, happiness), *lu* (祿, status), *shou* (壽, longevity), *xi* (喜, joy), and *cai* (財, wealth). The gourd itself is a well-known talisman for warding off illness and attracting positive energy. Together, the five gourds form a complete blessing for a fulfilling and balanced life.

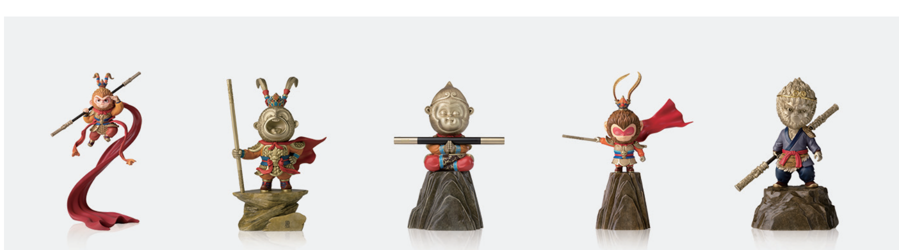
The *Great Sage* series is one of our most iconic and successful original IP collections, inspired by Sun Wukong (孫悟空), the legendary figure from the classic Chinese novel Journey to the West. In Chinese tradition, the titles "Great Sage", "Sun Wukong," and "Monkey King" all refer to this singular mythological hero, who is a rebellious spirit born from stone, who defies heaven, protects his companions on a sacred journey, and ultimately achieves spiritual awakening.

The name "Great Sage" was self-declared by Sun Wukong in the original novel, expressing his challenge to celestial authority and desire for recognition. In modern usage, "大聖" also echoes the homophone "大勝," meaning "great victory," adding a layer of symbolic meaning that associates the character with triumph, perseverance, and the courage to overcome. This cultural nuance reinforces the resonance of the series name and its broader appeal as a symbol of success and transformation. Our Great Sage series reinterprets this enduring figure through a sculptural narrative that evolves across editions. Each piece explores a distinct stage of Sun Wukong's mythic journey from youthful defiance, to disciplined growth during the pilgrimage with Tang Sanzang, and finally, to enlightened transcendence. Through this structure, the series captures a universal emotional arc of self-discovery and empowerment, offering consumers not just artistic storytelling but also a personal connection to values of resilience and inner strength.

This flagship series spans both copper ornaments and copper engraved artworks, showcasing our craftsmanship through diverse formats. Each edition is meticulously rendered with distinctive armor design, dynamic posture, and expressive detail, and embodying the fierce spirit, inner struggle, and redemptive energy of Sun Wukong. Our team of in-house sculptors has developed a proprietary visual identity for Wukong, gradually evolving his facial structure, musculature, and signature motifs to create a character image that is instantly recognizable and distinct from conventional or animated portrayals.

Great Sage Series





Signature pieces in the Great Sage series include:

- *Legendary Great Sage Collector's Edition (大聖傳奇珍藏版)*: A museum-scale figure that set the tone for the series with its detailed armor, flowing cape, and dramatic combat stance.

- *Hero of the Ages (蓋世英雄)*: Capturing the essence of Sun Wukong in a dynamic and powerful pose. This sculpture depicts Sun Wukong leaping through swirling clouds, his golden staff poised mid-swing, embodying bravery, ascension, and triumph. The intricate detailing of his flowing garments and the expressive movement conveys a sense of relentless determination and heroic vigor. This piece resonates deeply with our customers, symbolizing the pursuit of victory and the embodiment of success.

- *My Fate is Mine (我命由我)*: A pose exuding defiance and self-determination, resonating with younger consumers seeking empowerment themes.

- *Soaring Beyond the Clouds (一飛沖天)*: Showcases Wukong in mid-air ascension, riding wind and cloud, which is a metaphor for personal breakthrough and upward momentum.

The Great Sage series quickly achieved viral popularity upon launch, and it has since become a cornerstone of our storytelling system and fan ecosystem, featured prominently in livestream campaigns, limited-edition product drops, and seasonal collections. As an emotional symbol of perseverance, transformation, and cultural pride, this series continues to define our brand's unique contribution to the modern revival of traditional Chinese mythos.

Traditional Culture Series

This series brings legendary historical figures and cultural icons to life, capturing the spiritual essence of Chinese history, literature, and folklore through sculptural reinterpretation. By blending classical inspiration with modern artistry, these works serve as emotional tributes to timeless virtues such as wisdom, integrity, and transcendence.

Signature pieces include:

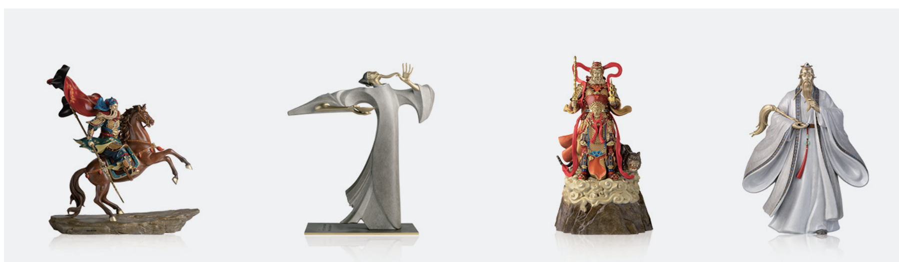
- *Righteous Spirit of Heaven and Earth (天地正氣), Guan Yu Series*: As one of our signature original IPs, the Guan Yu Series pays tribute to the revered general Guan Yu (關羽), who is long honored as a symbol of loyalty, courage, and justice. This flagship piece depicts him in a horizontal-blade stance, grasping the Green Dragon Crescent Blade (青龍偃月刀) across his chest. The sculpture conveys a powerful sense of moral authority and martial strength. Traditionally placed in homes and temples to ward off evil and attract prosperity, the piece remains a contemporary emblem of fairness, commercial success, and protective energy.

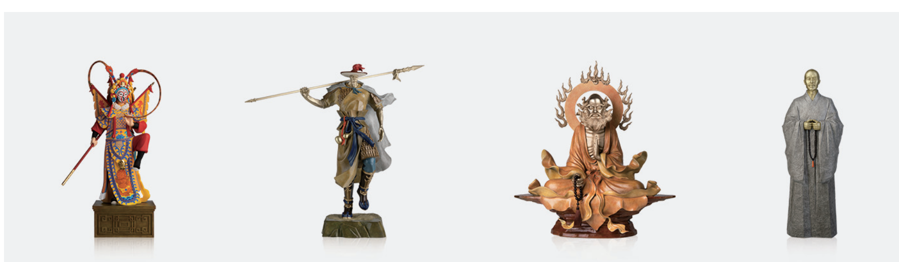
- *Poetry Immortal Li Bai (詩仙李白)*: A tribute to the famed Tang Dynasty poet, this sculpture embodies elegance and free-spiritedness, with expressive forms that evoke the rhythm and grace of classical Chinese poetry.

- *Charms of Peking Opera (京劇魅力)*: This series pays homage to the profound cultural artistry of Peking Opera, widely regarded as one of China's national treasures. Each piece integrates iconic visual elements such as vividly colored facial masks, elaborate headdresses, and flowing robes to recreate the expressive power and stylized aesthetics of this traditional performing art. Through sculptural language, we reinterpret emblematic roles such as Sheng (生), Dan (旦), Jing (淨), and Chou (丑), infusing them with narrative depth and theatrical presence.

- *Immortal Aura from Wudang (仙風道骨), in collaboration with Wudang Taoist Culture (武當文化聯名)*: This work draws inspiration from the serene mysticism and martial philosophy of Wudang Mountain, a revered center of Taoist tradition. Crafted with flowing lines and minimalist form, the piece evokes the Taoist ideals of balance, nature, and spiritual transcendence.

Traditional Culture Series





Cultural Relic Revival Series

The Cultural Relic Revival Series represents our commitment to reinterpreting traditional Chinese artifacts through modern craftsmanship and creative transformation. Drawing inspiration from the country's vast historical heritage, this series bridges ancient relics with contemporary aesthetics, allowing cultural icons to resonate with today's audiences in new and emotionally engaging ways. Many of the works in this series are original reinterpretations or refined adaptations of well-documented historical artifacts, infused with new meaning, form, and storytelling. In addition to our independent re-creations, we have also collaborated with leading national and regional museums to co-develop themed products based on selected relics. These collaborations not only provide authoritative cultural context and historical credibility to our work, but also support museums in their efforts to promote heritage education and broaden the influence of China's CCI.

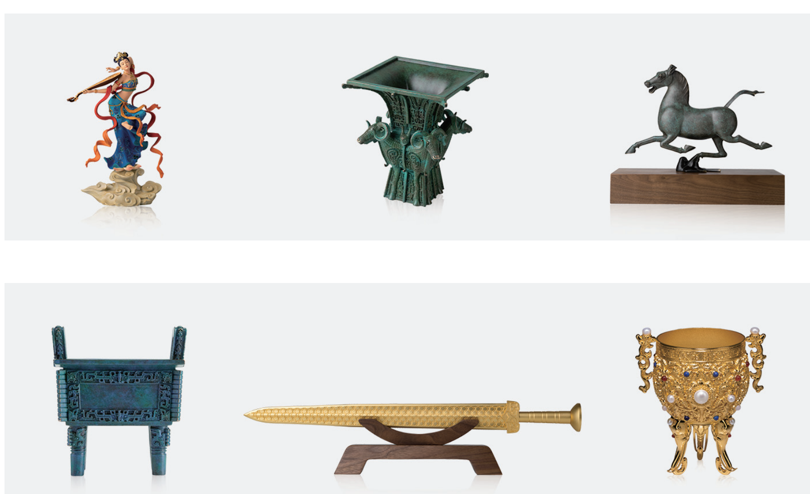
Our designers study the artistic language and spiritual essence of each artifact, then recompose them as contemporary expressions that carry relevance, humor, emotion, and even satire, making them more accessible to modern consumers while preserving their original cultural gravitas. Among the most representative sub-series are:

- *Dunhuang Flying Apsaras (敦煌飛天)*: Inspired by the celestial figures in the murals of the Mogao Caves, this collection reinterprets flying apsaras with flowing motion, musical symbolism, and spiritual grace. Sculpted with layered relief and dynamic posture, these works embody the artistic splendor and religious beauty of Dunhuang culture.

- *Four-Rams Zun Reimagined (四羊方尊)*: Based on the iconic Shang Dynasty bronze vessel "Four-Rams Zun," this piece honors one of China's most important archaeological discoveries. Our reinterpretation preserves its monumental form and sculptural precision while introducing subtle narrative elements to re-contextualize the artifact as a symbol of solemnity, ritual legacy, and national pride.

- *Sword of King Goujian (越王勾踐劍)*: This meticulously crafted piece draws inspiration from the legendary Sword of King Goujian, a symbol of resilience and strategic acumen in Chinese history. The design captures the sword's distinctive features, including its intricate patterns and inscriptions, rendered through advanced metalworking techniques that honor traditional craftsmanship.

Cultural Relic Revival Series



Auspicious Homophone Series

Our Auspicious Homophone Series draws on the traditional Chinese practice of using phonetic puns and visual metaphors, known as Koucai, to convey well wishes and emotional meaning through sculptural form. Each piece in this series expresses blessings of peace, prosperity, health, wisdom, and success, using everyday symbols with culturally embedded double meanings. By integrating artisanal sculpting with linguistic symbolism, these works transform decorative objects into heartfelt tokens of good fortune.

Rooted in values of protection, harmony, and personal growth, the series is especially popular during weddings, housewarmings, graduations, and seasonal festivals such as the Chinese New Year. Their versatile symbolic messages also make them ideal gifts for professional milestones and family celebrations.

Key representative pieces include:

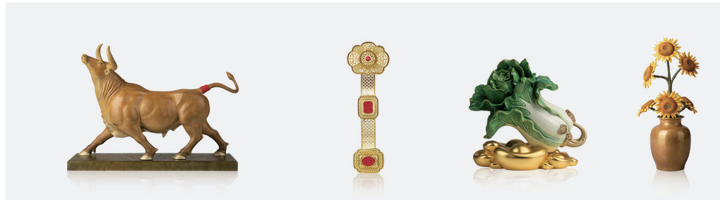
- *Double Joy of Fortune (喜事連連)*: This sculpture features a magpie perched upon a ripened persimmon tree, symbolizing the arrival of joyful news and a smooth path ahead. In Chinese, "喜" (joy) and "柿" (persimmon) together express the hope for continuous happiness and success. The image also suggests career advancement and fruitful endeavors.

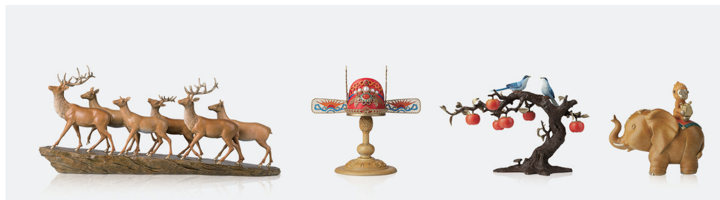
- *Wealth and Fortune (如意百財)*: A composition combining a golden *ruyi* and a jade-green cabbage (*baicai*, a pun for "hundred fortunes"), this piece symbolizes wealth, abundance, and auspicious returns.

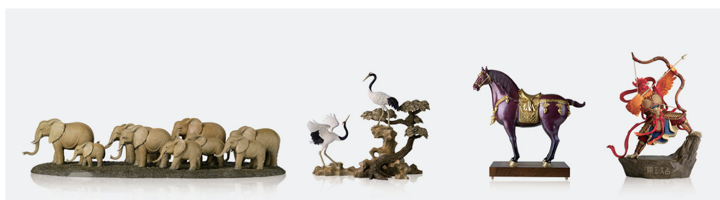
- *Endless Blessings of the Deer (鹿鹿大順)*: This multi-deer copper sculpture draws inspiration from the homophonic pun between "鹿" (deer) and "六" (six), echoing the traditional blessing "六六大順," which conveys wishes for enduring smoothness and good fortune. Each deer is sculpted in a distinct pose, collectively symbolizing harmony, continuity, and rising luck.

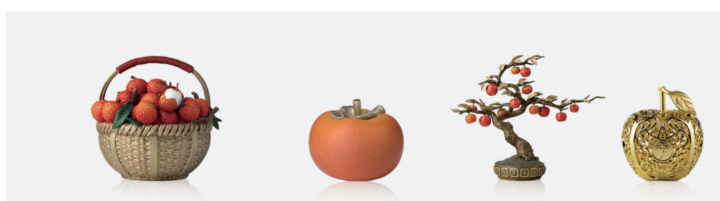
- *Peace Apple (吉祥蘋果)*: Inspired by the cultural significance of apples as *pinganguo* (平安果), this design symbolizes peace, safety, and well-being. Whether gifted on Christmas Eve, weddings, or birthdays, the red apple carries multi-layered meanings of health, harmony, and fortune. In Qing Dynasty traditions, apples were also placed near bridal saddles to bless a peaceful marriage, deepening its cultural resonance.

Auspicious Homophone Series









Mythology and Folklore Series

Our Mythology and Folklore Series draws inspiration from traditional Chinese myths, folk customs, and symbolic imagery. We reimagine these time-honored figures, stories, and motifs through original sculptural design and contemporary craftsmanship, breathing new life into cultural heritage. Each work serves not only as an artistic object but also as a modern emotional medium, aligning traditional values with the lifestyle sensibilities of today's consumers. Through the creative transformation of symbolic elements, we aim to revitalize folk beliefs and deliver blessings of harmony, prosperity, and resilience in a more relatable, trend-conscious form.

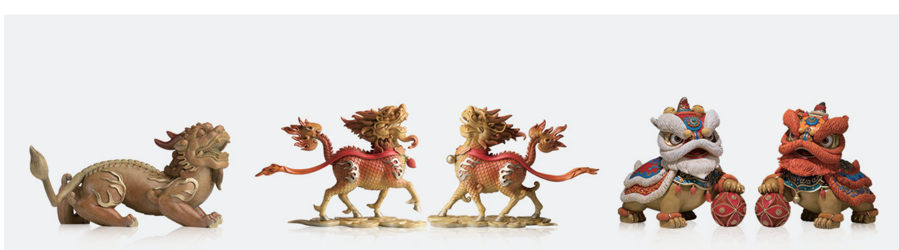
Key representative pieces include:

- *Guanyin (觀音)*: Rooted in Buddhist iconography, these pieces offer serene interpretations of Guanyin, the Bodhisattva of compassion. Works such as *Serene Guanyin (自在觀音)* and *Water-Moon Guanyin (水月觀音)* depict themes of peace, clarity, and spiritual guidance. They are widely favored as symbols of inner calm and family protection.

- *Auspicious Awakening Lion (獅舞祥瑞)*: A flagship work in our Awakening Lion Series, this sculpture captures the spirit of the traditional lion dance, a vibrant performance art widely associated with warding off evil and welcoming good fortune. The lion's upright posture and open-mouthed roar convey vitality, protection, and communal joy. Often used during Chinese New Year or grand openings, this piece embodies wishes for peace, prosperity, and smooth new beginnings.

- *Kṣitigarbha Bodhisattva (地藏王菩薩)*: Revered as the guardian of the underworld and the protector of the departed, Kṣitigarbha Bodhisattva is deeply venerated for his boundless compassion and unwavering vow to save all sentient beings. Our sculpture portrays him in a meditative stance, holding the sacred staff and wish-fulfilling jewel, radiating a sense of serenity, resolve, and spiritual comfort.

Mythology and Folklore Series



Licensed IP Collaborations

We enrich our product ecosystem through curated partnerships with leading global and domestic intellectual properties, aligning traditional Chinese craftsmanship with internationally and culturally resonant narratives. These collaborations enable us to diversify our creative portfolio, enhance cross-generational appeal, and expand into broader consumer segments.

During the Track Record Period, we collaborated with several prominent entertainment companies to develop original copper ornament series that reinterpret globally recognized characters through traditional Chinese craftsmanship. These partnerships span animated, cinematic, and cultural domains, and are executed under licensed arrangements with both international and domestic IP holders. These collaborations enrich our product ecosystem, extend the expressive potential of copper-based art, and help engage broader consumer segments across different cultural narratives. For further details, please see "– Our IP Portfolio – Strategic IP Collaborations and Licensed Partnerships" in this section.

Copper engraved artworks

Our copper engraved artworks embody a unique fusion of classical Chinese aesthetics and traditional metal craftsmanship. By reimagining two-dimensional paintings and symbolic motifs as richly layered copper reliefs, we transform artistic expression into a tactile, dimensional experience. Each piece is meticulously engraved by skilled artisans using time-honored techniques such as hand-hammering, chisel carving, and oxidation treatment to achieve depth, texture, and visual resonance. These works are crafted for both wall-mounted and desktop display, offering timeless artistic value and cultural meaning across personal and ceremonial spaces.

Through the integration of heritage, symbolism, and narrative, our copper engraved artworks span a wide spectrum of themes and styles. Representative pieces include:

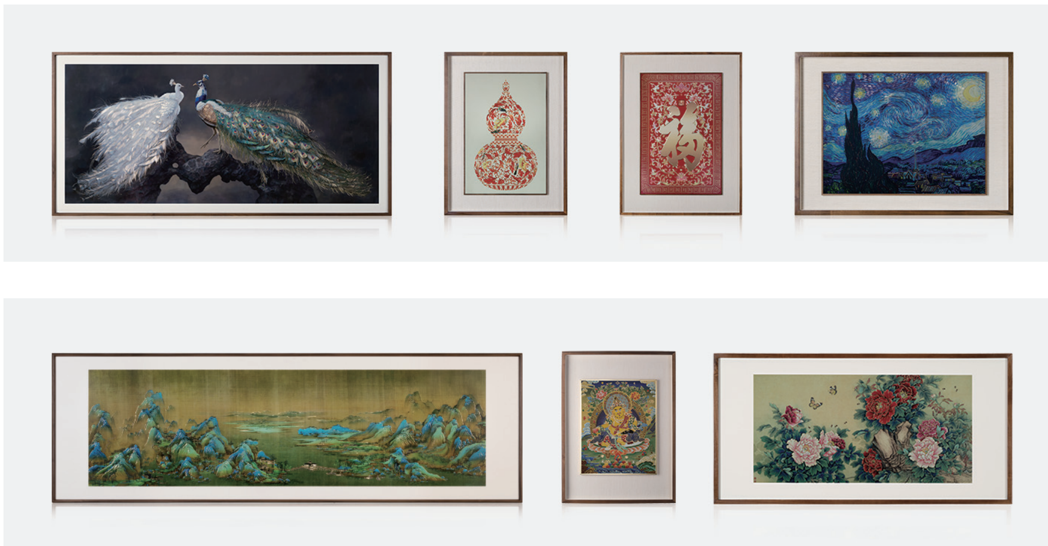
- *A Thousand Miles of Rivers and Mountains (千里江山圖)*: A reinterpretation of Wang Ximeng's Song Dynasty masterpiece, capturing vast landscapes and flowing waters through layered engraving, oxidized tones, and compositional balance.

- *Peerless Grace (絕代雙驕)*: A refined copper engraving under our Tai Tong brand, this piece portrays a pair of peacocks in full plumage, symbolizing beauty, nobility, and harmony. The symmetrical composition and intricate feather detailing highlight both natural elegance and auspicious connotations in Chinese tradition.

- *Fragrant Garden (花香滿園)*: This exquisite copper engraved artwork showcases a harmonious array of blooming flowers, including peonies, chrysanthemums, and plum blossoms, intricately arranged to evoke the essence of a flourishing garden. Each bloom is meticulously crafted, capturing the delicate textures and vibrant energy of nature in full bloom.

- *Yellow Jambhala (黃財神)*: A spiritual depiction of the Tibetan deity of wealth, this Thangka engraving is detailed with symbolic motifs and precise linework.

Copper Engraved Artworks



Our Thangka Series represents the reinterpretation of traditional Tibetan Buddhist scroll paintings, or thangkas, into copper engraved artworks. Historically crafted on cotton or silk to depict deities, mandalas, or spiritual teachings, thangkas hold deep religious and cultural significance in Buddhist practice. Our adaptations preserve their spiritual iconography while elevating their permanence and sculptural dimension.

We also actively collaborate with a curated group of contemporary Chinese artists to expand the expressive dimensions of copper engraving, blending traditional metalcraft with modern artistic vision. These partnerships reinterpret classical motifs, natural subjects, and cultural symbols through a range of aesthetic perspectives, which spanning from fine-line realism and botanical symbolism to stylized abstraction and East-West cultural fusion. By inviting diverse creative voices into our copper engraving practice, we enrich our portfolio with layered compositions that resonate with modern collectors and elevate our narrative depth.

Plastic Collectibles and Trendy Toys

To engage younger, trend-conscious consumers, we developed a sub-brand named "Huanxi Xiaojiang," a line of plastic collectibles that blend traditional Chinese culture with modern design sensibilities. These figures are lighter and more affordable than our copper-based products, emphasizing interaction and collectability. This category allows for rapid design iteration and replenishment, making it a vibrant and agile complement to our core copper-based product lines.

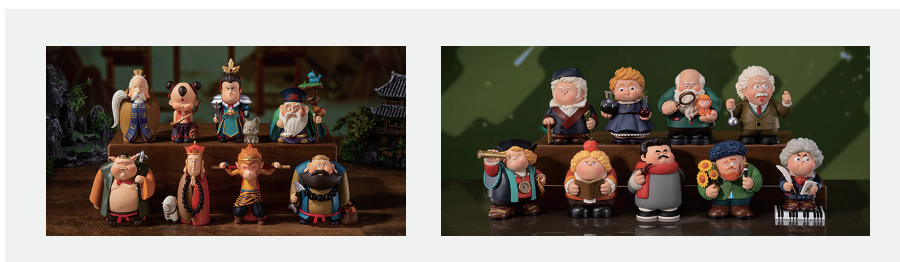
For the years ended December 31, 2022, 2023 and 2024, revenue generated from plastic collectibles and trendy toys accounted for 0.7%, 2.6%, and 2.5% of our total revenue, respectively, reflecting their strategic role in brand diversification and youth engagement.

Key collections include:

- *Adorable Journey to the West (萌説西遊)*: A whimsical take on the classic novel, this series presents beloved characters like Sun Wukong and Tang Monk in endearing, stylized forms that appeal to fans of all ages.

- *Victory in Every Exam (逢考必勝)*: The figures in this sub-series draw inspiration from the time-honored Chinese wish for academic success. The characters hold symbolic examination scrolls and wear traditional attire associated with scholarly honor, reinterpreted in a lively, cartoonish form. Its compact size and cheerful demeanor make it a popular gift for students, particularly during exam seasons or graduation periods.

Huanxi Xiaojiang Series



These collections exemplify our commitment to original IP development and innovation, offering products that are not only culturally rich but also infused with a sense of fun and modernity.

Silver Cultural and Creative Products

Our "Yueyin (閱銀)" brand offers silver cultural and creative products as a refined complement to our core copper-based offerings. Leveraging silver's distinct material advantages such as antimicrobial properties, high thermal conductivity, and malleability, we focus primarily on functional and decorative applications, including tea sets, accessories, and symbolic ornaments. Compared to copper products, silver creations emphasize elegance, everyday usability, and a more understated aesthetic, catering to consumers who appreciate both cultural heritage and practical refinement.

For the years ended December 31, 2022, 2023 and 2024, revenue generated from silver cultural and creative products accounted for 0.9%, 0.7%, and 0.7% of our total revenue, respectively. Our silver product line plays a valuable supporting role in diversifying our material portfolio and enriching our cultural expression across product categories.

Our Product Development

Our product development is the foundation of our business and is functionally integrated with our research and development efforts. In our context, research and development does not generate proprietary core technologies, but rather serves as a practical and creative engine for continuous SKU creation, product iteration, and original IP expansion. Substantially all of our research and development resources are dedicated to the conceptualization, sculpting, sampling, and process refinement involved in new product development. As of December 31, 2024, we had 119 full-time research and development personnel. These employees are embedded within our project teams, and their work follows a project-based structure, with each cycle typically resulting in new product releases or refreshed IP lines.

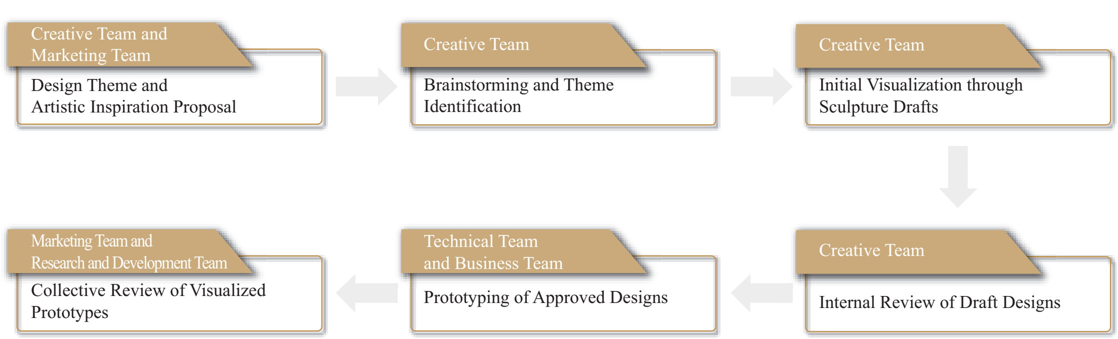
Our product development philosophy emphasizes cultural storytelling, artisanal precision, and market responsiveness. From initial design sketches to mold development and trial production, each stage is governed by an iterative review process that balances creative intent with technical feasibility and production scalability. This integrated system enables us to maintain high product freshness, preserve cultural authenticity, and reinforce our brand identity through an ever-expanding range of copper-based cultural and creative products.

Creative Product Development

Our creative product development follows a dual-track approach, combining self-developed IPs with licensed collaborations to ensure a diverse and commercially viable portfolio. We prioritize a design-first philosophy, where originality and cultural relevance are fundamental to our offerings.

To foster innovation, we have established a dedicated Research and Development Center, led by our founder and supported by specialized teams, including our creative team, marketing team and business team. Our founder, Mr. Yu, plays a central role in steering the creative direction of our brand, drawing upon his extensive artistic background and deep understanding of Chinese cultural heritage. He is personally involved in the conceptual review, aesthetic judgment, and final approval of all major original IPs, ensuring consistency in artistic vision and cultural authenticity across our product lines. This structure enables us to refine our product ideas through a rigorous, multi-stage process.

Please see below a flowchart of our creative product development process.



(i) Concept exploration and market research

Our creative team and marketing team initiate this phase by identifying emerging cultural themes, artistic trends, and consumer preferences. Through extensive market research, we analyze competitor products, conduct industry benchmarking, and explore market gaps. We collaborate with cultural institutions and renowned artists to derive inspiration from traditional and contemporary art. This phase ensures that our product concepts align with both artistic vision and commercial viability.

(ii) Design ideation and sculpting

Once a concept is selected, the creative team translates ideas into tangible designs. Initial sketches are developed alongside 3D digital models to visualize form and proportions. Traditional hand-sculpting techniques are incorporated to preserve artistic integrity, while advanced digital modeling allows for precision adjustments. Multiple rounds of internal reviews refine proportions, detailing, and material feasibility while ensuring alignment with cultural authenticity.

(iii) Internal review and prototyping

Our creative team works closely with our technical team and business team to conduct feasibility assessments. Prototyping is executed using rapid prototyping methods such as 3D printing and clay modeling. Each prototype undergoes an evaluation for structural durability, aesthetic coherence, and manufacturability. This stage ensures that the product can be efficiently produced while maintaining artistic excellence.

(iv) Pre-production testing and refinement

Our marketing team and research and development team collaborate to conduct material quality control trials, durability, and finishing techniques. Advanced production techniques, including lost-wax casting and mold injection, are tested to confirm consistency in manufacturing. Adjustments are made to enhance production efficiency while preserving intricate artistic details.

(v) Market introduction and iterative optimization

Once the product enters the market, our marketing team and creative team analyze consumer feedback and sales performance. This data-driven evaluation helps identify areas for refinement and future improvements. Through iterative optimization, adjustments in design and production techniques are implemented to enhance product appeal and market responsiveness.

Licensed IP Product Development

In addition to our self-developed IPs, we maintain a structured process for the design and commercialization of licensed IP products. This process enables us to faithfully translate globally and domestically recognized IP assets into collectible artworks that are aligned with our brand positioning and craftsmanship standards.

(i) Licensing opportunity assessment and IP onboarding

Our business team, in collaboration with our marketing team, regularly evaluates potential licensing opportunities through market intelligence, trend monitoring, and cross-sector benchmarking. Selection criteria include IP cultural alignment, audience reach, licensing terms, and strategic relevance. Upon agreement, an onboarding process is conducted, during which licensing terms, visual identity guidelines, and usage rights are reviewed and documented by the Business Division in coordination with our legal and brand management teams.

(ii) Co-branded creative planning and adaptation

Our creative team leads the adaptation process by developing creative concepts that integrate the visual identity and thematic essence of the licensed IP with our distinctive design language. Co-branded development timelines, aesthetic boundaries, and review checkpoints are jointly established with the licensor. This stage often involves multiple rounds of sketching, digital modeling, and narrative refinement, ensuring that the final concept respects both the original IP and our brand values.

(iii) Prototype co-validation and licensor review

Our technical team and creative team jointly execute prototype production using internal sculpting and rapid modeling capabilities. Throughout this stage, licensor feedback is actively solicited and incorporated. Design elements such as posture, material finish, and brand representation are reviewed for approval. The prototype must meet both internal quality standards and licensor approval criteria before advancing to production planning.

(iv) Production alignment and IP compliance

Upon prototype approval, our technical team coordinates with our production team to ensure that all production specifications, molds, and finishing techniques comply with both internal standards and licensor requirements. Packaging, labeling, and co-branding visual elements are finalized under joint review, and licensor approvals are obtained for all market-facing materials.

(v) Market launch and performance monitoring

Our marketing team leads the coordinated launch of licensed IP products through designated channels, including self-operated stores and e-commerce platforms. Post-launch, we continuously monitor product reception, social media engagement, and sales performance. Our business team maintains regular reporting with licensors and initiates design renewal or expansion proposals based on market response and strategic alignment.

OUR IP PORTFOLIO

Our commitment to IP development is integral to our business strategy, enabling us to create distinctive cultural and creative products that blend traditional Chinese heritage with contemporary aesthetics. We have built a comprehensive IP portfolio, comprising both self-developed IPs and licensed IP collaborations, supported by a robust framework of design patents, copyrights, and proprietary techniques.

As of December 31, 2024, we had obtained 1,575 artistic copyrights, 285 design patents, 12 utility model patents, 9 software copyrights and 2 invention patents, reflecting our sustained investment in innovation and IP protection. In support of our IP strategy, we have established a dedicated creative research and development system composed of 119 research and development personnel as of December 31, 2024. We continue to expand our research and development talent base and deepen design specialization, as reflected by a steady increase in new SKU output across a broadening range of product categories and themes during the Track Record Period.

Intellectual property protection remains a cornerstone of our business. We actively secure design patents, artistic copyrights, and proprietary production techniques to safeguard our original creations. Our legal and compliance teams continuously monitor the market for unauthorized reproductions, taking swift action against infringement.

Self-Developed IPs and Original Design Capabilities

Our original IPs form the foundation of our brand identity and creative strategy. They reflect our ability to independently conceptualize, sculpt, and commercialize culturally resonant content grounded in Chinese tradition, while adapting to the evolving preferences and emotional needs of modern consumers. In the years ended December 31, 2022, 2023 and 2024, revenue generated from our self-developed IPs accounted for approximately 94.1%, 88.3% and 93.7% of our total revenue, respectively. These figures underscore our strategic focus on building a proprietary IP system that enhances brand identity, consumer engagement and gross profit margins.

Our IP creation capabilities are deeply rooted in our ability to reinterpret Chinese heritage with originality and relevance. Rather than relying solely on aesthetic replication, we explore the symbolic, spiritual, and emotional significance embedded in Chinese history, folk customs, and literary tradition. Our design philosophy emphasizes transformation over reproduction, fusing classical symbolism with new narrative formats, aesthetic updates, and usage scenarios that align with contemporary lifestyles and consumer psychology.

We organize our original IPs across multiple thematic and product dimensions, including:

- Cultural figures and historical icons: Reimagined through expressive figurative sculpture, such as iconic poets, generals, and scholars.

- Mythological and spiritual archetypes: Including reinterpretations of Sun Wukong, auspicious beasts, zodiac symbols, and Buddhist or Taoist deities.

- Symbolic and folk-inspired creations: Representing vernacular beliefs, seasonal rituals, and emotional blessings rooted in daily life.

- Cross-category artistic development: Spanning both copper sculptures and copper engraved artworks, our IPs are integrated across multiple display formats and usage contexts.

For further details on our IP families and representative product series, please refer to "– Our Products – Copper-Based Cultural and Creative Products" in this section.

We believe that our broad and continually evolving original IP portfolio is a key differentiator in the competitive cultural product industry. It enables us to maintain high product freshness, foster repeat engagement, and build brand equity over time. Looking ahead, we plan to further enrich our IP ecosystem with deeper storytelling, cross-category extension, and potential digital applications, supporting our vision to establish a globally admired Chinese art brand grounded in self-developed cultural narratives.

Strategic IP Collaborations and Licensed Partnerships

In addition to self-developed IPs, we actively collaborate with leading entertainment licensors, cultural media programs, and renowned museums to enrich our product portfolio and expand cultural accessibility. These collaborations are carefully curated to ensure alignment with our artistic philosophy and brand values. In the copper-based cultural and creative crafts market, we are currently the only enterprise to have secured licensed IP partnerships. Given the high barriers to entry, these licenses are typically granted only to partners who demonstrate excellence in craftsmanship, product safety, and narrative interpretation. Our ability to obtain and retain such IPs reflects both our technical capabilities and cultural credibility.

We have launched a series of licensed product lines inspired by a diverse set of cultural and entertainment IPs, including:

- *Game of Thrones* (權力的遊戲): copper collectibles inspired by the epic fantasy series, featuring iconic symbols and characters.

- *The Avengers* (復仇者聯盟), *Spider-Man* (蜘蛛俠), and *Iron Man* (鋼鐵俠): iconic superhero characters reimagined with expressive poses and intricate sculptural detailing.

- *Kung Fu Panda* (功夫熊貓), *Jurassic World* (侏羅紀世界), *Minions* (小黃人), *The Secret Life of Pets* (萌寵大作戰), *Fast & Furious* (速度與激情), *The Croods* (瘋狂原始人), and *Puss in Boots* (穿靴子的貓): well-known animated and live-action movies translated into collectible copper ornament form.

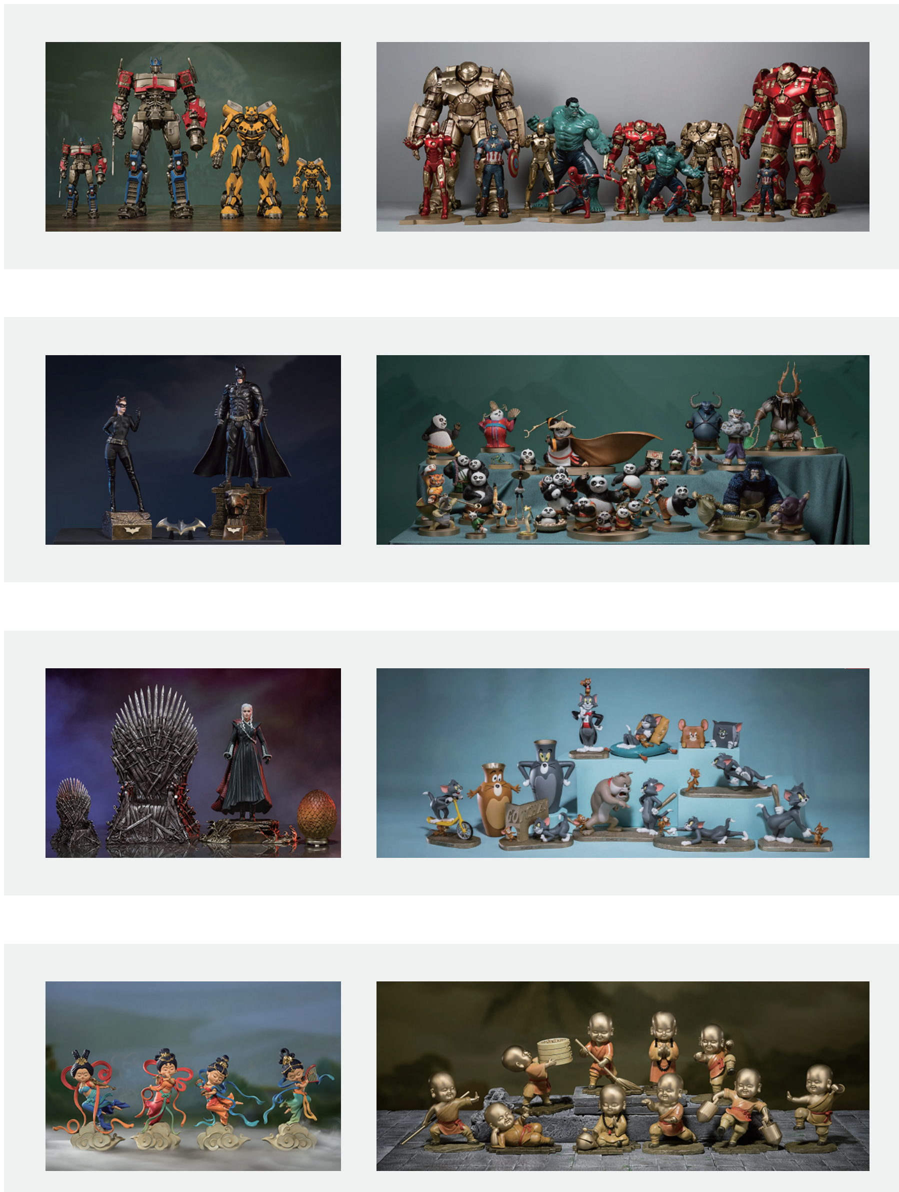
- *Transformers* (變形金剛): a futuristic robot series brought to life through high-relief sculptures featuring characters such as Optimus Prime and Bumblebee.

- *Tom and Jerry* (貓和老鼠): classic animated and action characters adapted into playful copper compositions.

- *Shaolin Life* (少林生活) and *Wudang Revisited* (又見武當): sculptural works rooted in traditional Chinese martial arts philosophy and iconography. Both Shaolin and Wudang represent distinct schools of Chinese kung fu and martial arts, with Shaolin emphasizing external strength and discipline, and Wudang focusing on internal cultivation and Taoist principles.

- *Dunhuang* (敦煌): mural-inspired works depicting flying apsaras (飛天), lotus flowers, and other Buddhist imagery from the Mogao Caves.

Our Licensed IP Products



OUR PRICING

Pricing Policy

Our pricing strategy is rooted in the principle of value-driven quality, emphasizing the artistic, cultural, and material value of each product while ensuring broad consumer accessibility. We aim to offer museum-grade craftsmanship and collectible artistry at a price range that reflects both aesthetic sophistication and production excellence.

We maintain a unified retail pricing policy across channels within the PRC, including online flagship stores, livestreaming platforms, distribution partnerships, and offline retail stores. Consumers are offered the same standard retail prices for identical products across these touchpoints, reinforcing price transparency, brand integrity, and channel discipline. For a limited portion of our overseas distribution, resale prices may differ from domestic retail prices due to variations in tariffs, logistics costs, and exchange rate fluctuations. Nevertheless, we work closely with international distributors to ensure pricing remains aligned with our global positioning and brand value.

During the Track Record Period, our online average transaction value per customer remained consistently above RMB750, which represents the blended average across our flagship stores on Douyin, Tmall and JD.com.

To support this pricing philosophy, we exercise rigorous cost control throughout the production chain:

- Raw materials procurement: We maintain long-standing relationships with certified suppliers of copper, silver, and other metal alloys, allowing us to stabilize input costs and ensure material quality.

- Production efficiency: By integrating traditional craftsmanship techniques with digital modeling, lost-wax casting, and CNC-assisted processes, we are able to preserve artisanal detail while scaling production economically.

- Process optimization: We operate a centralized production facility in Hangzhou, enabling us to consolidate procurement, training, and finishing techniques, thereby enhancing production yield and reducing wastage.

We do not rely on aggressive pricing promotions or undercutting strategies; instead, we let craftsmanship, narrative depth, and product quality speak for themselves.

In formulating our pricing structure, we take into account multiple factors, including:

- Raw material costs: Copper, silver, and other key materials are subject to market fluctuations. We optimize procurement strategies to minimize cost volatility.

- Production efficiency: Our ability to standardize manufacturing while preserving intricate craftsmanship allows us to control costs without sacrificing quality.

- Competitive landscape: We continuously benchmark against industry peers to ensure that our products offer superior craftsmanship at a compelling price range.

- Market demand and consumer behavior: We monitor purchasing patterns and customer feedback to refine our pricing approach, ensuring alignment with perceived value.

- Product category and positioning: Pricing varies across standard collections, limited editions, and IP collaborations based on their exclusivity and artistic complexity.

- Economies of scale: As our business scale expands, cost efficiencies enable us to maintain stable pricing while enhancing product offerings.

Price Management and Channel Supervision

We adopt a unified retail pricing approach across all sales channels to ensure market consistency and brand integrity. While we provide standard distributor discounts to our offline resellers, the resale prices to end consumers are consistent with those offered through our self-operated channels, including both online flagship stores and offline direct sales.

All promotional activities, including discount campaigns and bundled offerings, are centrally managed and uniformly applied across participating channels. Distributors who opt into such campaigns are required to follow the same pricing terms as our own platforms, ensuring a level playing field and avoiding intra-brand price disparity.

Price Review and Adjustments

We conduct regular pricing reviews based on a structured framework that evaluates material costs, consumer sentiment, product performance, and competitive positioning. These reviews are typically conducted in response to market developments, such as raw material price fluctuations or consumer preference shifts. Adjustments, when necessary, are implemented with caution and are often accompanied by tangible value enhancements, such as upgraded packaging, product detailing, or expanded functionality. This measured approach enables us to maintain stable pricing over time while reinforcing our commitment to quality and long-term customer value.

OUR PRODUCTION

We operate an integrated production and procurement model that combines in-house manufacturing with limited outsourced production. Our in-house production is conducted at our Hangzhou Facility, where we leverage the region's rich artisanal heritage and advanced supply chain infrastructure. To ensure flexibility in meeting market demand and optimizing resource allocation, we also engage third-party manufacturers for certain product categories requiring standardized processes or urgent capacity expansion.

Our Procurement Process

Our procurement strategy emphasizes the sourcing of high-quality raw materials, particularly copper and its alloys, to maintain the integrity and artistic value of our cultural and creative craft products.

Copper is the primary raw material used in our manufacturing process, with its price volatility being a key factor influencing our procurement costs. For the years ended December 31, 2022, 2023 and 2024, direct materials, which primarily comprising copper used in our copper-based cultural and creative products, accounted for approximately 51.9%, 47.1%, and 47.1% of our total cost of sales for the years ended December 31, 2022, 2023 and 2024, respectively. For more details, please see "Financial Information – Description of Selected Components of Statements of Profit or Loss – Cost of Sales" in this document.

We procure copper-related raw materials in various processed forms, including electrolytic copper, copper sheets, copper rods, and copper granules. These materials are sourced from established suppliers, and are purchased after initial processing from smelters. Our procurement prices therefore include not only the copper content value but also processing fees and logistics costs, which vary depending on the product form and supplier arrangements.

Among these materials, electrolytic copper typically meets the 99.9% copper content standard, while other materials such as brass and bronze alloys exhibit a lower copper content, generally ranging from 60% to 90%, depending on their composition and use. We apply differentiated quality testing and procurement standards based on the intended use of each material type.

The price of copper is influenced by global supply and demand dynamics, macroeconomic conditions, and fluctuations in commodity markets. In industry practice, the most commonly cited benchmark for copper prices in China is the Shanghai Futures Exchange ("**SHFE**") copper contract, which reflects the futures pricing of standard electrolytic copper (99.9% purity), and serves as an indicative reference for contract settlement and trend analysis.

Our procurement prices for copper were generally in line with prevailing market trends, as shown in the table below:

	For the year ended December 31,		
	2022	**2023**	**2024**
Average copper purchase price (RMB/kg)(1)	58.6	59.5	63.2
Market price (RMB/kg)(2)	67.1	68.1	75.0

Notes:

(1) Our average copper purchase price represents the average procurement cost across various copper-based raw materials with copper content ranging between approximately 60% and 99%. It also includes processing fees and transportation costs charged by our suppliers, which reflect the degree of pre-processing (such as flattening or cutting) and delivery arrangements required for different material forms.

(2) The market price refers to the annual average futures price of electrolytic copper (99.9% purity) as quoted on the SHFE. This benchmark is based on pure copper and does not account for variations in composition or form among the actual raw materials we procure, and thus is for indicative comparison only.

During the Track Record Period, the average copper prices exhibited fluctuations, reflecting broader economic and commodity market trends. Our procurement prices for copper were generally in line with prevailing market rates, In the future, copper prices are expected to remain elevated in the near term, supported by continued demand from infrastructure and industrial applications, although short-term fluctuations may occur due to global trade dynamics and macroeconomic uncertainties.

To mitigate the potential impact of copper price fluctuations, we may adopt a combination of strategies in the future depending on market conditions. These may include adjusting our procurement plans on a monthly basis based on production needs and prevailing market trends, and maintaining long-term cooperative relationships with reliable suppliers to enhance pricing stability and material consistency. In addition, we may consider using futures contracts or other hedging instruments to manage risks associated with copper price volatility, subject to our operational needs and risk management policies at the relevant time.

Our Production Facility

We operate a production facility in Hangzhou, Zhejiang Province (the "**Hangzhou Facility**"), which is dedicated to the manufacturing of our cultural and creative craft products. Our facility is strategically located to leverage the region's rich artisanal heritage, skilled workforce, and well-established supply chain infrastructure. The Hangzhou Facility spans a total gross floor area of approximately 155,626 square meters as of December 31, 2024.

Equipment and Machinery

We have deployed a range of production machinery to support and enhance key steps in our manufacturing process. These machines are designed to increase efficiency, improve consistency, and assist our skilled workforce in executing complex tasks across multiple production stages.

At our Hangzhou Facility, we operate polishing lines for surface finishing, coloring and patina treatment lines for burnishing and tonal control, copper forming lines for base shaping, and hand-painting lines for decorative detailing. We also utilize wax model production lines for casting preparation, as well as digital printers for customized motifs and surface textures.

In addition, our equipment portfolio includes precision engraving machines, CNC carving systems, and 3D modeling tools, which support our engraving and design refinement workflows. All machines are maintained according to standardized schedules to ensure stable operations and product quality across our copper-based production lines.

Production Capacity

Our production capacity reflects the artisanal nature of our copper-based cultural and creative products and is based on the annual volume of copper processed (in kilograms). Our designed capacity is derived from standardized labor assumptions, accounting for the manual processes involved. Specifically, we estimate our designed production capacity by simulating the average processing time required for representative workflows under standard annual working hours. Actual production output, on the other hand, is calculated based on the total weight of finished copper-based products recorded into inventory.

The following table sets forth the breakdown of our designed capacity, actual production output, and utilization rate during the Track Record Period:

	For the year ended December 31,		
	2022	2023	2024
Designed capacity[1] (kg)	1,391,500	1,268,625	1,518,750
Actual production output[2] (kg)	1,386,737	1,259,101	1,545,168
Utilization rate[3] *(%)*	99.7	99.3	101.7

Notes:

(1) Calculated as the average number of production employees during the relevant period multiplied by standard annual working hours per worker multiplied by copper output per labor hour. Copper output per labor hour is derived from the standard processing time of representative workflows. Standard annual working hours are based on 250 days a year and 8 working hours per day.

(2) Based on the actual weight (kg) of finished copper-based cultural and creative products that were completed and recorded into inventory during the relevant period.

(3) Utilization rate equals our actual production output divided by our design capacity.

During the Track Record Period, our production capacity utilization remained relatively stable at a high level. In the years ended December 31, 2022, 2023, and 2024, our production capacity utilization rate was 99.7%, 99.3% and 101.7%, respectively. This reflects our ongoing efforts to refine process management, optimize labor deployment, and enhance production planning accuracy in response to fluctuating demand. The fact that our utilization rate slightly exceeded 100% in 2024 demonstrates our ability to meet strong consumer demand through intensified operational scheduling and temporary productivity enhancements. Our future plans of enhancing our production capacity aim to enable us to accommodate future growth in demand, mitigate delivery delays, and preserve product quality and brand reputation.

Our production workforce is structured into three tiers: workers, technicians, and management. Personnel at the technician and director levels are classified as skilled craftsmen, responsible for supervising production quality, executing technically demanding processes, and mentoring junior staff through daily on-site apprenticeship. We define a "skilled craftsman" as a production-line technician who has worked continuously in the same role at our company for 12 months or longer. These individuals are typically responsible for complex and high-precision processes, including wax model sculpting, hand engraving, precision welding, patina application, and final surface finishing. Their accumulated experience and craftsmanship are essential to ensuring product consistency and the preservation of our artistic identity.

To support workforce stability and facilitate skills transmission, we operate a structured apprenticeship program and internal promotion pathway. We believe this model is critical to maintaining the depth and continuity of our production capabilities. The following table sets forth the retention rate and total number of our skilled craftsmen for the periods indicated:

	For the year ended December 31/ As of December 31		
	2022	2023	2024
Total number of skilled craftsmen	271	379	421

Our Outsourced Production

To supplement our in-house production capabilities, we engage in limited outsourced production focused on two specific areas: (i) the substantial production of our plastic collectible toy line under the brand "Huanxi Xiaojiang," and (ii) the outsourcing of certain individual mechanical processes that rely on specialized industrial equipment. For the years ended December 31, 2022, 2023, and 2024, our outsourcing costs accounted for 3.7%, 4.1%, and 4.8% of our cost of sales, respectively, reflecting our disciplined use of external resources in support of production efficiency.

We selectively outsource certain mechanical processes that are required only intermittently or in relatively small volumes. These procedures, while contributing to product detail and finish, depend primarily on specialized industrial equipment rather than manual artistry. Given the non-continuous nature of demand, we have determined that outsourcing is more cost-efficient than acquiring and maintaining dedicated machinery that would otherwise remain idle for extended periods. For example, certain decorative treatments such as surface texturing or metal finishing, are applied to a limited number of SKUs based on specific design needs and are not required on a recurring basis. Likewise, the stamping of small decorative items such as sycee-shaped (元寶) copper charms is typically performed in batch production cycles, with each batch sufficient to support sales over an extended period. Outsourcing such processes allows us to maintain operational flexibility, avoid unnecessary fixed investment, and better match production with real-time demand.

We have established stable relationships with multiple external manufacturers, allowing us to maintain flexibility and scalability while ensuring stringent quality control. Each outsourced product undergoes a thorough inspection before being integrated into our final inventory, ensuring adherence to our exacting standards.

Outsourced Production Process

For our plastic collectible toy, we are responsible for product design, prototype development, and technical drawings, which are provided to qualified third-party manufacturers for production. Upon completion, finished goods are delivered to us for internal inspection. Only products that meet our specifications and quality standards are accepted into inventory. This outsourced model enables us to efficiently expand our IP into new material categories without building dedicated internal lines.

Separately, for selected metalware SKUs, we outsource certain discrete production steps that involve specialized industrial processes and are not required on a recurring basis. These are executed by third-party processors based on our instructions and technical specifications. Upon receipt, we conduct quality inspections before incorporating the processed components into our internal workflow. Final assembly and all craftsmanship-intensive procedures are strictly performed in-house.

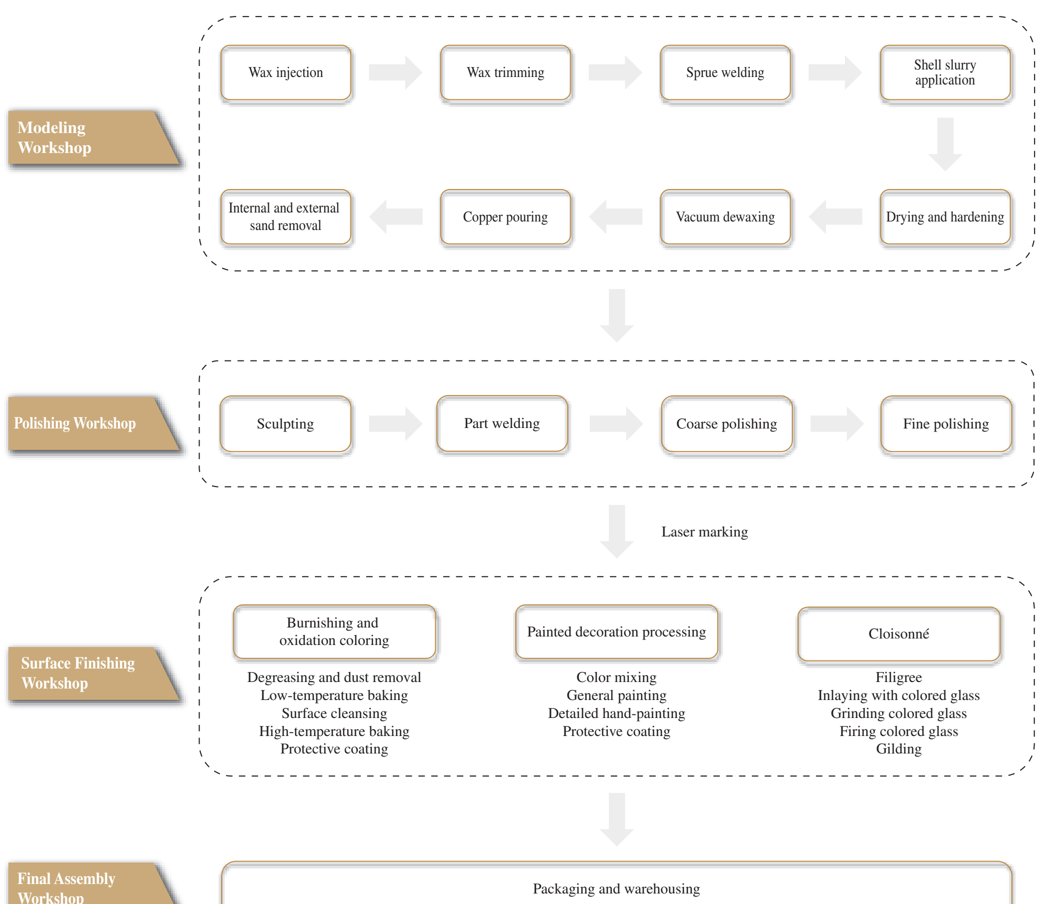
OUR CRAFTSMANSHIP AND MANUFACTURING

Our manufacturing process is rooted in the integration of traditional Chinese craftsmanship and modern process refinement, enabling us to deliver culturally meaningful and artistically intricate works at scale. Drawing from centuries-old metalworking heritage, we have built a comprehensive production system that balances aesthetic precision with production reliability. We take pride in the artisanal depth, technical sophistication, and cultural storytelling embedded in every product we create.

Bronze Casting and Lost-Wax Process

We use a traditional lost-wax casting method to produce our copper ornaments, combining centuries-old craftsmanship with modern workflow refinements. The entire process typically spans around 12 working days and involves four core workshops: modeling, polishing, surface finishing and final assembly.

The following diagram illustrates the key stages of our lost-wax casting process.



(i) Wax modeling

The process begins with the creation of a wax prototype. Liquid wax is poured into a silicone mold. Once solidified, each wax model is carefully hand-refined to capture fine facial details, folds, and decorative elements. Skilled artisans then weld a gating system onto the model to ensure smooth copper flow during casting.

(ii) Shell making

The completed wax model is repeatedly dipped into ceramic slurry and coated with fine sand to build a hard outer shell. After several layers are applied and fully dried, the wax is melted out by heating, leaving a hollow sand shell ready for casting. This shell is further fired at high temperatures to enhance strength and detail fidelity.

(iii) Metal casting

Once the sand shell is prepared, molten copper is poured into the cavity through the gating channels. Temperature and pouring speed are carefully controlled to avoid turbulence and gas entrapment. After the metal cools and solidifies, the shell is broken open to reveal the raw casting, which is then cleaned and trimmed. For multi-part sculptures, additional welding and realignment ensure a seamless final structure.

(iv) Surface finishing

The raw casting undergoes several stages of surface treatment to achieve its final artistic appearance. Grinding and polishing bring out depth, smooth transitions, and visual clarity in engraved details. Final coloration and decoration are applied using specialized techniques, including:

- Burning: A controlled heat oxidation process that builds rich, layered patina and stabilizes surface tones.

- Hand-Painting: Intricate brushwork used to apply color and highlight facial features, textures, and motifs.

- Cloisonné Enameling: A sophisticated technique involving metal wire inlay, colored enamel filling, high-temperature firing, and multi-stage polishing to achieve vibrant, glass-like finishes.

The modeling stage generally takes approximately 12 days, polishing processes require around 3 hours, surface finishing (including coloring and decoration) takes about 8 hours, and final assembly is completed within approximately 15 minutes.

Copper Engraved Artwork Process

Copper engraved artworks are created through a meticulous process that combines traditional hand engraving with supportive modern tools. Our pieces are primarily carved by skilled artisans who work directly on copper plates. The process emphasizes precision, patience, and artistic vision, with each piece gradually developed through layers of manual sculpting.

The following diagram summarizes our standard copper engraving process, from raw copper cutting to final packaging.

Production begins with cutting and preparing copper plates into the required size and shape. These base panels are polished to remove oxidation and impurities, creating a clean surface for engraving. Our team then maps out the composition, determining subject matter, proportion, and line structure. The visual detail, including contours, texture, and layered depth, is carved entirely by hand. Finally, each finished piece is mounted onto a custom frame or backing board, inspected for consistency and craftsmanship, and carefully packaged for delivery.

Based on our standard workflow, the entire copper engraved artwork process involves four primary stages: the backboard preparation stage typically takes around 3 days, the wood frame construction around 9 days, and the main engraving process approximately 9.5 days. These three can be carried out concurrently, after which final assembly and warehousing require an additional 2 days. As a result, the total production cycle usually spans approximately 11.5 days.

Quality Control and Manufacturing Excellence

Quality Control

We place great emphasis on stringent quality control throughout our production process, aiming to ensure that each product delivers a consistent level of craftsmanship, functionality, and aesthetic appeal in line with our brand positioning. Given the non-standardized nature of our products, each SKU is designed with its own set of detailed technical and quality specifications, which are strictly followed and monitored throughout the production lifecycle.

Raw Material Inspection

We adopt differentiated inspection protocols based on the type of raw material used:

- For brass and bronze, we primarily assess the composition ratio of copper and zinc (or copper and tin, respectively) to ensure alloy consistency. Samples from each incoming batch are analyzed using spectrometry to verify compliance with our in-house material specifications.

- For electrolytic copper, we verify its purity and require that all material conforms to the copper content thresholds defined in our procurement standards.

- For copper sheets, we inspect flatness, surface texture and thickness consistency to ensure they meet processing needs for engraving and other surface applications.

- For other metal and non-metal components, such as wood, glass, or semi-precious stones, visual and physical property tests are conducted according to the specific design needs.

Only raw materials that meet our internal quality standards are released for production. Any deviation triggers supplier notification and may result in batch rejection.

In-Process Quality Control

Our production process consists of multiple handcrafted and semi-automated procedures, including forming, shaping, carving, polishing, surface finishing, coloring, and assembly. At each key production stage, quality control personnel conduct inspections based on technical drawings and process parameters, which define the intended shape, surface detailing and visual presentation of the product, rather than structural requirements.

- Shaping and forming: We assess whether the product conforms to its intended contours, curvature, and three-dimensional form as outlined in the approved visual specifications. For example, in the *"Heavenly Guardian Warrior (韋陀天尊)"*, dimensional tolerances are applied to the lotus pedestal and ornamental armor segments to preserve visual harmony.

- Surface finishing and coloring: We evaluate surface smoothness, coating consistency, and color tone under controlled lighting conditions. In the case of the *"Rhino Warrior Transformer (變形金剛 犀牛勇士)"*, attention is paid to oxidation resistance and the clarity of metallic surfaces without introducing artificial aging effects.

- Assembly and detail testing: For items with layered or suspended components, such as the *"Fortune Tree (搖錢樹)"*, branch alignment and coin positioning are inspected for balance, spacing, and visual symmetry.

All intermediate inspection results are logged and traceable.

Final Product Inspection

Each finished product undergoes a final inspection before packaging. This includes:

- Comparison with SKU-specific visual and dimensional standards;

- Verification of engravings, inscriptions or decorative inserts;

- Functional testing if applicable (e.g., movable parts or fitted structures);

- Surface defect screening, such as color inconsistency, residual tooling marks, or unpolished edges.

Only products that pass all inspection points are approved for shipment. Each batch is tagged with inspection records and traceable back to production date and workshop personnel.

We maintain a comprehensive quality documentation system, including inspection reports, defect logs, and feedback records. Continuous improvement is conducted based on production data, customer feedback, and updated standards, ensuring that our products reflect not only traditional artistic excellence but also disciplined quality management.

SALES AND MARKETING

We have established a comprehensive multi-channel sales network that integrates direct sales, distribution partnerships, and consignment arrangement. This diversified approach enables us to reach a broad customer base, from collectors and art enthusiasts to younger consumers attracted to cultural and artistic collectibles.

The following table sets forth our revenue of product sales by sales channel during the Track Record Period:

	For the year ended December 31,					
	2022		2023		2024	
	Revenue	% of revenue	Revenue	% of revenue	Revenue	% of revenue
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct sales						
Online direct sales	355,392	70.6	353,977	69.9	402,889	70.5
Retail store sales	3,648	0.7	3,624	0.7	17,627	3.1
Other direct sales	12,805	2.5	13,354	2.6	17,761	3.1
Subtotal	**371,845**	**73.8**	**370,955**	**73.2**	**438,277**	**76.7**
Distribution partnerships						
Online distributors	51,842	10.3	47,027	9.3	37,996	6.7
Offline distributors	75,952	15.1	74,342	14.7	78,986	13.8
Subtotal	**127,794**	**25.4**	**121,369**	**24.0**	**116,982**	**20.5**
Consignment arrangement	**3,546**	**0.8**	**14,059**	**2.8**	**15,929**	**2.8**
Total	**503,185**	**100.0**	**506,383**	**100.0**	**571,188**	**100.0**

For further details of the trend discussion, please refer to the section headed "Financial Information – Description of Selected Components of Statements of Profit or Loss – Revenue – Sales Channel" in this document.

Our online direct sales and online distribution channels collectively account for the majority of our revenue, underscoring the significance of our digital-first sales strategy. While online flagship stores provide direct customer engagement, online distributors enable broader reach by leveraging third-party seller networks.

Direct Sales

Direct sales allow us to directly engage with consumers and maintain control over branding, pricing, and customer experience. To maintain brand integrity, pricing policies are uniformly enforced across all offline and online sales channels.

Online Direct Sales

We operate online flagship stores on major e-commerce platforms such as Tmall, JD.com, and Douyin, each serving as a key digital touchpoint with our consumers. These online flagship stores are directly operated by us and offer the most comprehensive selection of our products across all categories and price ranges. For the years ended December 31, 2022, 2023 and 2024, revenue generated through online direct sales amounted to RMB355.4 million, RMB354.0 million and RMB402.9 million, respectively, representing approximately 70.6%, 69.9% and 70.5% of our total revenue for the same periods.

We enter into standardized cooperation agreements with e-commerce platforms to operate online flagship stores under our brand. These agreements are typically entered into with platform operators and govern the operation, promotion, transaction settlement, and compliance obligations of our online storefronts. While the specific terms may vary, the salient terms generally include the following:

- *Commission arrangements:* We pay the platform operators a fixed commission based on a percentage of transaction value. Commission rates vary by product category, promotional participation, and other platform-specific metrics. Settlement is made periodically in accordance with the terms set out in the respective agreements.

- *Marketing and traffic services:* In addition to commission fees, we purchase digital advertising and promotional services to enhance store visibility and traffic conversion. These include traffic packages, keyword bidding, and promotional campaigns. In many cases, participation requires reaching minimum spend thresholds and is structured around pay-for-performance or fixed-budget models.

- *Operational compliance:* We are required to comply with each platform's rules on product listings, pricing, logistics, customer service, data use, and consumer protection. The platforms may impose penalties, downgrade visibility, or suspend services in cases of non-compliance, such as delivery delays, excessive customer complaints, or violations of product authenticity and safety standards. We have established internal teams to oversee and ensure ongoing compliance.

- *Data access and privacy:* Each platform retains ownership of customer and transaction data. We are granted limited access to backend analytics for operational and marketing optimization purposes. Our use of such data is subject to each platform's privacy policies and data usage protocols.

- *Term and termination:* These agreements are generally for fixed terms and subject to renewal upon mutual consent and performance review. Either party may terminate the agreement under predefined circumstances, such as material breach or reputational harm.

We consider these arrangements to be in the ordinary course of business and on normal commercial terms. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material disputes, enforcement actions, or operational disruptions in connection with these cooperation agreements.

Our in-house e-commerce operations team is responsible for end-to-end store management, including product display optimization, inventory and pricing management, customer engagement, and promotional execution. We actively leverage digital tools and platform analytics to tailor our marketing and campaign strategies by channel and consumer segment.

Live-streaming commerce is an integral component of our online direct sales strategy. We rely predominantly on our in-house team of live-streamers and content creators. Our in-house live-streamers possess deep familiarity with our products, craftsmanship techniques, and brand philosophy, which enables them to effectively convey the artistic value, emotional meaning, and cultural resonance embedded in our offerings. Through daily live-streams and curated special sessions on Tmall, JD.com, and Douyin, we engage with customers in real time, providing detailed product demonstrations, storytelling, and personalized recommendations.

Offline Direct Sales

As of December 31, 2024, we operated 9 self-operated stores strategically located in high-traffic commercial areas across new tier-one and tier-two cities in China. These stores serve as both premium retail outlets and immersive brand experience centers, featuring interactive product displays, live craft demonstrations, and limited-time exhibitions that communicate the cultural depth and artistic value of our brand. For the years ended December 31, 2022, 2023 and 2024, revenue generated through offline direct sales amounted to RMB3.6 million, RMB3.6 million and RMB17.6 million, respectively, representing approximately 0.7%, 0.7% and 3.1% of our total revenue for the same periods.

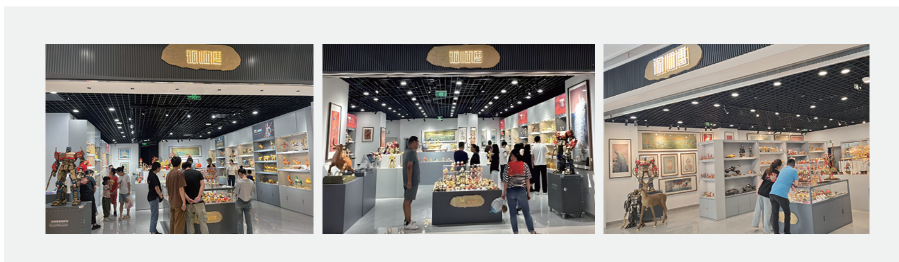
Self-operated store locations and movements

Our site selection process prioritizes visibility, customer traffic, and brand alignment. We target commercial complexes with high footfall, favorable brand adjacency, and proximity to affluent residential or cultural districts. Other key criteria include leasing terms, layout flexibility for experience zones, and regional economic vitality. As of the Latest Practicable Date, our self-operated stores were located in core commercial districts of cities including Hangzhou, Suzhou, Chengdu, Wuhan and Chongqing.

In 2022, we operated only two self-operated stores, both located in Hangzhou. Our first self-operated store, situated in the Xihu District of Hangzhou, commenced operations in 2020 and was closed in December 2022 upon the expiration of its lease. In 2023, we adjusted our offline store network in Hangzhou by closing our original Hangzhou Tower store and opening a new store at a different location within Hangzhou Tower. And we opened another store in Hangzhou North MixC in November 2023. In 2024, we accelerated our offline expansion and newly opened seven self-operated stores, extending our presence to new tier-one, tier-two, and tier-three cities. These new stores are located in Chengdu, Hefei, Changzhou, Wuhan, Suzhou and Chongqing.

Our self-operated stores are generally located within high-traffic shopping malls and range in size from approximately 50 to 200 square meters. Each store is designed as an immersive cultural and retail experience, featuring curated product displays, thematic exhibitions, and live craft demonstrations that reflect our brand's artistic identity.

Each self-operated store is designed to function as a cultural space rather than a traditional retail point. Store interiors emphasize immersive experiences through curated installations, limited-edition releases, and seasonal exhibitions inspired by traditional and contemporary cultural themes.



As of the Latest Practicable Date, all of our self-operated stores were operated under lease arrangements, except for one self-operated store located in Hangzhou Tower, which operates under a concession agreement. We typically enter into lease agreements with shopping malls or commercial property owners, whereby we lease dedicated retail spaces within high-footfall shopping centers. The following sets forth a summary of the salient terms of our lease agreements for our self-operated stores:

	Lease agreement
Terms	Typically 2 to 3 years, subject to mutual renewal.
Rent structure	Fixed base rent, sometimes with additional management fees or shared utility costs. Rent is payable monthly or quarterly in advance.
Deposit	Equivalent to 4 to 5 months' base rent, refundable subject to completion and condition.
Termination	Early termination rights are generally limited, with exceptions for force majeure or material breach.
Renovation and fit-out	We are responsible for store interior decoration and maintenance, subject to mall guidelines.
Subleasing	Certain restrictions on subleasing

In addition to the lease arrangements described above, our store located in Hangzhou Tower operates under a concession agreement. Concession agreements typically involve variable commercial terms tied to store performance and give the mall greater involvement in daily sales administration. Under this arrangement, the shopping mall directly collects the sales proceeds from end-customers and settles the net amount with us after deducting concession fees and other applicable charges.

Store management and operations

All self-operated stores operate under a centralized management framework administered by our headquarters and regional supervisors. Each store is staffed with a manager and at least two sales associates, depending on floor area. Sales personnel are typically young adults with demonstrated interest in Chinese culture and craftsmanship. New employees undergo a structured onboarding program, covering product knowledge, brand history, selling techniques, and in-store operations. Training materials are provided through digital learning kits, store playbooks, and peer-to-peer guidance.

In-store behavior and presentation are governed by strict operational standards. These include uniform dress codes, daily team briefings, posture protocols, and standardized greeting scripts. Employees are also assessed on their ability to articulate product narratives, including craftsmanship techniques, symbolic meaning, and collection themes. We employ customer feedback mechanisms and periodic store audits to evaluate performance.

To maintain operational discipline and efficiency, each store is equipped with a real-time digital inventory management system, covering inbound/outbound records, stock alerts, and automated replenishment. Inventory is subject to monthly physical audits. Store visuals, hygiene, display logic, and customer circulation routes are inspected regularly by the retail inspection team to ensure corporate alignment.

Retail and after-sales process

Our retail and after-sales workflows follow a standardized format across all stores. Purchases are processed through centralized POS with immediate sales data syncing. After-sales services include a seven-day return and exchange policy subject to quality checks and product condition. In-store and mail-in returns are both supported. Products with confirmed quality issues are eligible for free repair or replacement. Returns due to consumer handling or secondary damage are serviced for a fee. Store staff are trained to guide consumers through maintenance instructions, handling protocols, and cultural practices relevant to specific product types (e.g., religious or symbolic pieces).

Our self-operated stores also serve as nodes for local community engagement, including private workshops, member events, and social media interaction. Each store is encouraged to build "Copper Fan" groups via WeChat and cultivate localized engagement through group raffles, auction events, and early access campaigns. These initiatives help enhance consumer stickiness, deepen cultural education, and foster brand loyalty beyond transactional interactions.

Other Direct Sales

This category comprises other direct sales conducted by the Group to both institutional and individual customers. Institutional customers primarily include corporate clients and government entities, while individual customers are typically end-consumers purchasing customized or high-value products through special order arrangements. Such transactions often involve bespoke product specifications tailored to the needs and preferences of the customer, including commemorative gifts, awards, culturally themed custom pieces, or personalized collectibles. Revenue from other direct sales is recognized when the products are delivered to the customer's designated location. Payment terms vary depending on the specific customer and contract terms, but generally do not exceed 30 days from the date of delivery.

Distribution Partnership

To expand our market coverage beyond self-operated retail channels and direct sales, we have developed a multi-channel distribution network comprising both online and offline distribution partners. Our distributors operate under a buyout model, whereby they purchase inventory upfront and independently manage sales within authorized channels and territories.

During the Track Record Period, our distribution revenue amounted to RMB127.8 million, RMB121.4 million and RMB117.0 million for the years ended December 31, 2022, 2023 and 2024, respectively, accounting for 25.4%, 24.0% and 20.5% of our revenue for the same periods.

Online Distribution

We collaborate with a select group of authorized online distributors who operate independent storefronts across major e-commerce platforms in China. As of December 31, 2024, we had 7 authorized online distributors operating 7 independent online storefronts, primarily on Taobao and JD.com. These distributors operate under a buy-out arrangement and maintain commercial and operational independence from us.

Under the online distribution model, revenue is recognized when control of goods is transferred to the distributor, either upon delivery to a designated location or the distributor's chosen carrier. Payment is generally settled through advance payment or on credit terms of up to 30 days, as specified in the distribution contract.

For the years ended December 31, 2022, 2023, and 2024, revenue generated from our online distribution model amounted to RMB51.8 million, RMB47.0 million, and RMB38.0 million, respectively, accounting for 10.3%, 9.3%, and 6.7% of our total revenue for the respective years.

All online distribution agreements are non-exclusive, and distributors are contractually required to adhere to our pricing policies, visual merchandising standards, and brand positioning guidelines. These terms aim to safeguard our brand equity and prevent price dilution or channel conflict. Salient terms of our online distribution agreements include:

- *Scope of authorization*: Distributors are authorized to sell approved product SKUs exclusively through specified online stores on designated e-commerce platforms, under pre-approved store names. Cross-platform sales or resale outside the approved channels are contractually prohibited.

- *Purchase and payment terms*: Distributors operate under a buyout model with upfront payment requirements. Products are supplied at a distributor price as set out in our official price lists. The distributor must pay in full before goods are dispatched.

- *Sales pricing alignment*: Distributors are contractually required to maintain pricing consistency with our own online self-operated stores for identical SKUs. Price dumping, unauthorized discounting, or inconsistent promotional pricing are explicitly prohibited.

- *Minimum purchase commitment*: Annual and quarterly minimum purchase amounts are set out in the distribution agreement. Failure to meet these targets may result in termination of the agreement without compensation.

- *Brand usage and visual identity*: The use of our trademarks, product images, and promotional materials must strictly follow our branding guidelines. Distributors are not allowed to use our IP outside the approved scope without prior written consent.

- *Termination rights*: We reserve the right to unilaterally terminate the agreement if a distributor engages in cross-platform sales, infringes our intellectual property, fails to meet minimum purchase targets for two consecutive quarters, or engages in conduct detrimental to our brand image.

This model complements our online direct sales by expanding our brand's digital presence across consumer segments and regions that may not be effectively covered by our self-operated stores. Compared to direct sales, the distribution model allows for lower operational involvement while enabling scalable revenue generation and enhanced local responsiveness through third-party expertise.

Offline Distribution

We collaborate with regional offline distributors to expand our retail footprint and reach customers in areas where we do not operate self-operated stores. Our offline distribution network primarily targets new tier-one, tier-two and tier-three cities in China, as well as select overseas markets where localized expertise and logistical constraints make the distributor model more effective.

Our distributor-based retail strategy is particularly suited for regions where direct store operation would be cost-prohibitive or logistically inefficient. Compared to our self-operated stores, the distributor model offers scalability, localized customer engagement, and reduced capital expenditure. In overseas markets where cross-border logistics, after-sales servicing, and product localization are more challenging, we rely exclusively on offline distributors. As our products are handcrafted, relatively heavy, and culturally specific, local distribution partnerships allow us to manage operational risks and improve delivery efficiency. In regions such as Taiwan, our products are sold exclusively through authorized offline distributors, who oversee retail operations, localized marketing, and basic after-sales support.

For the years ended December 31, 2022, 2023, and 2024, revenue generated from our offline distribution model amounted to RMB76.0 million, RMB74.3 million, and RMB79.0 million, respectively, accounting for 15.1%, 14.7%, and 13.8% of our total revenue for the respective years.

Our offline distribution model is based on single-store authorization within defined geographic territories. As of December 31, 2024, we had 54 authorized offline distributors operating a total of 68 stores. These distributors are located across East China, South China, and North China.

Each distributor is required to open and operate one designated physical retail store situated in a high-traffic commercial location, such as a premium shopping mall or cultural landmark complex. Store openings must take place within 90 days of contract signing, subject to a pre-opening inspection to ensure compliance with our brand design blueprint and operational standards. Distributors are strictly prohibited from opening additional outlets or engaging in online sales without prior written approval. Any unauthorized expansion or online sales constitutes a material breach and may lead to immediate termination and forfeiture of the security deposit.

We adopt a non-exclusive regional model in the PRC, authorizing distributors on a per-store basis rather than granting broad territorial exclusivity. This ensures quality control and flexibility in channel development while preserving brand consistency across different markets.

The table below sets forth the total number of our offline distributors, and openings and closures, for the periods indicated:

	For the year ended December 31,			From December 31, 2024 to the Latest Practicable Date
	2022	2023	2024	
Number of distributors at the beginning of the period	60	68	72	54
Number of new distributors	18	12	7	2
Number of withdrawn distributors	10	8	25	1
Number of distributors at the end of the period	68	72	54	55

During the Track Record Period, the number of offline distributors declined, reflecting a gradual realignment of our channel strategy.

In the PRC, offline distributors typically operate branded physical stores that allow end-consumers to experience our products firsthand. Given the unique material properties of our core copper-based cultural and creative products, including the sculptural weight, oxidation depth, and surface finish, physical interaction significantly enhances customer perception and appreciation. Moreover, our emerging line of gold cultural and creative products, marketed under our dedicated sub-brand, is even more suited to offline presentation due to its collectible positioning and emphasis on craftsmanship and symbolic value. Distributor-operated offline stores have therefore supported our brand-building efforts by providing an immersive setting for product display and cultural storytelling.

The reduction in the number of distributors during the Track Record Period resulted from a combination of voluntary exits and selective discontinuation based on business performance and mutual agreement. These adjustments were carried out following contractual expiration and direct communication with the distributors. Starting in 2024, we began to gradually establish self-operated offline stores in select cities other than Hangzhou in China, replacing or supplementing former distributor coverage. This shift reflects our long-term objective of strengthening brand control, refining customer experience, and enhancing operational consistency in the domestic market.

In the future, we plan to continue optimizing our domestic distributor network and expand our self-operated retail presence in priority regions. Our international expansion remains at an early stage, and we plan to rely primarily on local offline distributors to enter new markets and build foundational brand awareness. This offline distributor-led model enables us to penetrate overseas markets efficiently while allowing for localized retail execution and lower initial operational overhead.

Distributor qualification and selection

Our offline distributor network includes both corporate entities and individual entrepreneurs. We assess prospective distributors based on a combination of financial capacity, retail operation experience, store location, and alignment with our brand values. While we accept qualified individuals, we generally require a dedicated legal entity to execute the agreement and assume operational responsibility.

Salient terms of offline distributor agreements

Each offline distributor agreement is standardized and governed by a fixed-term contract (typically one year, renewable). The salient terms include:

- *Authorized territory and store requirements*: Each distributor is granted rights to sell our products through one specified store in an authorized city district. The store must meet our minimum space and design requirements and must open within 90 days of contract execution.

- *Product exclusivity*: Distributors are required to sell only our branded products and are strictly prohibited from selling non-authorized merchandise. Unauthorized sales will result in forfeiture of the security deposit and termination of the agreement.

- *Annual purchase requirement*: Distributors must achieve a minimum annual procurement target. If a distributor fails to meet the quarterly targets for two consecutive quarters, we reserve the right to terminate the agreement without compensation.

- *Pricing and sales policy*: Distributors must adhere to our nationwide pricing policy. Retail prices must be consistent with those on our official online self-operated store. Unauthorized discounts, markups, or participation in mall-specific promotions without prior approval are strictly prohibited.

- *Cross-region and online sales restrictions*: Distributors are prohibited from engaging in cross-regional sales or online sales through e-commerce platforms, social media, or third-party intermediaries. Violations are subject to penalty and termination.

- *Security deposit*: Distributors are required to place a refundable security deposit upon contract signing. The deposit is returned upon expiry or termination only if no breaches occur and all accounts are settled.

- *Procurement and payment terms*: All product orders must be submitted by authorized personnel and confirmed in writing. Payment is required in full within three days of order confirmation. Only payments made to our designated corporate bank account are accepted.

- *After-sales policy*: We provide after-sales support for quality-related issues within three months of delivery. Repair and replacement services are offered free of charge in cases attributable to product defects. Return or exchange for other reasons is not permitted.

- *Exit arrangements*: Upon contract termination, the distributor must cease all use of our brand elements and remove signage within 15 days. Security deposits will be refunded only after all outstanding issues are resolved.

Distributor Oversight and Performance Management

We maintain a centralized distributor management team responsible for approving partners, monitoring store compliance, enforcing pricing and display standards, and reviewing distributor performance. Distributors are expected to align with our national marketing calendar and participate in major sales events, such as festival promotions or product launches. Participation in mall-specific promotions must receive prior approval to ensure consistency with brand positioning and overall campaign strategy.

Consignment

We engage in consignment arrangement primarily with major e-commerce platforms, with the majority of our consignment sales conducted through the self-operated warehouse model of JD.com. Under this arrangement, we retain ownership of the inventory until the products are sold to end consumers, while the consignment partner is responsible for store management, warehousing, logistics, marketing and customer service. Revenue is recognized upon confirmed receipt by the end customer.

In addition to online platforms, a small portion of our consignment sales is conducted through offline partners, including select tourist attractions and cultural institutions. These partners typically operate retail counters on their premises, where they display and sell our products under consignment terms. Such partnerships allow us to expand physical touchpoints in high-traffic cultural destinations without establishing our own stores.

For the years ended December 31, 2022, 2023 and 2024, revenue derived from consignment sales amounted to RMB3.5 million, RMB14.1 million, and RMB15.9 million, respectively, representing approximately 0.8%, 2.8%, and 2.8% of our total revenue for the respective years.

The salient terms of our typical consignment arrangement are set out below:

- *Ownership and risk*: We retain ownership of the inventory and bear all inventory-related risks prior to final sale and delivery to end customers.

- *Warehousing and fulfillment*: The consignment partner is responsible for warehousing, order fulfillment, packaging and last-mile delivery. In the case of online consignment, the products are delivered to and stored in the platform's designated warehouses.

- *Sales settlement*: Sales proceeds are settled on a periodic basis, typically monthly, and are calculated based on platform-verified sales data. Settlements are made net of platform service fees, promotional expenses and any agreed deductions for returns or slow-moving inventory.

- *Pricing and promotional control*: We retain the right to determine the retail prices of our products and must approve any participation in promotional activities. However, platform partners may provide suggestions based on performance metrics or platform-wide campaigns.

- *Returns and after-sales support*: Returned products within the platform's after-sales period are restocked, discounted or written off based on pre-agreed arrangements. Return logistics costs are typically borne by us in accordance with platform policies.

- *Service fees*: Consignment partners charge standardized service fees for traffic placement, warehousing, and order fulfillment, generally calculated as a percentage of gross merchandise value.

- *Term and termination*: Agreements are typically entered into for a one-year term and are renewable upon mutual consent. Either party may terminate the agreement with prior written notice, generally between 15 and 30 days.

Internal Guidelines and Management

We have implemented internal guidelines for consignment operations to ensure pricing consistency, brand positioning, and stock accuracy. These include:

- Standardized SKU-level pricing authorization mechanisms;
- Inventory reconciliation protocols between our ERP system and the platform data interface;
- Designated account managers overseeing platform operations and coordinating product promotion calendars.

Social Media & Content Marketing

We actively leverage a diverse array of social media platforms as integral components of our brand-building and sales strategy. Beyond our established presence on Douyin, we operate official accounts on Xiaohongshu and WeChat, enabling us to engage with a wide range of consumer demographics.

Our content spans multiple formats, including artisan workshop footage, step-by-step craftsmanship tutorials, scripted cultural comedy skits, behind-the-scenes design stories, and livestream recaps. Since launching our official Douyin account in 2020, we have produced over 3,400 short videos, combining traditional copper craftsmanship with creative storytelling formats that resonate with both heritage-oriented and younger audiences. Mr. Yu, our founder, continues to participate actively in content creation by occasionally starring in short videos, bringing an authentic and personal voice to our brand storytelling.

We maintain a dedicated team of in-house live-streamers, all of whom are our full-time employees under labor contracts. Their compensation consists of a base salary supplemented by sales-based commissions. We have established a structured KPI system for in-house live-streamer performance management, which includes monthly and annual sales targets, individual commission rates based on completion tiers, and additional incentives for exceeding team sales goals. Completion of key performance benchmarks is reviewed semi-annually, and bonus payouts are tied to both individual contribution and overall departmental achievement.

We primarily rely on our in-house live-streamers to drive content marketing and sales. Our in-house team receives systematic training not only in product knowledge and selling techniques, but also in conveying the cultural narratives, craftsmanship value, and emotional resonance of our offerings.

To ensure high return on content investment, we rely on robust internal planning and data-driven iteration. Our social media team manages the full content lifecycle, ensuring all creative outputs are aligned with our brand tone, product strategy, and customer insight. Key performance indicators include engagement metrics, conversion-related, and follower asset growth. Performance data is collected per platform and campaign, and feeds directly into our monthly content review mechanism.

Brand Events

We have adopted a multifaceted brand communication strategy that blends cultural storytelling, digital activation, and immersive experiences to strengthen our market presence and deepen consumer engagement. Our initiatives span livestreaming, cross-sector collaborations, high-impact campaigns, industry participation, and offline activation.

Cultural Livestreams and Narrative Content

Our brand events strategy emphasizes video and livestream content as key vehicles for storytelling and audience engagement. We regularly host livestream sessions focused on product showcases, during which our in-house hosts explain the cultural symbolism, historical origins, or design inspiration behind featured items. These livestreams are often presented in traditional-style attire or backdrops to enhance the thematic resonance of the products, creating an immersive and culturally rich shopping experience.

In addition to livestreaming, we have developed a wide range of original video content tailored to different platforms and audience preferences. This includes educational short films that document traditional techniques such as lost-wax casting, filmed entirely in our workshop environments due to the specialized conditions required. These videos not only serve to demonstrate our craftsmanship but also promote the intangible cultural heritage we help preserve. We also produce culturally themed creative videos, including lighthearted reinterpretations of classic stories such as the *Legend of the Monkey King* (大聖故事系列), as well as humorous, fast-paced short clips.

Co-branded and Cross-sector Collaborations

We have developed strategic collaborations with museums, cultural institutions, and media professionals to extend our brand reach and enrich our product narratives. For instance, we co-developed livestream and product campaigns themed on Chinese heritage sites and iconic artifacts, presenting them through a contemporary design lens. We have also worked with multiple well-known actors, live-streamers and internet celebrities to support key campaigns and promote our values of artistry and cultural pride.

Viral Campaigns and Media Highlights

Several milestone campaigns have played a pivotal role in building our brand image. In 2015, our first brand documentary *Forged by Time, Inspired by Nature (久煉成器,造化入銅)* attracted wide attention online. In 2016, the launch of our original IP series inspired by the Monkey King through short film and crowdfunding drew extensive media and community attention, with the campaign setting a national sales record for copper art through online crowdfunding.

Sales Seasonality

For detailed information, please refer to the section headed "Financial Information – Seasonality" in this document.

CUSTOMERS

Major Customers

Across all sales channels, our online flagship stores account for the largest proportion of our total revenue. Customers in this channel are primarily individual consumers who make fragmented purchases through our online flagship stores. These consumers, despite their individual scale, collectively form the dominant revenue base of our business. In addition to direct retail customers, our major customers also include distributors and consignment sales partners.

For the year ended December 31, 2022, revenue from our largest customer accounted for approximately 4.5% of our total revenue, while the combined revenue contribution from our five largest customers was approximately 10.2%.

For the year ended December 31, 2023, our largest customer contributed approximately 3.6% of our total revenue, whereas the five largest customers, in aggregate, accounted for around 9.3%.

For the year ended December 31, 2024, revenue generated from our largest customer represented approximately 2.4% of our total revenue, while the top five customers collectively accounted for approximately 9.0%.

Our distributors include both online and offline channel partners. Online distributors primarily operate stores on major e-commerce platforms such as Taobao and JD.com, where they purchase products from us for resale to end consumers. Offline distributors, on the other hand, are typically regional dealers or retail partners that resell our products through physical stores. Please refer to the section headed "– Sales and Marketing – Distribution Partnership" in this document for further details. In addition, certain major e-commerce platforms operate under a consignment model, whereby the platform lists and sells our products directly to consumers, and we recognize revenue net of platform commissions and marketing fees. Please refer to the section headed "– Sales and Marketing – Consignment" in this document for further details.

The following tables set forth the details of our five largest customers during the Track Record Period:

For the year ended December 31, 2022

Customer	Customer type	Customer's background	Credit terms	Payment method	Years of relationship	Revenue	% of our total revenue
						RMB'000	*%*
Customer A	Online distributor	Operates a branded store on the Taobao platform	Not applicable	Bank transfer	5	22,524	4.5

Customer	Customer type	Customer's background	Credit terms	Payment method	Years of relationship	Revenue	% of our total revenue
						RMB'000	*%*
Customer B	Online distributor	Operates online distribution stores on the JD.com platform	Not applicable	Bank transfer	5	11,625	2.3
Customer C	Offline distributor	Engaged in offline retail distribution in Taiwan	60 days	Bank transfer	5	7,195	1.4
Customer D	Online distributor	Individual distributor operating on Taobao	Not applicable	Bank transfer	5	5,587	1.1
Customer E	Online distributor	Operates a branded store on the Taobao platform	Not applicable	Bank transfer	5	4,629	0.9
					Subtotal	51,560	10.2

For the year ended December 31, 2023

Customer	Customer type	Customer's background	Credit terms	Payment method	Years of relationship	Revenue	% of our total revenue
						RMB'000	*%*
Customer A	Online distributor	Operates a branded store on the Taobao platform	Not applicable	Bank transfer	5	18,385	3.6
Customer B	Online distributor	Operates online distribution stores on the JD.com platform	Not applicable	Bank transfer	5	11,135	2.2
Customer D	Online distributor	Individual distributor operating on Taobao	Not applicable	Bank transfer	5	7,289	1.4
Customer C	Offline distributor	Engaged in offline retail distribution in Taiwan	60 days	Bank transfer	5	5,868	1.2

Customer	Customer type	Customer's background	Credit terms	Payment method	Years of relationship	Revenue	% of our total revenue
						RMB'000	*%*
Customer F	Offline distributor	Regional offline distributor based in Yantai and Zibo (Shandong Province)	Not applicable	Bank transfer	5	4,567	0.9
					Subtotal	47,244	9.3

For the year ended December 31, 2024

Customer	Customer type	Customer's background	Credit terms	Payment method	Years of relationship	Revenue	% of our total revenue
						RMB'000	*%*
Customer G	Consignment	Operates under a consignment model on JD.com platform	Not applicable	Bank transfer	1	13,614	2.4
Customer A	Online distributor	Operates a branded store on the Taobao platform	Not applicable	Bank transfer	5	13,412	2.3
Customer B	Online distributor	Operates online distribution stores on the JD.com platform	Not applicable	Bank transfer	5	11,384	2.0
Customer C	Offline distributor	Engaged in offline retail distribution in Taiwan	60 days	Bank transfer	5	6,624	1.2
Beijing Chengzhuo Jiyi Technology Development Co., Ltd. (北京成卓基業科技發展有限公司). . .	Offline distributor	Offline retail distributor operating in Beijing Chaoyang and Haidian Districts	Not applicable	Bank transfer	5	6,421	1.1
					Subtotal	51,455	9.0

So far as our Directors are aware, none of our Directors, their close associates or any Shareholders holding more than 5% of the issued share capital of our Company immediately following the completion of the [**REDACTED**], had any interests in any of our five largest customers during the Track Record Period.

Customer Retention and Loyalty Program

Customer satisfaction and engagement are central to our brand philosophy. We have established a structured process to gather, monitor, and respond to customer feedback through multiple touchpoints, including e-commerce platforms, social media, offline stores, and after-sales channels. Our customer service team aims to respond to inquiries within 24 hours, with unresolved cases escalated to senior management. These feedback mechanisms help us continuously refine our product quality, service experience, and design direction.

We have cultivated a highly engaged community of customers, widely known as "Copper Fans (銅粉)", a term we use to refer to all end customers who have purchased our products. While we do not currently operate a formal membership tiering or point-based loyalty program, the Copper Fans community has organically developed into a loyal and vibrant customer base that plays an active role in our brand narrative.

To deepen our connection with Copper Fans, we organize a series of brand-driven activities, with the most notable being the annual "Copper Fans Convention (銅粉節)". Launched in 2017 and held every May, the Copper Fans Convention has evolved into our signature consumer-facing event. It combines promotional incentives with community engagement, including limited-edition gifts, tiered purchase rewards, and exclusive commemorative merchandise. In 2024, to celebrate our 10th anniversary, the Copper Fans Convention featured a multi-tier reward program offering bronze, silver, and gold commemorative medallions for purchases over specified thresholds, as well as themed giveaways such as apparel, collectible figurines, and custom art pieces. Beyond promotions, the Copper Fans Convention also serves as a cultural engagement platform, featuring interactive in-store experiences, themed exhibitions, and product launch showcases at self-operated retail locations. These events foster a sense of community among collectors and allow customers to experience our brand story in person.

In addition, we maintain active communications with a portion of our Copper Fans community through dedicated WeChat groups, where we regularly share information on new product launches, brand activities, and promotional campaigns. Through these initiatives, we have built a strong and sustainable community of culturally engaged consumers who contribute to our organic growth by making repeat purchases and acting as brand advocates.

Exchange and Return Policy

We offer a clear, flexible, and customer-oriented after-sales policy to enhance consumer trust and satisfaction. While our standard written policy provides for returns or exchanges of defective products within 15 days of receipt, in practice, we maintain a significantly more accommodating approach. During the Track Record Period, we consistently offered post-sale repair and maintenance services beyond the officially stated window, depending on the nature of the issue and repair feasibility. Most repairs are provided free of charge as a goodwill service, unless substantial material replacement is required.

To initiate a return or repair request, customers are required to submit supporting information through designated service channels. Once verified, we arrange for product collection, assessment, and service resolution. For discretionary returns not involving product defects, return shipping is generally borne by the customer.

SUPPLIERS

Our suppliers primarily include providers of metal raw materials, auxiliary casting materials, and e-commerce platforms that offer online sales and marketing infrastructure. We source key metal inputs such as electrolytic copper, zinc ingots, and various copper alloys from domestic suppliers for use in our lost-wax casting process. In addition, we procure auxiliary materials including casting powder and related supplies, which are used during shell making and mold preparation. As of December 31, 2024, we maintained long-term relationships with over 500 suppliers in China.

Major Suppliers

For the year ended December 31, 2022, the purchase costs payable to our largest supplier accounted for approximately 10.0% of our total purchase costs, while the combined purchase costs attributable to our five largest suppliers amounted to approximately 29.0%.

For the year ended December 31, 2023, our largest supplier represented approximately 11.6% of our total purchase costs, whereas the five largest suppliers, in aggregate, contributed around 37.6%.

For the year ended December 31, 2024, payments to our largest supplier made up approximately 10.9% of total purchase costs, while the five largest suppliers collectively accounted for approximately 35.3%.

Given that our sales are predominantly generated through online channels, and particularly through self-operated stores on major e-commerce platforms, we engage with leading platforms such as Tmall and JD.com to support our direct-to-consumer operations. Under these arrangements, we pay commissions, platform service fees, and promotional charges (such as advertising placements and traffic redirection) in accordance with standardized agreements. These e-commerce platforms are therefore recognized as suppliers in respect of their provision of paid marketing and platform services.

The following tables set forth the details of our five largest suppliers during the Track Record Period:

For the year ended December 31, 2022

Supplier	Purchase type	Supplier's background	Credit terms	Payment method	Years of relationship	Purchase amount by us	% of our total purchase
						RMB'000	*%*
Jiangyin Jiashijie Trading Co., Ltd. (江陰嘉世傑貿易有限公司)	Metal raw materials	PRC-based supplier of electrolytic copper and zinc ingots	Not applicable	Bank transfer	5	23,277	10.0
Supplier A	E-commerce promotion fee	Operator of the Tmall e-commerce platform	Not applicable	Bank transfer	12	18,716	8.1
Xinmao Group[1] . .	Metal raw materials	PRC-based supplier of electrolytic copper and zinc ingots	Not applicable	Bank transfer	3	12,345	5.3
Supplier B	Metal raw materials	PRC-based supplier of electrolytic copper	Not applicable	Bank transfer	3	6,814	2.9
Shanghai Tianshen Copper Group Co., Ltd. (上海天申銅業集團有限公司)	Metal raw materials	PRC-based supplier of brass plates	15 days	Bank transfer	7	6,268	2.7
					Subtotal	67,420	29.0

Note (1): "Xinmao Group" refers collectively to Hangzhou Xinmao Metal Materials Co., Ltd. (杭州新茂金屬材料有限公司) and Hangzhou Linengjian Machinery Co., Ltd. (杭州力能堅機械有限公司), which are under common control and have been aggregated for disclosure purposes.

For the year ended December 31, 2023

Supplier	Purchase type	Supplier's background	Credit terms	Payment method	Years of relationship	Purchase amount by us	% of our total purchase
						RMB'000	*%*
Xinmao Group	Metal raw materials	PRC-based supplier of electrolytic copper and zinc ingots	Not applicable	Bank transfer	3	24,462	11.6
Jiangxi Yuchi Trading Co., Ltd. (江西譽馳貿易有限公司)	Metal raw materials	PRC-based supplier of brass, bronze, and red copper granules	Not applicable	Bank transfer	3	21,728	10.3
Supplier A	E-commerce promotion fee	Operator of the Tmall e-commerce platform	Not applicable	Bank transfer	12	17,249	8.2
Meizhou Xuchang Jewelry Co., Ltd. (梅州市旭昌首飾有限公司)	Metal raw materials	PRC-based supplier of brass alloys	30 days	Bank transfer	2	8,000	3.8
Guangzhou Hongjing Jewelry Casting Materials Co., Ltd. (廣州市泓景首飾鑄造材料有限公司)	Consumables (casting powder)	PRC-based supplier of casting powder	60 days	Bank transfer	4	7,871	3.7
					Subtotal	79,310	37.6

For the year ended December 31, 2024

Supplier	Purchase type	Supplier's background	Credit terms	Payment method	Years of relationship	Purchase amount by us	% of our total purchase
						RMB'000	*%*
Xinmao Group	Metal raw materials	PRC-based supplier of electrolytic copper and zinc ingots	Not applicable	Bank transfer	3	28,190	10.9

Supplier	Purchase type	Supplier's background	Credit terms	Payment method	Years of relationship	Purchase amount by us	% of our total purchase
						RMB'000	%
Jiangxi Yuchi Trading Co., Ltd. (江西譽馳貿易有限公司) .	Metal raw materials	PRC-based supplier of brass, bronze, and red copper granules	30 days	Bank transfer	3	26,233	10.2
Supplier A	E-commerce promotion fee	Operator of the Tmall e-commerce platform	Not applicable	Bank transfer	12	18,827	7.3
Guangzhou Hongjing Jewelry Casting Materials Co., Ltd. (廣州市泓景首飾鑄造材料有限公司) .	Consumables (casting powder)	PRC-based supplier of casting powder	60 days	Bank transfer	4	10,484	4.1
Supplier C	E-commerce promotion fee	Service provider on the JD.com platform	Not applicable	Bank transfer	5	7,128	2.8
					Subtotal	90,862	35.3

So far as our Directors are aware, none of our Directors, their close associates or any Shareholders holding more than 5% of the issued share capital of our Company immediately following the completion of the [**REDACTED**], had any interests in any of our five largest suppliers during the Track Record Period.

Supplier Selection & Management

Our supplier selection process typically involves multiple stages. We prioritize suppliers based on two primary criteria: product quality and pricing competitiveness. Beyond these fundamentals, we assess their ability to meet our production requirements, responsiveness to orders, and long-term strategic fit.

For all selected suppliers, we enter into framework agreements that outline general cooperation terms. Specific product purchases are then executed through purchase orders, with quality standards typically determined by approved samples. Contractual agreements define key terms such as payment cycles, delivery schedules, and dispute resolution mechanisms. In the event of unforeseen circumstances, both parties negotiate solutions in good faith to ensure stable cooperation.

We have established a structured supplier management system, incorporating rigorous selection, evaluation, and monitoring processes to ensure the stability and quality of our supply chain. Our procurement primarily consists of raw materials and outsourced production, both of which follow distinct management protocols.

To maintain efficiency and flexibility in procurement, we engage in long-term relationships with key suppliers while periodically assessing their performance based on pricing, quality, and timely delivery. Our supplier database is continuously updated, and underperforming suppliers are subject to review and potential replacement.

LOGISTICS AND INVENTORY MANAGEMENT

We operate our own warehouse to maintain full control over our storage, dispatch, and inventory processes. Our Hangzhou Facility spans a total of approximately 155,626 square meters, in which we owned and operated one warehouse. The warehouse serves as our primary logistics hub, supporting nationwide order fulfillment for both online and offline sales channels. In addition to our self-owned warehouse, our inventory also includes goods stored at third-party platform-operated warehouses, primarily under consignment arrangement for e-commerce platforms such as JD.com as well as products stored in small-scale storage areas attached to our self-operated offline stores. These supplementary warehouses are used primarily for last-mile distribution, daily retail replenishment, and promotional campaigns.

For accounting purposes, inventory includes raw materials, work-in-progress, finished goods, and goods in transit that are held for sale or use in the ordinary course of business. Inventory held at third-party warehouses and retail locations is also recognized as part of our inventory balance, provided that the risks and rewards of ownership have been retained by us.

Our warehouse is managed under a standardized operating framework, which includes defined inbound and outbound procedures, categorized storage by product type, routine inventory cycle counts, and a barcode-based inventory tracking system. All inventory movements are monitored through our ERP system, enabling real-time visibility and timely replenishment. Warehouse personnel are trained in the safe handling and storage of handcrafted and fragile goods to ensure product integrity.

All logistics and transportation functions are outsourced to third-party service providers. We cooperate with a number of reputable logistics companies under annual framework agreements, which cover nationwide delivery services, return logistics, and dedicated dispatch for bulk or corporate orders. These agreements typically include performance obligations such as delivery timeliness, customer service responsiveness, and compensation for shipment loss or damage based on declared consignment value.

Inventory Management

Our inventory primarily consists of finished products, work in progress and raw materials and consumables stored at our Hangzhou warehouse. We adopt a proactive inventory planning strategy that takes into account sales seasonality, promotional cycles, and product launch schedules. Inventory planning is jointly managed by our operations, merchandising, and finance teams, with regular reviews based on historical turnover data, marketing calendars, and production capacity.

Inventory levels are actively adjusted ahead of major shopping festivals such as 618 and Double 11, as well as key cultural gifting periods including Chinese New Year and Mid-Autumn Festival. During the Track Record Period, our inventory turnover days were 107 days, 119 days and 119 days for the years ended December 31, 2022, 2023 and 2024, respectively.

We implement periodic inventory counts and system reconciliation processes to maintain stock accuracy. Inventory is categorized by product type and age, and is subject to monthly physical audits with discrepancy reporting to headquarters.

WORK SAFETY

We are not subject to the requirements for a work safety permit under the Regulations on Work Safety Permits (《安全生產許可證條例》), as our principal business activities do not fall within the categories of enterprises mandated to obtain such permits, including mining, construction, and the production of hazardous chemicals or explosive materials.

We have obtained a Level 3 Work Safety Standardization Certificate (安全生產標準化三級企業證書) issued by the Hangzhou Emergency Management Bureau, valid until March 2028. During the Track Record Period and up to the Latest Practicable Date, we were in compliance with applicable national and local safety production laws and regulations. We had not been subject to any administrative penalties in connection with work safety matters and no work-related incidents classified as production safety accidents occurred during the same period.

Safety Management System

We place significant emphasis on workplace safety and have established a comprehensive safety production management system based on the Work Safety Law of the People's Republic of China, the Fire Protection Law, and other relevant regulations.

Key components of our safety framework include:

- Designation of safety responsibilities across departments, with a tiered accountability structure to ensure all employees fulfill their safety duties.

- Weekly safety inspections in production workshops and enhanced checks before holidays.

- Daily operational safety checks on protective equipment usage, machine operations, and implementation of safety responsibilities.

- Triennial assessments and registration of major hazard sources, with regular patrols and documentation by responsible units.

Safety Training and Awareness

We provide structured safety training programs for new hires and existing employees. All new staff receive safety orientation before commencing operations, covering core topics such as workplace hazards, protective equipment ("**PPE**") use, fire evacuation, chemical handling, and incident reporting procedures. Annual refresher training is mandatory for all staff and supplemented by scenario-based drills and visual documentation.

Training effectiveness is monitored through attendance logs and periodic assessment, and PPE distribution records are maintained and audited for compliance. Training photos, records, and safety reminders are prominently displayed in each production building.

We believe that cultivating safety awareness is essential to long-term operational excellence, and we remain committed to continuously strengthening our systems, facilities, and training to provide a safe and secure working environment for all employees.

Hazardous Chemicals Management

We procure, store, and use a number of hazardous chemicals in our operations, including phosphoric acid, dichloromethane, toluene, ethyl acetate, butyl acetate, and other volatile compounds. We have established a Precursor Chemicals Management Group responsible for managing procurement, inventory control, and usage tracking. Hazardous materials are stored in designated storage rooms equipped with ventilation systems, spill containment zones, and access control protocols.

We have adopted internal emergency response protocols specific to hazardous chemicals and formulated a Chemical Accident Emergency Response Plan. In case of an incident, procedures include on-site evacuation, source control, pollution containment, and notification of regulatory and emergency services. Each incident triggers an internal root-cause review process in accordance with our "Accident Reporting and Investigation Policy."

Occupational Health and Disease Prevention

We engage third-party qualified testing agencies to conduct regular occupational hazard assessments across all key workshops and processes. Our evaluations focus on workplace exposure to dust, fumes, vapors, noise, high temperatures, and other physical and chemical factors, with reference to national occupational exposure limits. Identified hazard areas are required to implement protective infrastructure and equipment.

We conduct pre-employment, on-duty, and post-employment health examinations for employees in high-risk roles. We maintain PPE distribution and usage logs, and all high-exposure positions are equipped with appropriate PPE such as masks, goggles, earplugs, and gloves, with training provided during employee onboarding.

Safety Incident Reporting and Emergency Response

During the Track Record Period, we maintained a clean safety record, with no major workplace safety incidents or penalties related to work safety.

We have established a detailed system for classifying, reporting, investigating, and resolving safety incidents, including fire, equipment failure, chemical leakage, and workplace injuries. Each incident is reviewed under the principles of traceability and accountability. Emergency response procedures are led by a designated team, with escalation protocols based on severity and risk classification. Regular drills are conducted to improve staff responsiveness to chemical spills, fire hazards, and occupational injuries.

All incidents are logged and maintained in an internal safety archive system. In accordance with our internal policy, incident investigations must adhere to the “Four Don’ts” principle (i.e., do not let the person responsible go unidentified, do not let the cause go unexamined, do not let corrective actions go unimplemented, and do not let lessons go unlearned).

INTELLECTUAL PROPERTY

We regard our intellectual property as an essential component of our brand equity and product competitiveness. Our intellectual property portfolio includes self-developed product designs, proprietary visual motifs, artistic innovations, production techniques, and trademarks. To safeguard our creative assets and operational rights, we have adopted a dual-track IP strategy that emphasizes original content development while selectively engaging in IP licensing arrangements.

Self-developed IP

Our self-developed IPs represent the cultural and emotional foundation of our brand. These IPs are conceived and developed in-house through a cross-functional collaboration among our product creation team, cultural researchers, and sculptural artists. Each IP embodies a distinct thematic identity rooted in Chinese mythology, folklore, symbolism, or historical narratives.

We have implemented internal protocols to document the creative process, register relevant copyright and design rights, and regularly monitor the market for potential infringements. As of December 31, 2024, we had obtained 1,575 artistic copyrights, 285 design patents, 12 utility model patents, 9 software copyrights and 2 invention patents. We plan to continue investing in the protection and development of original IPs as part of our long-term strategy.

IP Licensing Arrangements

In addition to our self-developed IPs, we collaborate with selected third-party IP licensors to broaden our product portfolio, tap into existing fan communities, and enrich the cultural narratives embedded in our collections. These licensing arrangements enable us to reinterpret popular characters and stories through our unique aesthetic and craftsmanship.

We typically enter into non-exclusive license agreements with reputable IP proprietors or authorized agents. The licensed IPs may include characters, artworks, film or television properties, or historical motifs, and are applied across selected product lines under our brand. The license agreements generally cover a defined territory (typically the PRC), a designated product scope, and a specified term. Key terms of our licensing arrangements typically include:

- *License scope*: Non-exclusive, non-transferable rights to use the licensed IP in designated product categories and formats.

- *Territory and term*: Licenses are typically granted for use in mainland China or Greater China, for fixed terms ranging from one to three years, with renewal options subject to mutual agreement.

- *Royalty structure*: Our licensing agreements generally require payment of royalties based on a percentage of the net sales of licensed products, subject to a minimum guaranteed payment. Royalties are usually settled on a quarterly basis and subject to audit rights by the licensor.

- *Approval mechanism*: All product designs and promotional materials bearing the licensed IP must be submitted to the licensor for prior review and written approval. This ensures consistency with the licensor's brand guidelines and commercial policies.

- *IP ownership and infringement*: The licensor retains all ownership rights in the licensed IP, and we are required to include appropriate ownership and trademark notices on products and packaging. In the event of third-party infringement, we are obligated to notify the licensor and may cooperate in enforcement actions as appropriate.

- *Confidentiality and termination*: Each agreement contains confidentiality provisions and conditions under which either party may terminate the agreement, including for breach or insolvency.

Trademark and Copyright Protection

As of December 31, 2024, we had registered 559 trademarks in China covering our core brand names and sub-brands. As of the Latest Practicable Date, we owned 14 registered trademarks in jurisdictions such as the United States, the United Kingdom, and the European Union. Additionally, we are currently applying for 22 trademarks in jurisdictions such as Hong Kong and Canada. We have also registered copyrights for key product designs, packaging elements, and visual artworks. We engage external counsel to advise on trademark registration and copyright compliance, and we regularly monitor e-commerce platforms and social media for potential infringements.

We have established an internal protocol to manage infringement complaints, including issuing cease-and-desist letters, requesting takedowns on digital platforms, and initiating legal action when necessary. We have also adopted confidentiality agreements and restrictive covenants with key employees, contractors, and supply chain partners to mitigate the risk of unauthorized disclosure or misuse of our proprietary designs.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to integrating ESG principles into our operations to support sustainable growth, enhance stakeholder value and uphold our cultural and artistic mission. Our ESG strategy is rooted in our core values of craftsmanship, cultural preservation, and value-driven quality, and is implemented through a structured governance framework and measurable sustainability practices.

ESG Governance Framework

Our ESG governance framework ensures robust oversight and systematic execution of our ESG strategies. To ensure the effective advancement of ESG work, we have established ESG management policies that define the responsibilities and roles of our Board of Directors and the ESG Work Group.

Our Board of Directors assumes ultimate responsibility for ESG oversight, which is responsible for setting our ESG strategic goals, approving ESG management policies, approving ESG documentation and disclosure materials and monitoring the implementation of ESG initiatives. To further advance the implementation of ESG initiatives, we has established an ESG Work Group, which includes representatives from departments such as the Environmental and Safety Department, Production Department, and Procurement Center. The ESG Work Group is responsible for improving, assessing, monitoring, and managing ESG risks and opportunities, collecting and reviewing performance metrics, and preparing the annual ESG report etc. Our governance framework is reinforced by internal policies and controls to ensure compliance with applicable regulations.

Environmental Management and Performance

We adhere to the Environmental Protection Law of the PRC and other relevant environmental regulations. Our production processes generate industrial emissions, wastewater, solid waste. We have implemented an Environmental Management policy that addresses pollution control, waste management, and resource efficiency. To mitigate environmental impact, we have adopted pollution prevention technologies, energy-efficient equipment, and water-saving systems. We also conduct periodic environmental impact assessments and maintain emergency response mechanisms for environmental incidents.

GHG Emissions and Pollution Management

We are committed to minimizing our environmental footprint through the effective management of greenhouse gas ("**GHG**") emissions, air and water pollutants, and solid waste. In compliance with the PRC's laws and regulations such as the Law on the Prevention and Control of Atmospheric Pollution, the Law on the Prevention and Control of Water Pollution, and the Law on the Prevention and Control of Environmental Pollution by Solid Waste, we have established a comprehensive environmental management framework to ensure that all emission indicators meet national and local discharge standards.

Our operations generate Scope 1 (direct), Scope 2 (energy indirect), and Scope 3 (other indirect) GHG emissions. We have implemented energy-saving initiatives and efficiency upgrades that helped us moderate our emission intensity despite business growth. The following table summarizes our GHG emissions during the Track Record Period:

		For the year ended December 31,		
Emission Type	**KPI**	**2022**	**2023**	**2024**
Greenhouse gas	Scope 1 emissions (tons CO2)	1,444	1,188	1,263
	Scope 2 emissions (tons CO2)	10,210	10,974	14,491(2)
	Scope 3 emissions (tons CO2)(1)	30	26	28
	Total emission (tons CO2)	11,684	12,188	15,781(2)
	Greenhouse gas emission intensity (tons/RMB million revenue)	22.8	23.8	27.2(2)

Notes:

(1) Scope 3 greenhouse gas emissions include waste generated in operations, and business travel.

(2) In the second half of 2023, our new production line commenced operations, which requires substantial water consumption for rinsing and casting procedures, along with large electricity usage to power furnaces for calcination.

In support of our 2025 quantitative ESG goals, we aim to reduce our air pollutant emissions per RMB million revenue by 1% from the 2024 baseline.

Our major air pollutants include nitrogen oxides (NOx), sulfur oxides (SOx), and particulate matter (PM), primarily generated during grinding, sandblasting, painting, and coloring. The following table summarizes our air pollutants during the Track Record Period.

	For the year ended December 31,		
	2022	**2023**	**2024**
NOx (kg)	271.0	592.7(1)	541.2
SOx (kg)	0.8	1.0(1)	1.2(1)
PM (kg)	21.9	29.5(1)	32.5

Note:

(1) Due to product line expansion requiring the implementation of electroplating processes, we must transport products via freight trucks to third-party processing facilities for electroplating. This has led to heightened consumption of diesel and gasoline fuels, thereby contributing to elevated exhaust emissions.

We manage emissions by:

- Installing and upgrading exhaust and gas treatment equipment, including the replacement of UV photocatalytic systems with activated carbon absorption units.
- Conducting annual third-party monitoring of pollutant emissions.
- Training production employees on emission-reduction protocols.

We operate in-house wastewater treatment stations and sedimentation tanks for production wastewater, including plaster rinsing water, which is treated and reused. All treated wastewater discharged in compliance with municipal standards.

We manage both hazardous and non-hazardous solid waste in accordance with relevant PRC regulations. Waste is classified, labeled, and stored by category. Disposal is conducted by licensed third-party entities.

- Hazardous waste includes paint residue, wax slag, chemical-contaminated materials, and sludge.
- Non-hazardous waste includes furnace slag, dust, and copper scraps.
- Industrial by-products such as slag and polishing powder are reused where feasible.

The tables below present our performance data in terms of solid waste management during the Track Record Period.

	For the year ended December 31,		
	2022	2023	2024
Hazardous waste (tons)	76.9	121.9[1]	210.0[1]
Hazardous waste density (tons/RMB million revenue)	0.2	0.2	0.4
Non-hazardous waste (tons)[1]	4,046	6,794[1]	6,092
Non-hazardous waste density (tons/RMB million revenue)	7.9	13.3	10.5

Note:

(1) In the second half of 2023, our color painting process commenced operations, which generates both hazardous waste (such as waste paint) and non-hazardous waste.

Energy and Resource Efficiency

We are committed to improving energy and resource efficiency across our operations by implementing advanced technologies, optimizing production processes, and fostering sustainable practices. Our initiatives focus on reducing fossil fuel dependency, enhancing electricity and water conservation, and minimizing resource waste, in compliance with the Energy Conservation Law, the Renewable Energy Law, and the Water Law of the PRC.

Consumption Our direct energy consumption consists of fossil fuels, including gasoline, diesel, and natural gas, while indirect energy use is primarily attributed to purchased electricity.

The table below sets forth our total direct and indirect energy consumption as well as intensity metrics for the Track Record Period:

	For the year ended December 31,		
	2022	**2023**	**2024**
Gasoline (liters)	2,304	4,832[(1)]	7,339[(1)]
Diesel (liters)	49,779	56,233	66,562
Natural Gas (m^3)	597,031	469,321	488,122
Purchased Electricity (MWh)	16,455	17,238	23,353[(2)]
Total Direct Energy (MWh)	6,799	5,557	5,889
Total Indirect Energy (MWh)	16,455	17,238	23,353
Total Energy Consumption (MWh)	23,254	22,795	29,242
Energy Intensity (MWh/RMB million revenue)	45.4	44.6	50.5

Note:

(1) Due to product line expansion requiring the implementation of electroplating processes, we must transport products via freight trucks to third-party processing facilities for electroplating. This has led to heightened consumption of diesel and gasoline fuels, thereby contributing to elevated exhaust emissions.

(2) In the second half of 2023, our new production line commenced operations. The new production line requires substantial water consumption for rinsing and casting procedures, along with significant electricity usage to power furnaces for calcination. This has resulted in a notable increase in our overall electricity and water consumption.

We undertook several measures to reduce energy usage:

- Phased disposal of underutilized gasoline and diesel vehicles to cut fuel usage.
- Deployment of advanced gas leakage detection systems to prevent natural gas wastage.
- Investment in equipment upgrades, such as replacing outdated balers with higher-efficiency models (from 6.5kW to 2.2kW).
- Investment to shift from silicone molds to plaster molds, reducing reliance on high-energy equipment (e.g., 23 resting tanks and 6 dehumidifiers totaling 550kW capacity). Post-process optimization, equipment use frequency dropped by approximately 50%, with partial dehumidifier phase-out.
- Implementation of routine inspections of power lines and equipment to detect and correct inefficiencies.
- Comprehensive adoption of LED lighting across all offices and production facilities, alongside daily patrols to enforce energy discipline (e.g., "lights off when unattended").

The following table outlines our total water consumption and water intensity over the Track Record Period:

	For the year ended December 31,		
	2022	2023	2024
Total Water Usage (tons)	136,510	195,109(1)	260,196(1)
Water Consumption Intensity (Tons/RMB million revenue)	266.6	381.4(1)	449.6(1)

Note:

(1) In the second half of 2023, our new production line commenced operations. The new production line requires substantial water consumption for rinsing and casting procedures, along with significant electricity usage to power furnaces for calcination. This has resulted in a notable increase in our overall electricity and water consumption.

We continuously improve water efficiency through technology upgrades, process optimization, and behavioral guidance:

- In our plaster cleaning process, rinse water is treated in sedimentation tanks and filtered for reuse.

- Dedicated staff inspect water fixtures daily and operate main valves according to scheduled protocols.

- Abnormal water usage incidents are promptly investigated and controlled.

We have established quantitative energy and water use reduction targets. By the end of 2025, we aim to reduce energy and water intensity per RMB million revenue by 1% compared to 2024 levels. These goals support our broader strategy of embedding sustainability into operational performance and long-term planning.

Social Responsibility

Employee Welfare and Development

We are committed to creating a respectful, inclusive, and equitable workplace, and strictly adhere to relevant PRC labor laws and international standards, including the PRC Labor Law, Labor Contract Law, and Women's Rights Protection Law. We also support global human rights principles, such as the Universal Declaration of Human Rights and the International Covenant on Civil and Political Rights. We explicitly prohibit child labor, forced labor, and all forms of harassment or discrimination.

To that end, we have implemented comprehensive employment practices through internal policies such as the Employee Handbook and Human Resources Internal Control Guidelines. Our management practices encompass recruitment, performance evaluation, promotion, compensation, and resignation procedures, ensuring fair treatment and development opportunities for all employees regardless of age, gender, nationality, religion, disability, or marital status.

We offer a broad range of statutory and non-statutory leave, including annual leave, sick leave, marriage and maternity leave, and ensure work-life balance through regulated working hours and wellness initiatives. Employees are provided with non-salary benefits such as child education support, and access to recreational facilities including a dedicated staff activity center. We regularly organize wellness activities and cultural events, such as table tennis tournaments, to cultivate a dynamic and engaging work environment.

We conduct regular performance appraisals and tie bonus allocations to monthly performance outcomes. Promotion pathways are transparent and merit-based, and we provide customized career development support including job-specific training, skill-based learning, and continuing education opportunities. All new hires receive onboarding that includes ESG awareness training. We also encourage employees to pursue external academic programs and professional qualification assessments.

Our employee feedback mechanism enables staff to report needs or suggestions via multiple channels. Each submission is investigated and responded to by management. The Chairman personally oversees resolution strategies to ensure employee satisfaction is continuously improved.

Supply Chain Management

As of December 31, 2024, we maintained long-term relationships with over 500 suppliers in China. Our procurement protocols are governed by the Procurement Center Guidelines and gradually include ESG compliance checkpoints in supplier onboarding. We require environmental permits from suppliers and restrict the business volume of those failing to meet basic sustainability criteria. Approved suppliers are documented in a central registry and monitored through evaluations on quality, delivery, pricing, and service.

To foster local economic development and reduce carbon emissions, we prioritize partnerships with nearby suppliers. Suppliers with poor evaluation scores are subjected to reduced order volumes or termination.

Product Responsibility

We have established a comprehensive quality assurance framework guided by laws such as the PRC Product Quality Law and Consumer Protection Law. We oversee the entire product lifecycle, from design and development through procurement, manufacturing, and post-sale service. Our multi-stage inspection process ensures consistency, reliability, and compliance with product standards.

We proactively manage product safety and consumer rights. No major product recall or health-related incidents have occurred during the Track Record Period. We maintain high customer satisfaction ratings across all major platforms. For example, our Douyin flagship stores consistently score 4.9/5 to 5/5, with similar results on JD.com, Tmall, and Xiaohongshu.

We protect consumer privacy through data encryption and adhere to the principles of data minimization and lawful use.

Governance and Ethics

We uphold a strong culture of integrity, guided by a Code of Conduct and governed by our Anti-Fraud, Anti-Bribery, and Anti-Corruption Policy. We maintain whistleblower protection protocols and multiple anonymous reporting channels. The HR department investigates all submissions and reports directly to the Board and management.

The Board's Audit Committee leads anti-corruption oversight, while our internal audit team conducts periodic compliance checks. Procurement staff are strictly prohibited from accepting gifts or kickbacks.

We offer mandatory ethics training across all staff levels, supplemented by regular audits and risk assessments. During the Track Record Period and up to the Latest Practicable Date, no ethics-related disputes or legal violations were reported.

Community Engagement

We actively contribute to social welfare and local development. Through financial donations and volunteering, we have supported underprivileged households, seniors, orphans, individuals with disabilities, and rural revitalization programs in Jiande and neighboring areas. We view social investment as integral to our long-term development and corporate purpose.

ESG Performance Monitoring

We have established ESG performance metrics including carbon emissions, resource efficiency, waste reduction, employee satisfaction, and supplier ESG compliance. Our board of Directors and the ESG Work Group review these metrics annually and oversees progress toward 2025 reduction targets. We aim to align our disclosures with international standards such as the HKEX ESG Reporting Guide.

IMPACT OF THE COVID-19 OUTBREAK

The COVID-19 pandemic led to temporary supply chain and logistics disruptions. However, our vertically integrated operations and strong e-commerce presence enabled us to maintain business continuity. Unlike companies reliant on third-party manufacturing, our in-house production minimized external dependencies and mitigated operational risks.

Logistics delays were the most notable challenge during the pandemic, but digital channels remained resilient, allowing us to sustain sales momentum. Government support measures also facilitated supply chain recovery.

While the pandemic had limited direct impact on our business, it accelerated our investment in digital infrastructure, manufacturing automation, and supply chain diversification. We complied fully with health regulations to ensure workplace safety and operational stability. Overall, COVID-19 did not have a material adverse effect on our business or financial performance.

EMPLOYEES

As of December 31, 2024, we had 1,141 full-time employees. The following table shows a breakdown of our employees by function as of December 31, 2024:

Function	Number
Production	829
Marketing	135
Research and development	119
Administration	21
Procurement	20
Senior management	9
Finance	8
Total	**1,141**

We offer competitive remuneration packages to our directly employed staff, which include basic salaries and performance-based bonuses. Our recruitment strategy targets both the open market and college campuses, with compensation determined based on an employee's qualifications, experience, position, and seniority.

We enter into labor contracts with all employees in compliance with the Labor Contract Law of the PRC, ensuring that no forced labor is involved. These contracts are structured to safeguard employees' rights and comply with the statutory requirements concerning working conditions, compensation, and other benefits under applicable PRC laws.

Historically, certain subsidiaries of us have faced instances where social insurance and housing provident fund contributions were not fully paid for certain employees in compliance with statutory requirements. According to our PRC Legal Adviser, the likelihood of the Company being subject to penalties or requirement on making up the underpayment of social insurance and housing provident fund contributions during the Track Record Period is considered remote. Based on the above, we believe such issues are not expected to have a material adverse effect on our operations, financial condition, or overall business prospects.

INSURANCE

We maintain property insurance coverage for our production facilities, primarily covering losses arising from fire, explosion, natural disasters, and other accidental events. The insured properties are located at our primary production site in Hangzhou. Our Directors will continue to evaluate our insurance coverage and may procure additional property insurance or other types of insurance as they consider necessary to support our business operations.

In addition, we provide social welfare insurance to our employees in compliance with applicable PRC laws and regulations. This includes contributions to basic pension insurance, medical insurance, work-related injury insurance, unemployment insurance, and maternity insurance under the PRC social security system.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material insurance claims that had a significant impact on our business or financial position.

PROPERTIES

As of the Latest Practicable Date, we own and leases properties across the PRC primarily to support production, office operations, and other business activities. This portfolio of properties includes both land use rights for self-owned sites and a variety of leased spaces critical to our operations.

Owned Properties

As of the Latest Practicable Date, the carrying amount of our property interests exceeded 15% of our total assets. Pursuant to Rule 5.01 of the Listing Rules, we are therefore required to include a valuation report of such property interests in this document. We have appointed Cushman & Wakefield Limited, an independent property valuer, to assess the market value of our property interests as of April 9, 2025. The text of the valuer's letter and the valuation certificate prepared by Cushman & Wakefield Limited are set out in "Appendix III – Property Valuation Report" to this document. According to Chapter 5 of the Listing Rules and Section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), our other property interests are exempted from compliance with the requirements under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the same ordinance, which would otherwise require a valuation report for such property interests.

As of the Latest Practicable Date, we held land use rights for two parcels of land located in Yangxi Subdistrict, Jiande City, Zhejiang Province, with an aggregate site area of approximately 117,987 sq.m. These parcels are designated for industrial use and have land use terms valid until October 17, 2056 and January 18, 2075, respectively. These sites serve as our main production base and support key manufacturing and operational functions.

In addition, we owned a total of approximately 155,626 sq.m. of constructed gross floor area as evidenced by valid title certificates, located at No. 777 Yading Road, Yangxi Subdistrict, Jiande City, Zhejiang Province. These buildings are designated for non-residential use and are primarily used for production, office, and warehousing purposes.

We also occupy two self-owned premises at the same site, with a combined gross floor area of approximately 480 sq.m., which are currently used for paint storage and cleaning workshops. While we have not yet obtained the formal title certificates for these two premises, we have obtained the land use rights for the underlying land. In November 2022, we applied to the relevant authorities for permission to retain these buildings in their current condition and continue their use. The competent local authorities have confirmed that such use does not constitute a material violation and does not pose any major safety risks. Accordingly, we have been permitted to retain and continue using these properties. Based on current regulatory communications and the surrounding factual circumstances, our PRC Legal Adviser are of the view that the likelihood of us being required to vacate or demolish these buildings is remote. As such, we believe that this issue is unlikely to have any material adverse impact on our business operations or financial condition.

Our PRC Legal Adviser has confirmed that our use of owned properties lacking of formal title certificates does not, under relevant laws and current circumstances, result in any material non-compliance. During the Track Record Period, we were not subject to any administrative penalties for violations of land use or construction-related laws. Based on the above, we consider the risk of being subject to administrative penalties in the future to be remote. Therefore, we believe that the current status of these properties is unlikely to have any material adverse effect on our business, financial condition or results of operations.

Leased Properties

These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are not held for investment purposes. We believe that there is sufficient supply of commercial properties in the PRC, and that our operations do not depend on any particular lease. As such, we are able to secure suitable replacement properties on commercially reasonable terms without material disruption to our business.

As of December 31, 2024, we leased a total of 10 properties in the PRC with an aggregate gross floor area of approximately 958.2 square meters. These leased properties were primarily used for self-operated retail store operations and warehousing. The table below sets forth details of our leased properties as of December 31, 2024:

No.	Location	Approximate Gross Floor Area (sq.m.)	Lease Term	Intended Use
1.	Unit L506, City North MixC, 1499 Hangxing Road, Yuhang District, Hangzhou, Zhejiang Province	93	Oct 6, 2023 – Nov 5, 2025 (automatically renewable to Nov 5, 2026 subject to sales condition)	Offline self-operated store
	Warehouse B1M014, B1M Level, City North MixC, 1499 Hangxing Road, Yuhang District, Hangzhou, Zhejiang Province	15.68	May 1, 2025 – April 30, 2026	Warehouse
2.	Unit B-B158, City MixC, 38 Shuangcheng 2nd Road, Chenghua District, Chengdu, Sichuan Province	46	Dec 10, 2023 – Dec 9, 2025	Offline self-operated store
	Warehouse C-B1-09, CB1 Level, City MixC, 38 Shuangcheng 2nd Road, Chenghua District, Chengdu, Sichuan Province	15.3	Feb 8, 2025 – Feb 7, 2026	Warehouse

No.	Location	Approximate Gross Floor Area (sq.m.)	Lease Term	Intended Use
3.	Unit L507, Xiaoshan MixC, 927 Jincheng Road, Beigan Street, Xiaoshan District, Hangzhou, Zhejiang Province	56	Apr 1, 2024 – Mar 31, 2026	Offline self-operated store
	Warehouse B3-F-9, B3 Level, Xiaoshan MixC, 927 Jincheng Road, Xiaoshan District, Hangzhou, Zhejiang Province	18.59	May 18, 2024 – May 17, 2025	Warehouse
4.	Unit L536, Changzhou MixC, Tianning District, Changzhou, Jiangsu Province	125	Apr 30, 2024 – Apr 29, 2026	Offline self-operated store
5.	Unit B1083, Wuchang MixC, Wuchang District, Wuhan, Hubei Province	139.3	Apr 18, 2024 – Apr 17, 2026	Offline self-operated store
6.	Unit L1-04, Times Paradise Walk, Buildings 1 and 2B, Yuzhong District, Chongqing	110.7	Apr 20, 2024 – Mar 31, 2026	Offline self-operated store
7.	Unit B117, Baohe MixC, Baohe District, Hefei, Anhui Province	118	Apr 25, 2024 – May 24, 2026	Offline self-operated store
8.	Unit A-5F-12, Shishan Paradise Walk, 181 Tayuan Road, High-tech District, Suzhou, Jiangsu Province	110.74	Apr 15, 2024 – Apr 14, 2026	Offline self-operated store
9.	Warehouse CB5-08-04, 5/F, Tower B, Hangzhou Tower, No. 1 Wulin Square, Hangzhou, Zhejiang Province	9	Jul 1, 2024 – Jun 30, 2025	Warehouse
10.	Unit 1-21, 1/F, Building 13, Huan Yu City, No. 710 Xinyuan Street, Mogao Avenue, Anning District, Lanzhou, Gansu Province	100.92	Aug 1, 2024 – Jul 31, 2027	Consignment store

As of December 31, 2024, we had not obtained property ownership certificates for two of our leased properties, one of which is used as offline-self operated store and the other as consignment store. The landlords of these properties have either failed to complete the relevant title registration procedures or have declined to provide the property ownership certificates. These two properties contributed an aggregate revenue of approximately RMB1.9 million in the year ended

December 31, 2024, representing around 0.3% of our total revenue for the same year. Since the commencement of the leases, we have not encountered any disputes, administrative investigations or penalties in relation to these properties, nor have we experienced any interruption in our use. Given the relatively limited revenue contribution of these locations and the nature of their use, we are in the view that suitable alternative sites could be secured with minimal disruption if we are required to vacate these premises. Our PRC Legal Adviser confirmed that no administrative penalties have been imposed on us in connection with the use of these properties as of the Last Practicable Date. Based on the above, we believe that the absence of property ownership certificates for these leased properties does not pose any material adverse impact on our business operations or financial condition.

In addition, as of the Latest Practicable Date we had completed one lease registration and filing with the local housing authorities out of our ten leased properties. According to our PRC Legal Adviser, pursuant to the relevant PRC laws and regulations, including the Administrative Measures for Commodity Housing Tenancy (《商品房屋租賃管理辦法》), such failure does not affect the validity of the respective lease agreements. However, housing authorities may impose a fine of up to RMB10,000 per lease for failure to complete registration and filing formalities. As of the Latest Practicable Date, we were not aware of any administrative penalties imposed on us in connection with such non-registration. Based on the above, we believe that such non-compliance does not have any material adverse impact on our business operations or financial condition.

LICENSES, PERMITS AND APPROVALS

The following table sets out a list of material licenses and permits currently held by us:

Certificate/License/Permit	Issuing authority	Expiry date/ Renewal date
High and New Technology Enterprise Certificate (高新技術企業證書)	Department of Economy and Information Technology of Zhejiang Province (浙江省經濟和信息化廳), Zhejiang Provincial Department of Finance (浙江省財政廳), Zhejiang Provincial Tax Service of the State Taxation Administration (國家税務總局浙江省税務局)	December 5, 2027
Work Safety Standardization Level 3 Certificate (安全生產標準化三級企業證書)	Hangzhou Emergency Management Bureau (杭州市應急管理局)	March 2028
Urban Wastewater Discharge Permit to Municipal Pipeline (城鎮污水排入排水管網許可證)	Jiande Housing and Urban-Rural Development Bureau (建德市住房和城鄉建設局)	September 7, 2029
Pollutant Discharge Permit (排污許可證)	Jiande Branch, Hangzhou Municipal Bureau of Ecology and Environment (杭州市生態環境局建德分局)	November 15, 2028

Certificate/License/Permit	Issuing authority	Expiry date/ Renewal date
Registration Form for Entry-Exit Inspection and Quarantine Enterprise Filing (出入境檢驗檢疫企業備案)	Zhejiang Entry-Exit Inspection and Quarantine Bureau (浙江出入境檢驗檢疫局)	N/A

We continually monitor our compliance with relevant laws and regulatory requirements to ensure that all necessary approvals, licenses, and permits are properly obtained and maintained. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material difficulties in obtaining, renewing, or complying with the terms of the above licenses and certificates. Based on our operating history and the current status of our certifications, we do not expect to face any material difficulties in renewing these licenses and certificates upon expiration, nor do we anticipate that any issues arising from the regulatory status of these permits would have a material adverse effect on our business operations or financial condition.

LEGAL PROCEEDINGS

During the Track Record Period and up to the Latest Practicable Date, there had been no litigation or arbitration or administrative proceedings pending or threatened against the Group or any of the Directors which could have a material adverse effect on the Group's financial condition or results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Framework

We have established a structured risk management framework to identify, assess, and mitigate potential risks that could impact our business operations and financial performance. Our Board of Directors holds ultimate responsibility for overseeing risk management, ensuring that effective internal control measures are in place.

Our risk management framework follows a systematic approach, integrating risk assessment into decision-making processes. We conduct regular risk assessments and evaluate operational, financial, regulatory, and strategic risks. We also have an internal reporting mechanism to ensure that risk-related issues are promptly identified and addressed at all levels of the organization.

Internal Control System

Our internal control system is designed to safeguard assets, ensure financial reporting accuracy, and promote compliance with applicable laws and regulations. We have established internal policies and procedures to govern various aspects of our operations, including financial management, procurement, inventory control, and compliance monitoring.

The effectiveness of our internal control system is reviewed periodically through internal audits and compliance checks, conducted by an independent internal audit function. These audits help assess the adequacy of our control measures, identify areas for improvement, and ensure that corrective actions are implemented in a timely manner.

Financial Risk Management

We actively manage financial risks, including credit risk, liquidity risk, and market risk, through comprehensive financial controls and strategic planning. Our finance team monitors cash flow, capital allocation, and currency exposure, ensuring financial stability and resilience. We adhere to prudent financial policies to mitigate potential risks associated with fluctuations in market conditions and economic uncertainties.

Compliance and Legal Risk Management

We are committed to full compliance with relevant PRC laws and regulations, as well as industry best practices. Our legal and compliance team oversees regulatory compliance, ensuring adherence to corporate governance standards and operational requirements.

To prevent legal and regulatory risks, we conduct regular compliance training for employees, keeping them informed about relevant laws, ethical business practices, and anti-corruption policies. We also maintain whistleblowing and reporting channels to facilitate the early detection and resolution of potential compliance issues.

AWARDS, RECOGNITIONS AND MEMBERSHIPS

The table below sets forth some of our major awards and recognitions at the Latest Practicable Date, which were awarded to us in recognition of our business development and our provision of quality services. It reflects our continuous dedication to excellence in quality, sustainability, and corporate responsibility, as recognized by esteemed industry associations and government bodies.

Year	Award of recognition	Accrediting/Issuing institution/authority
2025 . . .	2025 Municipal Key Manufacturing Companies (2025年度市級重點製造業企業)	The People's Government of Jiande City (建德市人民政府)
2024 . . .	2024 Municipal Representative Inheritor of Intangible Cultural Heritage and Special Funding Recipient for Intangible Cultural Heritage Workshop (Lost-Wax Casting) (杭州市市級非遺代表性傳承人,杭州市非遺保護傳承載體專項基金補助(2024失蠟鑄銅－非遺工坊))	Hangzhou Municipal Bureau of Culture, Radio, Television and Tourism (杭州市文化廣電旅遊局)
2024 . . .	2024 the second batch of Zhejiang province digital culture gradient cultivation enterprise leader type (2024年第二批浙江省數字文化梯度培育企業領軍型)	Zhejiang Provincial Department of Culture and Tourism & Economy and Information Technology Department of Zhejiang (浙江省文化和旅遊廳、浙江省經濟和信息化廳)

Year	Award of recognition	Accrediting/Issuing institution/authority
2024 . . .	2024 The third batch of Zhejiang Province Culture and Tourism Enterprises Gradient Cultivation Program Leading Enterprises (2024年第三批浙江省文化和旅遊企業梯度培育計劃領軍型企業)	Zhejiang Provincial Department of Culture and Tourism (浙江省文化和旅遊廳)
2024 . . .	2024 Artisanal Design Brands (2024年度匠心設計品牌)	Alifish (阿里魚)
2023 . . .	2023 Municipal Key Manufacturing Company (2023年度市級重點製造業企業)	The People's Government of Jiande City (建德市人民政府)
2022 . . .	Top 100 Future Unicorns in Consumer Brands 2022 (2022消費品牌未來獨角獸TOP100)	Blue Shark Consume (藍鯊消費)
2022 . . .	Key Cultural Enterprises of Hangzhou in 2022 (2022年杭州市重點文化企業)	Hangzhou Cultural and Creative Industries Guidance Committee (杭州市文化創意產業指導委員會)
2022 . . .	2022 China's Most Valuable Fashion and Trendy Toy Brands (2022－反彈力－消費界－中國最具價值時尚潮玩品牌)	Consumer Sector & Lemon Club (消費界、檸檬品牌社)
2022 . . .	Startup 100 Future Unicorns (創業邦100未來獨角獸)	CYZone 100 (創業邦100)
2022 . . .	2022 Lost Wax Casting Method – Intangible Cultural Heritage Workshop (2022失蠟鑄銅法－非遺工坊)	Leadership Group for the Creation of the Qiantang River Poetry Road Fuchun Mountains and Waters Cultural Heritage Ecological Protection Zone (錢塘江詩路(富春山水)文化傳承生態保護區創建領導小組)

OVERVIEW

As at the Latest Practicable Date, Mr. Yu held approximately 26.27% of the voting rights in our Company. Immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), Mr. Yu will directly hold approximately [**REDACTED**]% Shares in our Company. Accordingly, Mr. Yu will be entitled to exercise and control the exercise of an aggregate of approximately [**REDACTED**]% of the voting rights at our general meetings upon [**REDACTED**] and will be regarded as our single largest shareholder.

Apart from the above, Mr. Yu is also the chairman of our Board, an executive Director and the general manager of our Company. For further background details of Mr. Yu, please see the section headed "Directors and Senior Management – Executive Directors" in this document.

EXCLUDED BUSINESS

As at the Latest Practicable Date, Mr. Yu (an executive Director, chairman of the Board, the general manager of the Company and the Single Largest Shareholder) had material interest in certain companies outside of our Group, details of which are set out below:

Company name	**Place of incorporation**	**Date of incorporation**	**Ownership**
Shejiguo (Hangzhou) Technology Co., Ltd.* (設計國(杭州)科技有限公司) ("**Shejiguo**")	Hangzhou, The PRC	October 25, 2018	96%, 2% and 2% by Mr. Yu, Zhang Huifang (張慧芳) and Pan Yu (潘育), each an independent third party
Tongmu Zhuyi	Hangzhou, The PRC	December 17, 2020	Approximately 29.10% by Mr. Yu and the remaining 70.90% by 51 shareholders, of whom no shareholders hold more than 15% of the shares of Tongmu Zhuyi
Xijiang Technology (Hangzhou) Co., Ltd.* (璽匠科技(杭州)有限公司) ("**Xijiang Technology**"). . . .	Jiande, the PRC	July 17, 2001	Approximately 98.39% by Tongmu Zhuyi and the remaining approximately 1.61% by four shareholders, of whom no shareholders hold more than 1% of the registered capital of Xijiang Technology. Save for Mr. Luo Renxiang, our Director, who holds 0.0083% of the equity interests in Xijiang Technology, each of the remaining three shareholders is an independent third party

Company name	Place of incorporation	Date of incorporation	Ownership
Hangzhou Yige Intelligent Home Furnishing Co., Ltd.* (杭州亦格智造家居有限公司) ("**Hangzhou Yige**")	Jiande, the PRC	September 10, 2010	Wholly owned by Xijiang Technology
Hangzhou Xijiang Copper and Wood Home Furnishing Co., Ltd.* (杭州璽匠銅木主義家居股份有限公司) ("**Copper and Wood Home Furnishing**")	Jiande, the PRC	December 17, 2019	99% and 1% by Tongmu Zhuyi and Mr. Yu

As at the Latest Practicable Date, Mr. Yu was the chairman of the board in each of Tongmu Zhuyi and Copper and Wood Home Furnishing, and a director in each of Hangzhou Yige and Shejiguo. Mr. Yu did not hold any directorship or management position at Xijiang Technology as at the Latest Practicable Date.

Since its establishment and up to the Latest Practicable Date, Shejiguo had no actual business operations. Xijiang Technology and its wholly-owned subsidiary Hangzhou Yige are principally engaged in the design, production and sales of bathroom products. As at the Latest Practicable Date, Xijiang Technology and Hangzhou Yige had ceased business operations. Accordingly, Mr. Yu had no intention to inject his interests in the aforesaid companies into our Group after the [**REDACTED**].

By way of Demerger, Tongmu Zhuyi was demerged from our Group in December 2020. For details, please refer to the section headed "History, Development and Corporate Structure – (v) Demerger of the Company in December 2020". Tongmu Zhuyi and its subsidiary, Copper and Wood Home Furnishing are mainly engaged in the production and sale of solid wood furniture, whose business model is clearly delineated from our Group's business.

Save as disclosed above, Mr. Yu confirmed that none of his respective close associates had any interest in a business that competes or is likely to compete, either directly or indirectly, with our business, which is subject to disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE OF OUR BUSINESS

Having considered the following factors, our Directors are satisfied that we can function, operate and carry on our business independently from our Single Largest Shareholder upon [**REDACTED**].

Operational Independence

We have full rights to make business decisions and to carry out our business independent of our Single Largest Shareholder and his close associates. On the basis of the following reasons, our Directors consider that the Company will continue to be operationally independent of our Single Largest Shareholder and his close associates after [**REDACTED**]:

(a) we are not reliant on trademarks owned by our Single Largest Shareholder, or by other companies controlled by our Single Largest Shareholder;

(b) we are the holder of all relevant licenses material to the operation of our business and has sufficient capital, equipment and employees to operate our business independently;

(c) we primarily make our own procurement purchases and conduct our own sales and marketing. Save as disclosed in this document, the Group has independent access to suppliers and customers and our major customers and suppliers are unrelated to our Single Largest Shareholder and his close associates;

(d) as at the Latest Practicable Date, we leased factory and office space from independent third parties. All the properties and facilities necessary to our business operations are independent from our Single Largest Shareholder and his close associates;

(e) we have our own administrative and corporate governance infrastructure, including our own accounting and human resources departments;

(f) as at the Latest Practicable Date, all of our full-time employees were recruited independently from our Single Largest Shareholder and his close associates and primarily through job market recruiting, and internal referrals;

(g) our Directors do not expect that there will be any other transactions between our Group and our Single Largest Shareholder or his close associates upon or shortly after [**REDACTED**]; and

(h) none of our Single Largest Shareholder and his close associates has any interest which competes or is likely to compete with the business of our Group.

Management Independence

Our management and operational decisions are made by the Board in a collective manner. The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. Please see the section headed "Directors and Senior Management" in this document for further details.

As at the Latest Practicable Date, save for Mr. Yu, none of our Directors or the members of our senior management team hold any position at Mr. Yu's companies outside of our Group.

Our Directors are of the view that our Directors (except Mr. Yu) have relevant experience to ensure the proper functioning of the Board. We further believe that our Directors (except Mr. Yu) and members of the senior management are able to perform their roles in our Company in managing our business independently from our Single Largest Shareholder for the following reasons:

(i) as a part of our preparation for the [**REDACTED**], we have promulgated the Articles of Association to comply with the Listing Rules. In particular, our Articles of Association provides that any Director and senior management member should not place himself or herself in a position where his or her duty and his or her own interests may conflict. In the event of a conflict of interest arising out of any transactions to be entered into by our Group, all Directors with conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming a quorum at the relevant Board meetings;

(ii) our independent non-executive Directors constitute more than one-third of our Board and none of them has any relationship with our Single Largest Shareholder. Our independent non-executive Directors have extensive experience in different areas. We believe that they will be able to exercise their independent judgment and will be able to provide impartial opinions in the decision-making process of our Board to protect the interests of our Shareholders;

(iii) each of our Directors is aware of his or her fiduciary duties as a director, which require, among other things, that he or she acts for our Company's best interests and he or she must not allow any conflict between his or her duties as a Director and his or her personal interests; and

(iv) where a Shareholders' meeting is held to consider a proposed transaction in which our Single Largest Shareholder has a material interest, our Single Largest Shareholder shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting.

Financial Independence

We have our own financial management system and we make financial decisions according to our own business needs. We have internal control and accounting systems and an independent finance department in charge of our treasury function. We do not expect to rely on our Single Largest Shareholder and his respective close associates for financing after the [**REDACTED**] as we expect that our working capital will be funded by the cash, cash equivalent on hand as well as the [**REDACTED**] from the [**REDACTED**]. Our Directors confirm that the only guarantee of RMB128,500,000 provided by Mr. Yu for borrowings by our Company during the year ended December 31, 2022 was fully released in the same year. As of the Latest Practicable Date, there was no outstanding loan or guarantee provided by our Single Largest Shareholder and his respective close associates. Based on the above, our Directors believe that we are able to maintain financial independence from our Single Largest Shareholder and his close associates after [**REDACTED**].

Corporate Governance Measures

Our Company will comply with the provisions of the Corporate Governance Code, which sets out principles of good corporate governance.

Our Directors believe that there are adequate corporate governance measures in place to manage the potential conflict of interests between our Single Largest Shareholder and our Group and to safeguard the interests of our Shareholders taken as a whole for the following reasons:

(i) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and the Single Largest Shareholder and/or the Directors on the other hand, the Single Largest Shareholder and/or the Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors either through its annual report or by way of announcements;

(ii) our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if our Company enters into connected transactions with our Single Largest Shareholder and his respective close associates, our Company will comply with the applicable Listing Rules;

(iii) we are committed that our Board shall include a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors, and we believe our independent non-executive Directors (i) possess sufficient experiences, (ii) are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment, and (iii) will be able to provide an impartial and external opinion to protect the interests of our Shareholders as a whole. For details of the independent non-executive Directors, see the section headed "Directors and Senior Management" in this document;

(iv) any transaction that is proposed between our Group and our Directors, including Mr. Yu and/or his respective associates will be required to comply with the requirements of the Articles of Association and the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements; and

(v) we have appointed Innovax Capital Limited as our compliance adviser, who will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to directors' duties and 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 that may arise between our Company and our Single Largest Shareholder, and to protect our minority Shareholders' interests after the [**REDACTED**].

Further, any transaction that is proposed between our Company and the Single Largest Shareholder and/or our Directors and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the annual reporting, announcement, circular and independent Shareholders' approval requirements.

BOARD OF DIRECTORS

Our board currently consists of nine Directors, comprising five executive Directors, one non-executive Director, and three independent non-executive Directors. The following table sets forth general information regarding our Directors:

Name	Position	Age	Date of appointment as Director	Date of joining our Group	Role and responsibilities	Relationship with other Directors and senior management
Mr. Yu Guang (俞光)	Chairman of the Board, executive Director and general manager	52	March 2013	March 2013	Overall management of our Group, overall strategic planning, business direction, product development and operational management	None
Mr. Luo Renxiang (羅仁祥)	Executive Director, deputy general manager and financial director	49	June 2021	April 2014	Overall financial management of our Group	None
Mr. He Yun (何贇)	Executive Director, deputy general manager and production director	52	October 2014	January 2014	Overall production management of our Group	None
Ms. Wang Xiaoxia (汪小霞)	Executive Director, deputy general manager and marketing director	37	July 2024	October 2019	Overall marketing of our Group	None
Mr. Chen Ruiguang (陳鋭廣)	Executive Director, employee representative Director and video director	36	July 2024	July 2014	Responsible for the image management of our Group's products and marketing promotions	None
Mr. Xiao Feng (肖峰)	Non-executive Director	49	April 2015	April 2015	Participating in decision-making in respect of major matters such as corporate and business strategies	None

Name	Position	Age	Date of appointment as Director	Date of joining our Group	Role and responsibilities	Relationship with other Directors and senior management
Mr. Tu Bisheng (涂必勝)	Independent Non-executive Director	60	December 2021	December 2021	Supervising and providing independent judgment to our Board	None
Dr. Huang Wenli (黃文禮)	Independent Non-executive Director	43	July 2024	July 2024	Supervising and providing independent judgment to our Board	None
Mr. Fong Chun Fai (方俊輝). .	Independent Non-executive Director	47	April 2025	April 2025	Supervising and providing independent judgment to our Board	None

The following sets forth the biographies of our Directors:

Executive Directors

Mr. Yu Guang (俞光), aged 52, is our chairman of the Board, executive Director and the general manager of our Company. He is primarily responsible for the overall management of the Group, overall strategic planning, business direction, product development and operational management. Mr. Yu served as the chairman of the Board, a Director of our Company since March 2013 and he was redesignated as an executive Director in April 2025. Mr. Yu was the general manager of our Company since December 2021.

Mr. Yu has nearly 25 years of working experience in corporate management. From July 2001 to November 2019, Mr. Yu was chairman of the Board and general manager of Yading Creative Home Furnishing Co., Ltd (雅鼎創意家居股份有限公司), now known as Xijiang Technology (Hangzhou) Co., Ltd.* (璽匠科技(杭州)有限公司) ("**Xijiang Technology**"), which is principally engaged in the design, production and sales of bathroom products where he was responsible for managing the overall operations of the company.

Mr. Yu graduated from the 87th Arts and Crafts Class (87屆工藝美術班) of Shaoxing Secondary Vocational School (紹興市中等專業學校) in June 1991. Mr. Yu graduated from the Shanghai Jiao Tong University China CEO (President) Innovation Management Advanced Training Program (上海交通大學中國CEO(總裁)創新管理高級研修班) in July 2012.

Mr. Yu was previously a director of the following company which was dissolved:

Name of Company	Place of incorporation	Position held	Date of dissolution	Principal business activity	Status
Hong Kong Yatin (International) Group Corporation Limited (香港雅鼎(國際)集團有限公司)	Hong Kong	Director	September 14, 2007	No actual business operations	Dissolved by Striking Off

Mr. Yu confirmed that (i) there is no wrongful act on his part leading to the dissolution; (ii) he is not aware of any outstanding or potential claim that has been or will be made against him as a result of the dissolution; and (iii) no misconduct or misfeasance had been involved in the dissolution.

Mr. Luo Renxiang (羅仁祥), aged 49, is our executive Director, deputy general manager and financial director. He is primarily responsible for the overall financial management of the Group. Mr. Luo was appointed a Director from April 2014 to August 2017 and was reappointed as a Director in June 2021 and redesignated as an executive Director in April 2025. Mr. Luo was appointed as a deputy general manager and financial director of the Company in December 2021 and April 2019 respectively. Mr. Luo was appointed as a secretary to the Board from December 2021 to March 2025.

From June 2008 to April 2019, Mr. Luo held positions including a finance department manager (財務部經理), financial director (財務總監), secretary to the board (董事會秘書) of Xijiang Technology, where he was responsible for the company's financial accounting, financial management, investment and financing decisions.

Mr. Luo graduated from Zhongnan University of Economics and Law (中南財經政法大學) with a bachelor's degree in accounting through distant learning in December 2006. Mr. Luo graduated jointly from Zhejiang Gongshang University (浙江工商大學) and Université du Québec à Chicoutimi with a master's degree in project management in September 2018. Mr. Luo has been a certified public accountant by Hubei Institute of Certified Public Accountants (湖北省註冊會計師協會) in the PRC since September 2004. In September 2022, Mr. Luo was awarded the Intermediate Accountant Certificate.

Mr. He Yun (何贇), aged 52, is our executive Director, deputy general manager and production director. He is primarily responsible for the overall production management of the Group. Mr. He served as a Director since October 2014 and was redesignated as an executive Director in April 2025. Mr. He was the deputy general manager and production director since December 2021 and January 2025, respectively. Mr. He joined our Company since January 2014 and had held positions including general manager, manager of business department (事業部經理), procurement director (採購總監).

Mr. He has over 20 years of working experience. From January 2003 to January 2014, Mr. He was a manager of business department (事業部經理) and a manager of procurement department (採購部經理) of Xijiang Technology, where he was mainly responsible for the company's raw material procurement, production workshop management and other matters.

Mr. He graduated from Zhejiang Xinchang Chengguan Middle School (浙江省新昌縣城關中學) with a vocational high school diploma in June 1990.

Ms. Wang Xiaoxia (汪小霞), aged 37, is our executive Director, deputy general manager and marketing director. She is primarily responsible for the overall marketing of the Group. Ms. Wang was appointed as a Director since July 2024 and was redesignated as an executive Director in April 2025. In addition, Ms. Wang joined our Company in October 2019 and was appointed as the deputy general manager and marketing director of our company since December 2021 and July 2020, respectively.

Ms. Wang has over 13 years of working experience. From November 2011 to June 2015, she worked at Hangzhou Rock Color Advertising Planning Co., Ltd.* (杭州岩色廣告策劃有限公司). From July 2015 to December 2016, Ms. Wang worked at Hangzhou Particle Culture Technology Co., Ltd.* (杭州粒子文化科技有限公司). From January 2017 to December 2018, Ms. Wang worked at Zhejiang Yanhua Culture Media Co., Ltd.* (浙江岩華文化傳媒有限公司), now known as Zhejiang Yanhua Culture Technology Co., Ltd.* (浙江岩華文化科技有限公司). From January 2019 to September 2019, Ms. Wang worked at Hangzhou Tangerine Meow Cultural and Creative Co., Ltd.* (杭州橘喵文化創意有限公司).

Ms. Wang graduated from Zhejiang University of Technology (浙江工業大學) with a bachelor's degree in business administration for junior college graduates through part-time study in June 2020.

Mr. Chen Ruiguang (陳銳廣), aged 36, is our executive Director, employee representative Director and video director. He is primarily responsible for the image management of the Group's products and marketing promotions. Mr. Chen joined our Company in July 2014 and has been appointed as a Director in July 2024. He was redesignated as an executive Director and served as an employee representative Director in April 2025. Mr. Chen was appointed as the video director of our Company since January 2025.

Mr. Chen has over 15 years of working experience. From July 2008 to July 2014, Mr. Chen also served as a manager of photographing department (攝影部經理) of Xijiang Technology where he was mainly responsible for taking photos of the company's products for marketing and promotion.

In July 2006, Mr. Chen was awarded the Graphics and Image Processing (圖形圖像處理) Vocational Qualification Certificate by Chaozhou Vocational Skills Appraisal and Guidance Center (潮州市職業技能鑒定指導中心).

Non-executive Director

Mr. Xiao Feng (肖峰), aged 49, is our non-executive Director. He is primarily responsible for participating in decision-making in respect of major matters such as corporate and business strategies. Mr. Xiao was appointed as a director in April 2015 and was redesignated to a non-executive Director in April 2025.

From June 2001 to August 2012, Mr. Xiao has been the project manager of the Zhejiang Prospect Landscaping Engineering Co., Ltd.* (浙江前景園林綠化工程有限公司).

Mr. Xiao graduated from Correspondence College of the Party School of Zhejiang Provincial Party Committee (浙江省委黨校函授學院) with a diploma in economics and management in June 2004.

Independent Non-executive Directors

Mr. Tu Bisheng (涂必勝), aged 60, is our independent non-executive Director. He is primarily responsible for supervising and providing independent judgment to our Board. Mr. Tu was appointed as an independent director on December 2021 and was redesignated to an independent non-executive Director in April 2025.

From September 1987 to August 1993, Mr. Tu was a teaching assistant (助教) of Hangzhou Business School (杭州商學院) (now Zhejiang Gongshang University (浙江工商大學)). From September 1993 to November 2001, Mr. Tu was a lecturer of Hangzhou Business School (杭州商學院) (now Zhejiang Gongshang University (浙江工商大學)). From December 2001 to October 2024, Mr. Tu was an associate professor (副教授) of Zhejiang Gongshang University (浙江工商大學). From December 2022 to May 2025, Mr. Tu was an independent director of Hangzhou Yugu Technology Co., Ltd* (杭州宇谷科技股份有限公司). Since May 2019 to present, Mr. Tu is an independent director of Yuancheng Environment Co., Ltd.* (元成環境股份有限公司) (stock code: 603388, a company listed on the Shanghai Stock Exchange). Since December 2019 to present, Mr. Tu is an independent director of Zhejiang Songyuan Automotive Safety Systems Co., Ltd.* (浙江松原汽車安全系統股份有限公司) (stock code: 300893, a company listed on the Shenzhen Stock Exchange).

Mr. Tu graduated from Hangzhou Business School (杭州商學院) (now Zhejiang Gongshang University (浙江工商大學) with a bachelor's degree in business financial accounting (商業財務會計) in July 1986. Mr. Tu graduated from Xiamen University (廈門大學) with a master's degree in national economy (國民經濟) in December 2001.

Dr. Huang Wenli (黃文禮), aged 43, is our independent non-executive Director. He is primarily responsible for supervising and providing independent judgment to our Board. Dr. Huang was appointed as an independent director on July 2024 and was redesignated to an independent non-executive Director in April 2025.

From June 2016 to December 2023, Dr. Huang was employed by the school of China Institute of Financial Research, Zhejiang University of Finance and Economics (浙江財經大學中國金融研究院) and held positions of Vice-President and Executive Dean. From July 2016 to May 2022, Dr. Huang has been an independent director of Zhejiang Jinghua Laser Technology Co., Ltd. (浙江京華激光科技股份有限公司) (stock code: 603607, a company listed on the Shanghai Stock Exchange). From December 2021 to June 2024, Dr. Huang was an independent non-executive director of Zhejiang Leapmotor Technology Co., Ltd. (浙江零跑科技股份有限公司) (stock code: 9863, a company listed on the Stock Exchange). From December 2017 to December 2023, Dr. Huang served as an independent director of Zhejiang Lin'an Rural Commercial Bank Co., Ltd. (浙江臨安農村商業銀行股份有限公司) And his current position is the Secretary of the Party Committee in School of Finance, Zhejiang University of Finance and Economics (浙江財經大學金融學院) since January 2024.

Dr. Huang graduated from Ningbo University (寧波大學) with a bachelor degree in mathematics and applied mathematics (數學與應用數學) in June 2005, a master's degree in fundamental mathematics (基礎數學) in the same university in June 2008. Dr. Huang graduated from Zhejiang University (浙江大學) with a doctorate degree in mathematics in June 2011. Dr. Huang received a post-doctoral degree in management science and engineering (管理科學與工程) from University of Science and Technology of China (中國科學技術大學) in April 2016.

He was the on-campus tutor to his graduate students who published *ZUFE quantitative trading system (ZUFE量化交易體系)* that won the Outstanding Achievement Award of Zhejiang Graduate Education Society (浙江省研究生教育學會) in December 2023.

Mr. Fong Chun Fai (方俊輝), aged 47, is our independent non-executive Director. He is primarily responsible for supervising and providing independent judgment to our Board. Mr. Fong was appointed as an independent non-executive Director in April 2025.

Mr. Fong has over twenty years of investment, financing and corporate management experience from investment banks, listed companies, start-ups and funds. He has led numerous financial projects, including direct investments, IPOs, mergers and acquisitions, corporate and debt restructuring, equity and bond issuance and financial advisory works.

Mr. Fong has been serving as the president of Mango Financial Limited since October 2024. From September 2023 to September 2024, he served as adviser and chief financial officer of 91360 Med Tech (Nanjing) Co., Ltd, where he successfully facilitated the completion of its round B fund-raising. From October 2021 to September 2023, he served as head of corporate finance and healthcare of Ping An of China Capital (Hong Kong) Company Limited (a member of Ping An Insurance (Group) Company of China, Ltd. (stock code 2318.HK)). From November 2019 to December 2020, he served as head of corporate finance and managing director of China Industrial Securities International Capital Limited (a member of China Industrial Securities International Financial Group Limited (stock code 6058.HK)). From August 2018 to October 2019, he served in Orient Capital (Hong Kong) Limited (a member of Orient Securities Co., Ltd (stock code 3958.HK)) as the executive director of its investment banking department. From July 2010 to August 2017, he served in BOCI Asia Limited (a member of Bank of China Limited (stock code 3988.HK)) with the last position being the executive director of its investment banking department. From May 2009 to July 2010, he served in China Zenith Chemical Group Limited (stock code 362.HK) as the head of corporate finance. From May 2005 to January 2009, he served in BNP Paribas Peregrine (Asia Pacific) Capital Limited (法國巴黎百富勤融資(亞太)有限公司) with the last position as senior manager. From May 2004 to May 2005, he served in ICEA Capital Limited (a member of Industrial and Commercial Bank of China Limited (stock code 1398.HK)). From September 2001 to February 2003, he served as an auditor of Ernst & Young Hong Kong.

Mr. Fong obtained a bachelor's degree of Actuarial Sciences from the University of Hong Kong in 2001 and was awarded with HSBC Hong Kong Bank Foundation Bursary. He obtained membership of Hong Kong Institute of Certified Public Accountants in July 2006 and has been a member of corporate finance committee of Hong Kong Institute of Certified Public Accountants since 2018. He is currently the vice chairman of Angel Investment Foundation Limited, the council member of Hong Kong Securities & Futures Professionals Association. He has been a part time lecturer of HKU School of Professional and Continuing Education. Mr. Fong is a co-founder of Hong Kong Precision Pathology Laboratory Limited, where he is responsible for business establishment, strategic planning and financing.

Save as disclosed in this document, each of our Directors confirms with respect to himself or herself, to the best of his or her knowledge, information and belief, that he or she (1) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) as at the Latest Practicable Date; (2) had no other relationship with any Directors, senior management or substantial shareholders of our Company; (3) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and (4) there are no other matters concerning our Director's appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below sets out certain information in respect of the senior management of our Group:

Name	Position	Age	Date of appointment	Date of joining our Group	Role and responsibilities	Relationship with other Directors and senior management
Mr. Yu Guang (俞光)	General manager	52	March 2013	March 2013	Overall management, overall strategic planning, business direction, product development and operational management of our Group	None
Mr. Luo Renxiang (羅仁祥)	Deputy general manager and financial director	49	April 2019	April 2019	Overall financial management of our Group	None
Mr. He Yun (何贇)	Deputy general manager and production director	52	January 2014	January 2014	Overall production management of our Group	None
Ms. Wang Xiaoxia (汪小霞)	Deputy general manager and marketing director	37	October 2019	October 2019	Overall marketing of our Group	None
Ms. Xu Jiaying (徐佳穎)	Secretary of the Board, manager of international department	27	March 2025	February 2025	Managing daily affairs of our Board and the development of international business	None

Mr. Yu Guang (俞光), see "– Board of Directors – Executive Directors" for details.

Mr. Luo Renxiang (羅仁祥), see "– Board of Directors – Executive Directors" for details.

Mr. He Yun (何贇), see "– Board of Directors – Executive Directors" for details.

Ms. Wang Xiaoxia (汪小霞), see "– Board of Directors – Executive Directors" for details.

Ms. Xu Jiaying (徐佳穎), aged 27, is our secretary of the Board and manager of international department. She is primarily responsible for managing daily affairs of our Board and the development of international business. Ms. Xu has been appointed as manager of international department since February 2025, as well as the secretary of the Board since March 2025.

From July 2021 to January 2025, She served as analyst and then associate in Investment Banking Department of China International Capital Corporation Limited (中國國際金融股份有限公司投資銀行部).

Ms. Xu graduated from Peking University (北京大學) with a bachelor's degree in Finance in July 2020, and obtained a master's degree in Science in Financial Analysis in London Business School (倫敦商學院) in September 2021.

JOINT COMPANY SECRETARIES

Ms. Xu Jiaying (徐佳穎), has been appointed as a joint company secretary of our Company with effect from the [**REDACTED**]. see "– Senior Management" for details.

Ms. Leung Hoi Yan (梁塏欣), was appointed as a joint company secretary with effect from the [**REDACTED**].

Ms. Leung has over 14 years of experience in company secretarial and corporate governance matters of listed companies in Hong Kong. She currently serves as an assistant manager, Entity Solutions of Computershare Hong Kong Investor Services Limited (香港中央證券登記有限公司).

Ms. Leung holds a degree of Bachelor of Commerce (Honours) in Accounting from Hong Kong Shue Yan University (香港樹仁大學). She is an associate member of the Hong Kong Chartered Governance Institute (香港公司治理公會) and the Chartered Governance Institute.

BOARD COMMITTEES

Our Board delegates certain responsibilities to various Board committees. In accordance with the relevant PRC laws and regulations, the Articles and the Listing Rules, we have established our Audit Committee, Remuneration and Appraisal Committee, Nomination Committee, Strategy Committee.

Audit Committee

We have established an audit committee with terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the Corporate Governance Code on April 30, 2025 with effect from the [**REDACTED**]. The audit committee consists of Mr. Tu Bisheng, Mr. Fong Chun Fai and Mr. Xiao Feng, with Mr. Fong Chun Fai being the chairman of the committee.

The primary function of the audit committee is to assist our Board in evaluating and perfecting our financial reporting process, internal control and risk management system, overseeing the audit process and performing other duties and responsibilities as assigned by our Board which includes, amongst other things:

- proposing to the Board of Directors the appointment and replacement of external audit firms;
- Reviewing internal audit work reports, evaluating the results of internal audit work, and supervising the rectification of major issues;
- liaising between our internal audit department and external auditors;
- To monitor the integrity of the company's financial statements and annual reports and accounts, half-year reports and (if to be published) quarterly reports, and to review any significant opinions on financial reporting contained in the statements and reports; and
- other duties conferred by the Board of Directors.

Remuneration and Appraisal Committee

We have established a Remuneration and Appraisal Committee with terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1 of the Corporate Governance Code on April 30, 2025 with effect from the [**REDACTED**]. The Remuneration and Appraisal Committee consists of Dr. Huang Wenli, Mr. Tu Bisheng and Mr. Luo Renxiang, with Dr. Huang Wenli being the chairman of the committee.

The primary function of the Remuneration and Appraisal Committee is formulating and reviewing remuneration policies of our Directors and senior management and formulating and conducting assessment standards for the company's directors and senior management personnel, which includes, amongst other things:

- To research on the criteria for the assessment of Directors and senior management, make recommendations to the Board on the overall remuneration policy and structure for Directors and senior management, and on the establishment of a formal and transparent procedure for formulating remuneration policy;
- determining the terms of the specific remuneration package of executive Director and members of senior management including non-monetary benefits, pension rights and compensation amounts (including compensation for loss or termination of office or appointment), and make recommendations to the Board on the remuneration of non-executive directors;
- reviewing and approving remuneration proposals by reference to corporate goals and objectives resolved by our Directors from time to time; and
- other duties conferred by the Board of Directors.

Nomination Committee

We have established a nomination committee with terms of reference in compliance with Rule 3.27A of the Listing Rules and paragraph B.3 of the Corporate Governance Code on April 30, 2025 with effect from the [**REDACTED**]. The nomination committee consists of Dr. Huang Wenli, Ms. Wang Xiaoxia and Mr. Fong Chun Fai, with Dr. Huang Wenli being the chairman of the committee.

The primary function of the nomination committee is to make recommendations to our Board in relation to the appointment and removal of Directors which includes, amongst other things:

- reviewing the structure, size and composition of our Board on an annual basis and making recommendations to the Board regarding any proposed changes;

- identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorships;

- assessing the independence of our independent non-executive Directors;

- making recommendations to the Board on relevant matters relating to the appointment, re-appointment and succession of our Directors; and

- other duties conferred by the Board of Directors.

Strategy Committee

We have established a strategy committee whose primary functions are for researching and making recommendations on our Company's long-term development strategy and major investment decisions. The strategy committee consists Mr. Yu Guang, Mr. Luo Renxiang and Dr. Huang Wenli, with Mr. Yu Guang being the chairman of the committee. The main responsibilities of the strategic committee are as follows:

- to research and make recommendations on our Company's long-term development strategy and the direction of technology and product development;

- to research and make recommendations on major investment and financing plans that must be approved by our Board as stipulated in the Articles of Association;

- to research and make recommendations on major capital operations and asset management projects that must be approved by our Board as stipulated in the Articles of Association; and

- to research and make recommendations on other major matters that affect our Company's development.

CONFIRMATION FROM OUR DIRECTORS

Rule 8.10 of the Listing Rules

Each of our Directors confirms that as at the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, either directly or indirectly, with our Company's business which would require disclosure under Rule 8.10 of the Listing Rules.

Rule 3.09D of the Listing Rules

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 on April 30, 2025, and (ii) understands his or her obligations as a director of a listed issuer under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors has confirmed (i) his independence as regards each of the factors referred to in Rules 3.13(1) to (8) of the Listing Rules, (ii) he had no past or present financial or other interest in the business of the Company or its subsidiaries or any connection with any core connected person of the Company under the Listing Rules as at the Latest Practicable Date, and (iii) that there are no other factors that may affect his independence at the time of his appointment.

CORPORATE GOVERNANCE

Code Provision C.2.1 of the Corporate Governance Code

Under paragraph C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Yu is our chairman of the Board and the general manager of our Company. With extensive experience in the cultural and creative crafts industry and having served in our Company since its establishment, Mr. Yu is in charge of overall management, business, strategic development and scientific research and development of our Group. Despite the fact that the roles of our chairman of the Board and our general manager are both performed by Mr. Yu which constitutes a deviation from paragraph C.2.1 of the Corporate Governance Code, our Board considers that vesting the roles of chairman and general manager in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of our Board, our senior management, which comprises experienced and diverse individuals. Our Board currently comprises five executive Directors (including Mr. Yu), one non-executive Director and three independent non-executive Directors, and therefore has a strong independence element in its composition.

Save as disclosed above, our Company intends to comply with all code provisions under the Corporate Governance Code after the [**REDACTED**].

Board Diversity

The Board has adopted a board and all employees diversity policy (the "**Board and Employees Diversity Policy**") prior to the [**REDACTED**] in order to enhance the effectiveness of our Board and to maintain a high standard of corporate governance. Our Company recognizes and embraces the benefits of having a diverse Board. Pursuant to the Board and Employees Diversity

Policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Company will consider a range of diversity perspectives from different aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge and length of service. All board appointments will be based on the candidate's professional capabilities and the contribution he or she can make to the Board or position, taking into account the overall benefits of membership diversity and organizational needs.

As at the Latest Practicable Date, our Board consists of eight male members and one female member with ages ranging from 36 years old to 60 years old. Our Directors have a balanced portfolio of knowledge and skills, including investment, financing, corporate management, accounting, mathematics etc. They obtained degrees in various fields such as mathematics, accountancy, actuarial sciences, business administration. Our Company has reviewed the membership, structure and composition of the Board, and is of the opinion that the structure of the Board is reasonable, and the experiences and skills of the Directors in various aspects and fields can enable our Company to maintain high standard of operation.

Upon the [**REDACTED**], the nomination committee will from time to time review the Board and Employees Diversity Policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective. Our Company will (i) disclose the biographical details of each Director and (ii) report on the implementation of the Board and Employees Diversity Policy (including whether we have achieved board diversity) in its annual corporate governance report.

EMOLUMENT OF DIRECTORS AND SENIOR MANAGEMENT

We offer our Directors and senior management members, who are also employees of our Company, emolument in the form of salaries, allowances, bonuses and benefits in kind. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees).

The aggregate amount of remuneration which was paid to our Directors (including director's fees, salaries, allowances and benefits, and retirement benefits scheme contributions) for the three years ended December 31, 2022, 2023 and 2024 were RMB1.5 million, RMB1.8 million and RMB2.6 million, respectively.

It is estimated that the aggregate amount of remuneration (including director's fees, salaries, allowances and benefits, and retirement benefits scheme contributions) payable to Directors for the year ending December 31, 2025 will be approximately RMB2.8 million under arrangements in force at the date of this document.

During the Track Record Period, our Group's five highest paid individuals included one, two and two Director(s), respectively. The emoluments (including salaries, allowances and benefits and retirement benefit scheme contributions) of the remaining 4, 3 and 3 individuals throughout the Track Record Period, were approximately RMB2.3 million, RMB1.7 million and RMB1.7 million, respectively.

None of our Directors or any past directors of any member of the Group has been paid any sum of money for the three years ended December 31, 2022, 2023 and 2024 as (a) an inducement to join or upon joining the Company; or (b) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three years ended December 31, 2022, 2023 and 2024.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Group during the Track Record Period.

For additional information on Directors', chief executive's and employees' emoluments during the Track Record Period as well as information on the highest paid individuals, please refer to Note 10 of the Accountants' Report in Appendix I to this document.

COMPLIANCE ADVISER

We have appointed Innovax Capital Limited ("**Innovax**") as our compliance adviser pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following circumstances:

(a) before the publication of any announcements, circulars or financial reports required by regulatory authorities or applicable laws;

(b) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and securities repurchases;

(c) where we propose to use the [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where our business activities, developments or results deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry of us regarding unusual price movement and trading volume or other issues under Rule 13.10 of the Listing Rules.

Pursuant to Rule 19A.06 of the Listing Rules, Innovax will, in a timely manner, inform us of any amendment or supplement to the Listing Rules that are announced by the Stock Exchange. Innovax will also inform us of any amendment or supplement to applicable laws and guidelines.

The term of the appointment will commence on the [**REDACTED**] and end on the date on which we distribute the annual report of the first full financial year commencing after the [**REDACTED**] pursuant to the Rule 13.46 of the Listing Rules.

SHARE CAPITAL

Immediately before the [REDACTED]

As at the Latest Practicable Date, the registered share capital of the Company was RMB57,000,000, comprising of 57,000,000 Domestic Unlisted Shares with a nominal value of RMB1.00.

Upon the Completion of the [REDACTED]

Immediately after the [**REDACTED**] and conversion of Domestic Unlisted Shares into H Shares (for details, see – "Conversion of our Domestic Unlisted Shares into H Shares" in this section below) (assuming that the [**REDACTED**] is not exercised), the share capital of the Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Domestic Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]%
H Shares to be converted from Domestic Unlisted Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	100%

Immediately after the [**REDACTED**] (assuming that the [**REDACTED**] exercised in full), the share capital of the Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the enlarged issued share capital after the [REDACTED]
Domestic Unlisted Shares in issue	[**REDACTED**]	[**REDACTED**]%
H Shares to be converted from Domestic Unlisted Shares	[**REDACTED**]	[**REDACTED**]%
H Shares to be issued pursuant to the [**REDACTED**]	[**REDACTED**]	[**REDACTED**]%
Total	[**REDACTED**]	100%

CLASS OF SHARES

The H Shares in issue following the completion of the [**REDACTED**] and the Domestic Unlisted Shares are ordinary Shares in the share capital of our Company and are considered as one class of Shares. However, H Shares may only be [**REDACTED**] and [**REDACTED**] in Hong Kong dollars (except for H Shares under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, if applicable, and can be traded in Renminbi) between qualified domestics institutional investors of the PRC, legal and natural persons of Hong Kong, Macau, Taiwan or any country or jurisdiction other than the PRC. Apart from certain qualified domestic institutional investors in the PRC, as well as certain PRC qualified investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, if applicable, H Shares generally cannot be [**REDACTED**] by or [**REDACTED**] among legal and natural persons of the PRC. Domestic Unlisted Shares, on the other hand, may be purchased or transferred between legal and natural persons of the PRC, qualified foreign institutional investors or qualified foreign strategic investors.

RANKING

Domestic Unlisted Shares and H Shares are regarded as one class of Shares under the Articles of Association and will rank equally for all dividends or distributions declared, paid or made after the date of this document. However, the transfer of the Domestic Unlisted Shares is subject to such restrictions as PRC laws may impose from time to time.

CONVERSION OF OUR DOMESTIC UNLISTED SHARES INTO H SHARES

After the completion of the [**REDACTED**], our Shares will consist of Domestic Unlisted Shares and H Shares, which are all ordinary Shares in the share capital of our company. Our Domestic Unlisted Shares are Shares which are currently not listed or traded on any stock exchange. According to the stipulations by the State Council's securities regulatory authority and the Articles of Association, the holders of our Domestic Unlisted Shares may, at their own option, authorize the Company to apply to the CSRC for conversion of their respective Shares to H Shares. After the conversion of Domestic Unlisted Shares, such converted Shares may be [**REDACTED**] or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted shares any requisite internal approval processes shall have been duly completed and the approval from the relevant PRC regulatory authorities, including the CSRC, shall have been obtained. In addition, such conversion, trading and [**REDACTED**] shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Approval of the Stock Exchange is required for the [**REDACTED**] of such converted shares on the Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Unlisted Shares into H Shares as described in this section, we can apply for the [**REDACTED**] of all or any portion of our Domestic Unlisted Shares on the Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the H Share register. As any [**REDACTED**] of additional Shares after our [**REDACTED**] on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter, it does not require such prior application for [**REDACTED**] at the time of our [**REDACTED**] in Hong Kong.

After the completion of filing and all the requisite approvals have been obtained, the following procedure will need to be completed in order to effect the conversion: the relevant Domestic Unlisted Shares will be withdrawn from the Domestic Share register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct the [**REDACTED**] to issue H Share certificates. Registration on our H Share register will be conditional on (a) the [**REDACTED**] lodging with the Stock Exchange a letter confirming the proper entry of the relevant H Shares on the H Share register and the due dispatch of H Share certificates and (b) the [**REDACTED**] of the H Shares to [**REDACTED**] on the Stock Exchange in compliance with the Listing Rules, the [**REDACTED**] and the [**REDACTED**] in force from time to time. Until the converted shares are re-registered on our [**REDACTED**], such Shares would not be [**REDACTED**] as H Shares.

No Shareholder voting by class is required for the [**REDACTED**] of the converted Shares on an overseas stock exchange. Any application for [**REDACTED**] of the converted shares on the Stock Exchange after our initial [**REDACTED**] is subject to prior notification by way of announcement to inform Shareholders and the public of such proposed conversion.

Following the completion of the [**REDACTED**] and filing procedure with the CSRC on [●], a total of [**REDACTED**] Domestic Unlisted Shares held by 58 Shareholders will be converted into H Shares on a one-for-one basis and [**REDACTED**] on Stock Exchange for [**REDACTED**], representing approximately [**REDACTED**]% of total issued Shares of the Company upon completion of the conversion of Domestic Unlisted Shares into H Shares and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), details of the conversion and numbers of H Shares and Domestic Unlisted Shares before and after the [**REDACTED**] are set out as below:

				H Shares	
Name of Shareholders	**Number of Domestic Unlisted Shares held as at the Latest Practicable Date**	**Number of Shares applied for conversion into H Shares**	**Percentage of Number of Shares applied for conversion into H Shares to number of Shares held by the Shareholder(s) as at the Latest Practicable Date**	**Number of H Shares held after the [REDACTED]**	**Percentage of total number of Shares after the [REDACTED] (assuming that the [REDACTED] is not exercised)**
Mr. Yu	14,971,100	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Shunwei	7,631,981	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Tianjin Jinmi	5,451,418	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Beijing GX	3,453,413	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Euro Master	2,678,093	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Guozhong Fund	2,158,766	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
CCTV Fund	1,781,250	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
GQC Jinda	1,744,459	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Luo Wenjuan (羅文娟)	1,616,002	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Jinyuan Hanfei	1,414,004	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Qiu Dekang (裘德康)	1,154,287	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]

Name of Shareholders	Number of Domestic Unlisted Shares held as at the Latest Practicable Date	Number of Shares applied for conversion into H Shares	Percentage of Number of Shares applied for conversion into H Shares to number of Shares held by the Shareholder(s) as at the Latest Practicable Date	H Shares: Number of H Shares held after the [REDACTED]	H Shares: Percentage of total number of Shares after the [REDACTED] (assuming that the [REDACTED] is not exercised)
Qingdao Yunzhi	1,096,577	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Xiao Feng (肖峰)	1,067,715	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
GBA No. 1	712,500	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Shenzhen Guolinfeng	621,875	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Ruan Zhuoer (阮卓爾)	519,434	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Yang Ke (楊軻)	490,571	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Zhao Lei (趙磊)	481,917	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Lv Lihan (呂立翰)	447,285	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Zhang Lei (張磊)	431,071	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
He Yun (何贇)	360,713	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Fosun Weiying	298,737	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Luo Renxiang (羅仁祥)	288,571	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Li Wanqiang (黎萬強)	288,571	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Ding Pengfei (丁鵬飛)	288,571	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Jinyuan Zhecheng	240,475	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Chen Jingzhi (陳靜芝)	216,431	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Yin Xuelong (殷雪龍)	202,000	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Zhang Jianmei (張建梅)	178,914	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Jin Zeguang (金澤廣)	144,283	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Jin Lihua (金麗華)	144,282	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Zhang Weijiang (張衛江)	144,282	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Lv Hangjun (呂杭軍)	144,282	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Shentu Jiahui (申屠佳惠)	144,282	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Yang Junjie (楊竣傑)	144,282	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Qian Jiayang (錢家陽)	125,427	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Yu Hong (俞宏)	124,089	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Dong Shengfang (董聖芳)	115,429	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Huang Dongsheng (黃東升)	115,427	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Ren Bingzhang (任炳章)	109,658	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Jin Hongwei (金宏偉)	106,875	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Zhou Chengfeng (周乘風)	95,227	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Shi Ziming (史子鳴)	92,342	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
An Hui (安輝)	92,342	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]

				H Shares	
Name of Shareholders	**Number of Domestic Unlisted Shares held as at the Latest Practicable Date**	**Number of Shares applied for conversion into H Shares**	**Percentage of Number of Shares applied for conversion into H Shares to number of Shares held by the Shareholder(s) as at the Latest Practicable Date**	**Number of H Shares held after the [REDACTED]**	**Percentage of total number of Shares after the [REDACTED] (assuming that the [REDACTED] is not exercised)**
Ren Liang (任亮)	89,457	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Wang Yuezhen (王玥楨)	86,572	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Lu Huahua (盧華華)	86,572	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Hu Wenping (胡文萍)	57,717	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Ding Yi (丁屹)	57,717	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Lv Liang (呂亮)	57,717	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Zhang Jie (張傑)	57,717	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Wang Qiuxia (王秋霞)	57,717	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Liang Yu (梁鈺)	35,625	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Chen Lisheng (陳理升)	35,625	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Xu Danni (徐丹妮)	28,347	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Jia Jinfu (賈金富)	14,431	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Huang Ningning (黃寧寧)	14,431	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Cui Yushu (崔玉舒)	11,546	[REDACTED]	[REDACTED]%	[REDACTED]	[REDACTED]
Total	**54,820,401**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

As far as we are aware, save for the relevant Shareholders listed above, none of the other Shareholders currently proposes to convert any of their Domestic Unlisted Shares into H Shares.

[REDACTED] APPROVAL BY THE STOCK EXCHANGE

We have applied to the Listing Committee of the Stock Exchange for the granting of [**REDACTED**] of, and permission to [**REDACTED**] in, our H Shares to be issued pursuant to the [**REDACTED**] (including any H Shares which may be issued pursuant to the exercise of the [**REDACTED**]), and the H Shares to be converted from [**REDACTED**] Domestic Unlisted Shares on the Stock Exchange, which is subject to the approval by the Stock Exchange.

We will perform the following procedures for the conversion of Domestic Unlisted Shares into H Shares after receiving the approval of the Stock Exchange: (1) giving instructions to our [**REDACTED**] regarding relevant share certificates of the converted H Shares; and (2) enabling the converted H Shares to be accepted as eligible securities by [**REDACTED**] for deposit, clearance and settlement in the [**REDACTED**].

SHAREHOLDERS' GENERAL MEETINGS

For details of circumstances under which Shareholders' general meeting is required, please refer to "Appendix V – Summary of Principal Laws and Regulations" and "Appendix VI – Summary of Articles of Association" to this document.

REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE

According to the Interim Measures for the Administration of Overseas Securities Offering and Listing by Domestic Enterprises (《境內企業境外發行證券和上市管理試行辦法》) issued by CSRC, an overseas listed company is required to centrally register its shares that are not listed on any overseas stock exchange with domestic securities registration and settlement institution.

TRANSFER OF SHARES ISSUED PRIOR TO THE [REDACTED]

In accordance with the PRC Company Law, the shares issued prior to any [**REDACTED**] of shares by a company cannot be transferred within one year from the date on which such publicly [**REDACTED**] shares are [**REDACTED**] and [**REDACTED**] on the relevant stock exchange. As such, the Shares issued by our Company prior to the issue of H Shares will be subject to such statutory restriction on transfer within a period of one year from the [**REDACTED**].

SHAREHOLDERS' APPROVAL FOR THE [REDACTED]

Approval from our Shareholders is required for our Company to issue H Shares and apply the [**REDACTED**] of H Shares on the Stock Exchange. Our Company has obtained such approval at the Shareholders' general meeting held on April 30, 2025.

SUBSTANTIAL SHAREHOLDERS

To the best of the knowledge of our Directors, the following persons will, immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have an interest or short position in our Shares or underlying Shares which are 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 the rights to vote in all circumstances at the general meetings of our Company:

				Approximate percentage of interest	
Shareholder/ Ultimate Shareholder	**Nature of Interest**	**Class of Shares**	**Number of Shares(2)**	**In the relevant class of Shares upon the completion of the [REDACTED](1)**	**In the total share capital of our Company upon the completion of the [REDACTED](1)**
Mr. Yu	Beneficial Interest	H Shares	[**REDACTED**] (L)	[**REDACTED**]	[**REDACTED**]
Shunwei(3)	Beneficial Interest	H Shares	[**REDACTED**] (L)	[**REDACTED**]	[**REDACTED**]
Shunwei China(3)	Interest in controlled corporation	H Shares	[**REDACTED**] (L)	[**REDACTED**]	[**REDACTED**]
Shunwei Capital LP(3) . .	Interest in controlled corporation	H Shares	[**REDACTED**] (L)	[**REDACTED**]	[**REDACTED**]
Shunwei Capital Ltd(3) . .	Interest in controlled corporation	H Shares	[**REDACTED**] (L)	[**REDACTED**]	[**REDACTED**]
Silver Unicorn(3)	Interest in controlled corporation	H Shares	[**REDACTED**] (L)	[**REDACTED**]	[**REDACTED**]
Koh Tuck Lye(3)	Interest in controlled corporation	H Shares	[**REDACTED**] (L)	[**REDACTED**]	[**REDACTED**]
Tianjin Jinmi(4)	Beneficial Interest	H Shares	[**REDACTED**] (L)	[**REDACTED**]	[**REDACTED**]
Xiaomi Inc.(4)	Interest in controlled corporation	H Shares	[**REDACTED**] (L)	[**REDACTED**]	[**REDACTED**]
Xiaomi Communications(4) . . .	Interest in controlled corporation	H Shares	[**REDACTED**] (L)	[**REDACTED**]	[**REDACTED**]

Shareholder/ Ultimate Shareholder	Nature of Interest	Class of Shares	Number of Shares(2)	Approximate percentage of interest: In the relevant class of Shares upon the completion of the [REDACTED](1)	Approximate percentage of interest: In the total share capital of our Company upon the completion of the [REDACTED](1)
Xiaomi HK(4)	Interest in controlled corporation	H Shares	[REDACTED] (L)	[REDACTED]	[REDACTED]
Xiaomi Corporation(4)	Interest in controlled corporation	H Shares	[REDACTED] (L)	[REDACTED]	[REDACTED]
Beijing Hezhong(5)	Beneficial Interest	Domestic Unlisted Shares	[REDACTED] (L)	[REDACTED]	[REDACTED]
Baiquan Nahai(5)	Interest in controlled corporation	Domestic Unlisted Shares	[REDACTED] (L)	[REDACTED]	[REDACTED]
Wang Wenzhong(5)	Interest in controlled corporation	Domestic Unlisted Shares	[REDACTED] (L)	[REDACTED]	[REDACTED]
Shanghai Ruma(6)	Beneficial Interest	Domestic Unlisted Shares	[REDACTED] (L)	[REDACTED]	[REDACTED]
Ruma Enterprise(6)	Interest in controlled corporation	Domestic Unlisted Shares	[REDACTED] (L)	[REDACTED]	[REDACTED]
Shanghai Oujie(6)	Interest in controlled corporation	Domestic Unlisted Shares	[REDACTED] (L)	[REDACTED]	[REDACTED]
Wang Changlin(6)	Interest in controlled corporation	Domestic Unlisted Shares	[REDACTED] (L)	[REDACTED]	[REDACTED]
Zhang Haiyun(6)	Interest in controlled corporation	Domestic Unlisted Shares	[REDACTED] (L)	[REDACTED]	[REDACTED]

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Shares, consisting of [**REDACTED**] Domestic Unlisted Shares and [**REDACTED**] H Shares) in issue immediately after completion of the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(2) "L" denotes long position.

(3) Shunwei Ventures III (Hong Kong) Limited ("**Shunwei**") is wholly owned by Shunwei China Internet Fund III, L.P. ("**Shunwei China**"). The general partner of Shunwei China is Shunwei Capital Partners III GP, L.P. ("**Shunwei Capital LP**"), and the general partner of Shunwei Capital LP is Shunwei Capital Partners III GP Limited ("**Shunwei Capital Ltd**"). Silver Unicorn Ventures Limited ("**Silver Unicorn**") holds more than 50% of the issued and outstanding shares of Shunwei Capital Ltd, and Mr. Koh Tuck Lye is the sole shareholder of Silver Unicorn. Therefore, in accordance with the SFO, Shunwei China, Shunwei Capital LP, Shunwei Capital Ltd, Silver Unicorn and Koh Tuck Lye are deemed to be interested in all the shares directly held by Shunwei.

(4) The general partner of Tianjin Jinmi Investment Partnership (Limited Partnership) ("**Tianjin Jinmi**") is Tianjin Venus Venture Capital Co., Ltd.* (天津金星創業投資有限公司) ("**Tianjin Venus**"), which is wholly owned by Xiaomi Inc.* (小米科技有限責任公司) ("**Xiaomi Inc.**"), a consolidated affiliated entity controlled by Xiaomi Communications Co., Ltd. ("**Xiaomi Communications**") through, among others, contractual arrangements entered into between Xiaomi Inc. and Xiaomi Communications. Both Xiaomi Software and Xiaomi Communications are wholly owned by Xiaomi H.K. Limited ("**Xiaomi HK**"), which in turn is wholly owned by Xiaomi Corporation (stock code: 1810.HK) ("**Xiaomi Corporation**"). Therefore, in accordance with the SFO, Tianjin Venus, Xiaomi Inc., Xiaomi Communications, Xiaomi HK and Xiaomi Corporation are deemed to be interested in all the shares directly held by Tianjin Jinmi.

(5) Beijing Hezhong Venture Capital Equity Investment Center (Limited Partnership)* (北京合眾創投股權投資中心(有限合夥)) ("**Beijing Hezhong**") was owned as to approximately 3.63% by Beijing Baiquan Nahai Investment Management Co., Ltd.* (北京百泉納海投資管理有限公司) ("**Baiquan Nahai**") as its general partner, which in turn was owned as to approximately 35% by Wang Wenzhong (汪文忠). Therefore, in accordance with the SFO, Baiquan Nahai and Wang Wenzhong are deemed to be interested in all the shares directly held by Beijing Hezhong.

(6) Shanghai Ruma Youhua Enterprise Management Partnership (Limited Partnership)* (上海如碼有花企業管理合夥企業(有限合夥)) ("**Shanghai Ruma**") was owned as to approximately 1.96% by Shanghai Ruma Enterprise Management Consulting Co., Ltd. (上海如碼企業管理諮詢有限公司) ("**Ruma Enterprise**") as its general partner, which in turn was owned as to 99% by Shanghai Oujie Cultural Communication Co., Ltd. (上海歐捷文化傳播有限公司) ("**Shanghai Oujie**"), which in turn was owned as to 50% and 50% by Wang Changlin (王長林) and Zhang Haiyun (張海雲). Therefore, in accordance with the SFO, Ruma Enterprise, Shanghai Oujie, Wang Changlin and Zhang Haiyun are deemed to be interested in all the shares directly held by Shanghai Ruma.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the [**REDACTED**], have an interest or short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, 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 our Company.

You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report as set out in Appendix I to this document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

For the purpose of this section, unless the context otherwise requires, references to 2022, 2023 and 2024 refer to our financial year ended December 31 of such year. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We, TONGSHIFU (銅師傅), are a leading cultural and creative craft brand rooted in Chinese heritage and dedicated to redefining Eastern aesthetics for the modern world. Since our inception in 2014, we have been guided by a singular mission: to preserve and elevate Chinese artistry by integrating traditional craftsmanship into contemporary living. Through a vertically integrated model encompassing research, design, and development, production, and sales, we deliver products that are culturally resonant, emotionally compelling, and crafted with artistic integrity. According to the F&S Report, we ranked No. 1 in China's copper-based cultural and creative crafts market in terms of overall revenue for the year ended December 31, 2024, with a market share of 35.0%, underscoring our leadership in the industry.

For the years ended December 31, 2022, 2023, and 2024, our revenue was RMB503.2 million, RMB506.4 million, and RMB571.2 million, respectively. Gross margins for the same periods were 32.2%, 32.4%, and 35.4%, respectively, demonstrating our steady performance in business expansion and operational efficiency.

BASIS OF PREPARATION

Our Company, Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd., is a joint stock company incorporated under the laws of the PRC. The consolidated financial statements of the Group for the Track Record Period have been prepared in accordance with the accounting policies set out in Note 2 to the Accountant's Report in Appendix I to this document. These accounting policies conform to all applicable International Financial Reporting Standards ("**IFRS**"), which include all IAS and interpretations issued by the International Accounting Standards Board ("**IASB**").

The consolidated financial statements have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Unless otherwise indicated, the consolidated financial information is presented in RMB, the functional and presentation currency of the Group.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

A number of external and internal factors have influenced, and are expected to continue to influence, our financial performance during the Track Record Period and going forward. Key considerations are set out as below.

Consumer Sentiment, Macroeconomic Conditions, and Cultural Consumption Trends

Our performance is closely tied to macroeconomic conditions and consumer sentiment in the PRC. As a discretionary consumer category, the cultural and creative craft industry is highly sensitive to changes in income levels, purchasing confidence, and spending behavior. While China's long-term economic fundamentals remain stable, global economic headwinds, including geopolitical tensions, inflationary pressure, and slowing external demand, may introduce uncertainties that may dampen consumer confidence and discretionary spending. In particular, the consumer goods sector is increasingly shaped not only by household income and employment expectations, but also by broader sentiment regarding economic prospects and lifestyle priorities.

Against this backdrop, we have observed a clear shift in consumer values from material function to emotional and cultural relevance. Consumers are placing greater emphasis on symbolic meaning, cultural identity, and personalized aesthetics when making purchasing decisions. This has led to growing demand for products that reflect personal taste and cultural expression. In line with this trend, we have actively accelerated our product development cycle, introducing a broad range of new offerings each year to align with evolving tastes and cultural narratives.

From a market penetration perspective, the copper cultural and creative craft market remains underpenetrated relative to broader consumer sectors. According to the F&S Report, the urban penetration rate reached only 2.34% in 2024 and is projected to rise to 2.58% by 2029, while rural penetration remains below 1.4%. This suggests significant headroom for long-term growth, particularly as cultural awareness deepens, e-commerce access expands, and policy support continues to foster the integration of traditional culture into modern consumption.

At the same time, the structure of consumer engagement has evolved. Online channels have played a central role in driving early-stage growth, with a majority of our revenue during the Track Record Period generated from online direct sales through platforms such as Tmall, JD.com, and Douyin. More recently, the expansion of offline retail has complemented our digital presence, allowing us to create immersive experiences and foster closer community connections. Our offline revenue grew significantly following the opening of new self-operated stores in 2024, and we believe this hybrid model will continue to strengthen consumer engagement and support sustainable growth.

Product Capabilities, Innovation and Portfolio Expansion

Our business is fundamentally driven by product strength, which rooted in our creative capabilities, artisanal craftsmanship, and ability to translate cultural meaning into tangible, emotionally resonant forms. Our growth is built on a design-first philosophy that integrates original aesthetic expression with refined production execution.

Anchored in copper, which remains the cultural and material foundation of our brand, we have gradually expanded our product matrix to include gold, silver, and plastic-based cultural and creative products. Each material category reflects a strategic response to different consumer preferences, usage scenarios, and pricing expectations. Our gold cultural and creative products, in particular, emphasize symbolic richness and commemorative value, and have demonstrated growing market appeal.

In parallel with material diversification, we have continued to deepen and broaden our IP portfolio. Our product development is primarily led by self-developed IPs which allow us to build lasting emotional bonds with consumers through cultural storytelling and character-based design. We selectively complement these with licensed IPs, including collaborations with museums and global franchises, to enrich our offering and extend reach across different consumer segments. All of our IPs, whether self-created or externally licensed, are developed and commercialized through an integrated in-house process that combines cultural research, design, modeling, prototyping, and production.

Our Product Positioning and Pricing Strategy

Our brand philosophy is deeply rooted in the pursuit of value-driven quality, where refined artistry and cultural meaning are delivered through accessible pricing. This approach underpins our ability to reach a broad consumer base while maintaining high standards of craftsmanship. As one of our key competitive advantages, our pricing strategy reflects a careful balance between product complexity, cultural narrative, and perceived consumer value, enabling us to build brand trust and long-term consumer engagement.

In the PRC market, we implement a unified retail pricing mechanism across both online and offline channels to ensure transparency and consistency. Through vertically integrated production, disciplined cost management, and scalable product design, we are able to deliver high-quality, culturally resonant products across multiple price points. This enables us to serve consumers while reinforcing our market leadership in the copper-based cultural and creative crafts market. Our consistent performance further validates the effectiveness of this strategy. For more information, please refer to "Business – Our Pricing" in this document.

Our Relationship with Third-Party E-Commerce Platforms

A large portion of our revenue generated from online direct sales through major third-party e-commerce platforms in the PRC, including Tmall, JD.com and Douyin. These platforms serve as our primary consumer touchpoints and have played a pivotal role in building brand awareness, consumer engagement, and transaction volume. Our flagship stores on these platforms are operated by us directly, allowing us to manage pricing, content, and customer service while leveraging each platform's user base, logistics infrastructure, and marketing ecosystem. In addition, our long-standing and positive relationships with the major e-commerce platforms have enabled us to secure prominent promotional placements, participate in high-traffic campaign events, and access real-time consumer insights to refine product strategy.

Raw Material Costs and Procurement Strategy

Copper is the primary raw material used in our production process, and fluctuations in copper prices have a direct impact on our cost of sales and gross margin. During the Track Record Period, copper prices in the PRC exhibited a generally upward yet volatile trend. According to the F&S Report, the average annual price of copper increased from RMB47,621.8 per ton in 2019 to RMB74,958.3 per ton in 2024, reaching a historical peak of RMB88,600.0 per ton in May 2024. This trajectory reflects a combination of industrial demand growth, supply chain disruptions, and broader global commodity market dynamics. In the PRC market, domestic prices are typically higher than international benchmarks due to import costs, warehousing, tax policies, and foreign exchange factors.

Our cost structure is therefore exposed to changes in copper prices. A sharp rise in copper prices without corresponding product pricing adjustments could result in margin compression, particularly for mass-market or lower-ticket SKUs with limited pricing elasticity. Conversely, declining copper costs may enhance our gross margin. We currently do not include raw material price fluctuation clauses in our supplier contracts and rely on our procurement scheduling and design planning to mitigate this risk.

To mitigate the potential impact of copper price fluctuations, we may adopt a combination of strategies in the future depending on market conditions. These may include adjusting our procurement plans on a monthly basis based on production needs and prevailing market trends, and maintaining long-term cooperative relationships with reliable suppliers to enhance pricing stability and material consistency. In addition, we may consider using futures contracts or other hedging instruments to manage risks associated with copper price volatility, subject to our operational needs and risk management policies at the relevant time.

Sensitivity Analysis

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of raw material costs on our total cost of sales for the periods indicated. The hypothetical rate for material costs is set at 5.0%, which corresponds to the CAGR for the price of copper in the PRC from 2020 to 2024 as stated in the F&S Report.

	Impact on total cost of sales For the year ended December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Increased/(decreased) by			
+5.0%	338,895	338,482	365,248
-5.0%	327,374	329,602	355,160

We will continue to refine our procurement and production planning mechanisms to better respond to market fluctuations and ensure that our product quality, pricing, and profitability remain aligned with business objectives.

Labor Costs and Skilled Workforce

The production of handcrafted cultural and creative products is inherently labor-intensive and craftsmanship-driven. In contrast to standardized industrial manufacturing, products in our segment often require complex artisanal processes such as wax model sculpting, hand engraving, precision welding, and surface coloring. As a result, the availability, stability, and productivity of skilled workers directly impact our cost structure, production capacity, and ability to maintain brand consistency.

At an industry level, the copper cultural and creative craft sector faces structural reliance on skilled artisans. According to the F&S Report, the inheritance of traditional craftsmanship is increasingly constrained by a limited pool of younger practitioners, a prolonged apprenticeship cycle, and declining interest among new entrants due to the perceived low economic return in early career stages. This talent shortage is particularly acute in process-heavy crafts such as lost-wax casting, and high-precision detailing, which are difficult to mechanize or replace with automated tools. In this context, rising labor costs and competitive pressure for experienced technicians have become industry-wide concerns, especially in urban regions where cultural production clusters are concentrated.

From our operational perspective, we define a "skilled craftsman" as a production-line technician who has remained in the same technical role for 12 months or longer. These individuals are responsible for executing technically demanding steps, overseeing process integrity, and mentoring junior artisans through an on-site apprenticeship model. This approach allows us to capture the intensity and technical bottlenecks of craftsmanship-based production. As such, fluctuations in headcount, overtime levels, or staff morale may have a disproportionate impact on our fulfillment efficiency and lead time management.

Although our overall labor costs have grown during the Track Record Period, we expect continued upward pressure due to inflationary wage trends, increasing demand for highly skilled workers, and the evolving expectations of younger employees.

SEASONALITY

We experience seasonal fluctuations in revenue, primarily driven by major e-commerce promotional campaigns and traditional gift-giving occasions in China. In particular, online shopping festivals such as the "618 Shopping Festival" in June, the "Double 11 Shopping Festival" in November, and the "Double 12" campaign in December consistently generate large order volumes due to intensified promotional efforts, platform-wide traffic surges, and heightened consumer engagement.

Traditional holidays also play a key role in shaping seasonal demand. The first quarter typically benefits from the New Year and Chinese New Year periods, which are peak occasions for personal and corporate gifting. The fourth quarter includes the National Day Golden Week and the Mid-Autumn Festival.

As a result, our revenue generally peaks in the first and fourth quarters of each year. Period-to-period comparisons of revenue and profitability may therefore not be indicative of full-year trends.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as critical judgments relating to accounting items.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountants' Report as set out in Appendix I to this document.

Material Accounting Policies

Revenue Recognition

We recognize revenue when (or as) control of the goods is transferred to the customer in accordance with the requirements of IFRS 15. Our revenue primarily arises from the sale of cultural and creative products under various materials, including copper, gold, silver, plastic and wood, through a diversified sales network comprising online direct sales, offline retail stores, consignment arrangement, and sales to third-party distributors.

Revenue is measured at the amount of consideration to which we expect to be entitled in exchange for transferring goods to the customer, net of VAT and other similar taxes. In determining the transaction price, we consider the effects of variable consideration (including volume rebates and returns), the existence of significant financing components (if any), non-cash consideration, and consideration payable to the customer.

For online direct sales, revenue is recognized when control of goods has been transferred to customers, being at the point when confirmation of goods receipt by the customers or upon a certain period of time, usually 7 days, following the date of delivery as specified by the online platform, whichever is earlier.

Revenue from sales of goods through retail stores is recognized when control of the goods is transferred to the customer, being at the point the customer purchases the goods at the retail stores. Payment of the transaction price is due immediately at the point of sales.

For goods sold directly by the Group to the customers, revenue is recognized when control of the goods is transferred, being when the goods have been delivered to the customers. These transactions are either under cash on delivery or credit terms, with standard credit term of 30 days upon delivery.

For sales of goods through online and offline distributors, revenue is recognized when control of the goods is transferred, either upon delivery to the designated location or upon handed over to the distributor's designated carrier.

For consignment arrangement, revenue is recognized when control of the goods is transferred to the end customers by the consignees. Prior to the sales, the Group typically ships the goods to the consignees; however, control of the goods remain with the Group until they are delivered to the end customers. During this period, the Group retains full discretion over the pricing and distribution of the goods and continues to bear the risk associated with obsolescence and loss.

For transactions involving variable consideration such as rights of return, we estimate the amount of revenue to which we expect to be entitled using the expected value. A refund liability is recognized for the expected refunds to customers, and an asset is recognized for the right to recover products from customers upon settling the refund liability.

Leases

We assess whether a contract is or contains a lease at the inception of the contract. A contract is or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease and are measured at cost, which comprises the amount of the initial lease liabilities, lease payments made at or before the commencement date.

Right-of-use assets are subsequently depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are initially measured at the present value of lease payments over the lease term. Lease payments include fixed payments (including in-substance fixed payments).

The present value of lease payments is determined using the Group's incremental borrowing rate as the rate implicit in the lease is generally not readily determinable. Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability and reducing it to reflect the lease payments made.

(c) Short-term leases and leases of low-value assets

We apply the recognition exemption to short-term leases (with lease terms of 12 months or less) and leases of low-value assets. Lease payments under these leases are recognized as expenses on a straight-line basis over the lease term.

Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the exchange rates prevailing at the transaction dates. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the reporting date.

Exchange differences arising from settlement or retranslation of monetary items are recognized in profit or loss for the period.

Government Grants

Government grants are recognized when there is reasonable assurance that the Group will comply with the conditions of the grant and that the grant will be received.

Grants related to income are recognized in profit or loss on a systematic basis over the periods in which the related costs are incurred. Grants intended to compensate for expenses already incurred or for immediate financial support with no future obligations are recognized in profit or loss when receivable and are presented as "other income."

Grants related to the acquisition of non-current assets are recognized as deferred income and systematically transferred to profit or loss over the useful lives of the related assets.

Employee Benefits

(a) Retirement Benefits

The Group participates in defined contribution retirement schemes and state-managed retirement plans. Contributions to these schemes are recognized as expenses when employees render services entitling them to the contributions.

(b) Short-term Employee Benefits

Short-term employee benefits are recognized at their undiscounted amounts when the related service is rendered. A liability is recognized for accrued benefits after deducting any amounts already paid. These costs are recognized as expenses unless required or permitted to be capitalized under another IFRS.

Taxation

Income tax comprises current and deferred tax. Current tax is based on taxable income for the year, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax is recognized for temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is not recognized on initial recognition of assets and liabilities in transactions that do not affect accounting or taxable profit. Deferred tax liabilities are also not recognized on the initial recognition of goodwill.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset is realized or the liability settled, based on rates enacted or substantively enacted by the reporting date.

The tax effects of items recognized outside profit or loss are recognized in other comprehensive income or equity in the same period.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right of offset and they relate to the same tax authority and entity.

For lease arrangements, deferred tax is recognized separately on lease liabilities and related assets. A deferred tax asset on lease liabilities is recognized if taxable profits are probable.

Property, Plant and Equipment

Property, plant and equipment are tangible assets held for use in the production or supply of goods, or for administrative purposes. They are stated at cost less accumulated depreciation and any impairment losses.

Assets under construction are also carried at cost, less impairment losses if any. These include costs directly attributable to bringing the asset to its intended location and condition, including testing costs. Depreciation begins when the asset is available for use.

For properties involving both land use rights and buildings, the payment is allocated between land and building components based on their relative fair values at initial recognition. If the allocation cannot be made reliably, the entire asset is classified as property, plant and equipment.

Depreciation is calculated on a straight-line basis to write off the cost of assets, other than those under construction, over their estimated useful lives, taking into account their residual values. The estimated useful lives, residual values, and depreciation methods are reviewed at each reporting period-end.

Assets are derecognized upon disposal or when no future economic benefits are expected from their continued use. Gains or losses arising from derecognition are recognized in profit or loss.

Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and impairment losses. They are amortized on a straight-line basis over their estimated useful lives, which are reviewed at each reporting date and adjusted prospectively if necessary. Intangible assets with indefinite useful lives are carried at cost less impairment losses.

Internally generated intangible assets arising from development are recognized if specific criteria are met. Research costs are expensed as incurred.

Impairment of Property, Plant and Equipment, Right-of-Use Assets and Intangible Assets

At each reporting date, the Group assesses whether there are indicators of impairment for property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives. If such indications exist, the recoverable amount of the asset is estimated.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Where recoverable amount cannot be determined for an individual asset, it is assessed at the cash-generating unit ("**CGU**") level to which the asset belongs. Corporate assets are allocated to CGUs where reasonable and consistent allocation is possible.

Impairment losses are recognized in profit or loss when the carrying amount exceeds the recoverable amount. Losses are first allocated to reduce any goodwill (if applicable), and then to other assets pro rata based on carrying amounts. An asset's carrying amount will not be reduced below the highest of its fair value less costs of disposal (if measurable), value in use (if determinable), or zero.

Reversals of impairment losses are recognized in profit or loss if the recoverable amount increases in subsequent periods, subject to the asset's recoverable amount not exceeding the carrying amount that would have been determined had no impairment loss been recognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method and includes all costs of purchase, conversion, and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale, including both incremental and unavoidable non-incremental selling costs.

Financial Instruments

Financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognized and derecognized on a trade date basis.

Financial instruments are initially measured at fair value. For instruments not measured at fair value through profit or loss ("**FVTPL**"), transaction costs directly attributable to the acquisition or issuance are added to or deducted from the initial fair value. Transaction costs related to instruments measured at FVTPL are expensed as incurred.

Financial Assets

Subsequent to initial recognition, financial assets are classified into:

- Amortized cost: If held within a business model whose objective is to collect contractual cash flows and the cash flows are solely payments of principal and interest.

- FVTPL: All other financial assets.

Interest income is recognized using the effective interest method, based on the gross carrying amount unless the asset becomes credit-impaired.

Impairment of Financial Assets

The Group applies an expected credit loss ("**ECL**") model under IFRS 9 to financial assets including trade and other receivables and bank balances.

- Lifetime ECL is recognized for trade receivables.

- 12-month ECL is used for other financial assets unless there is a significant increase in credit risk.

A significant increase in credit risk is presumed when payments are more than 30 days past due, unless rebutted with reasonable and supportable information.

Financial assets are considered credit-impaired when one or more events adversely affecting expected future cash flows occur (e.g., breach of contract, bankruptcy).

Write-offs occur when there is no realistic prospect of recovery. Any subsequent recoveries are recognized in profit or loss.

ECL is measured based on probability of default, loss given default, and exposure at default, adjusted for forward-looking macroeconomic factors. For trade receivables, a collective assessment is performed based on shared credit risk characteristics.

Foreign Exchange Gains and Losses (Financial Assets)

Foreign currency-denominated financial assets measured at amortized cost are translated using the spot rate at the reporting date, with exchange differences recognized in profit or loss.

Derecognition of Financial Assets

A financial asset is derecognized when contractual rights to the cash flows expire or when the asset is transferred and the risks and rewards of ownership are substantially transferred.

Financial Liabilities and Equity Instruments

Debt and equity instruments are classified in accordance with the substance of the contractual arrangement.

Equity instruments are contracts that evidence a residual interest in the net assets of the Group. Issuance proceeds are recorded net of direct transaction costs.

Financial liabilities are subsequently measured at amortized cost using the effective interest method, including trade and other payables and borrowings.

Foreign Exchange Gains and Losses (Financial Liabilities)

Foreign currency-denominated financial liabilities at amortized cost are retranslated at the reporting date. Exchange differences are recognized in profit or loss.

Derecognition of Financial Liabilities

A financial liability is derecognized when the obligation is extinguished – i.e., when discharged, canceled, or expired. The difference between the carrying amount and consideration paid is recognized in profit or loss.

Key Sources of Estimation Uncertainty

Estimated Useful Lives of Property, Plant and Equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature, taking into consideration of the production plan. The Group will increase the depreciation charge where useful lives are expected to be less than previously estimated lives, or will write off or write down those assets which are technically obsolete or abandoned.

Allowance for Inventories

The Group reviews the carrying amount of inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and realizable value. Net realizable value is estimated based on current market situation and historical experience on similar inventories. Any change in these assumptions may increase or decrease the amount of inventory allowance or its subsequent reversal. The change in allowance would affect the Group's profit for the year.

DESCRIPTION OF SELECTED COMPONENTS OF STATEMENTS OF PROFIT OR LOSS

The table below sets forth our consolidated statements of profit or loss with line items in absolute amounts and as percentages of our revenue for the periods indicated, which are derived from our consolidated statements of profit or loss included in the Accountants' Report as set out in Appendix I to this document:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	**503,185**	**100.0**	**506,383**	**100.0**	**571,188**	**100.0**
Cost of sales	(340,957)	67.8	(342,174)	67.6	(369,103)	64.6
Gross profit	**162,228**	**32.2**	**164,209**	**32.4**	**202,085**	**35.4**
Other income	13,747	2.7	15,620	3.1	14,370	2.5
Other gains and losses	42	0.0	105	0.0	260	0.0
Impairment losses under expected credit loss model, net of reversal	(756)	0.2	715	0.1	(190)	0.0
Selling and marketing expenses	(62,667)	12.5	(72,448)	14.3	(71,590)	12.5
Administrative expenses	(27,972)	5.6	(30,426)	6.0	(26,923)	4.7
Other operating expenses	(2,479)	0.5	(2,291)	0.5	(1,637)	0.3
Research and development expenses	(18,802)	3.7	(28,638)	5.7	(28,212)	4.9
Finance costs	(896)	0.2	(5)	0.0	(97)	0.0
Profit before tax	**62,445**	**12.4**	**46,841**	**9.3**	**88,066**	**15.4**
Income tax expense	(5,507)	1.1	(2,710)	0.5	(9,084)	1.6
Profit and total comprehensive income for the year	**56,938**	**11.3**	**44,131**	**8.7**	**78,982**	**13.8**

Revenue

We primarily recognize revenue from the sale of products at the point in time when control of the asset is transferred to the customer, which typically occurs upon delivery and acceptance for online orders, and at the time of payment and handover for retail and distributor sales.

Our revenue amounted to RMB503.2 million, RMB506.4 million and RMB571.2 million for the years ended December 31, 2022, 2023 and 2024, respectively.

Product Category

The following table sets forth the breakdown of our revenue by product categories during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Copper-based cultural and creative products	479,645	95.4	488,005	96.3	551,251	96.6
– Copper ornaments	428,004	85.1	434,161	85.7	497,831	87.2
– Copper carved paintings	51,641	10.3	53,844	10.6	53,420	9.4
Plastic collectibles and trendy toys	3,286	0.7	13,304	2.6	14,252	2.5
Silver cultural and creative products	4,771	0.9	3,320	0.7	4,232	0.7
Gold cultural and creative products	–	–	–	–	1,274	0.2
Wooden cultural and creative products	15,483	3.0	1,754	0.4	179	0.0
Total	**503,185**	**100.0**	**506,383**	**100.0**	**571,188**	**100.0**

Copper-based cultural and creative products remained our dominant revenue contributor throughout the Track Record Period, accounting for 95.4%, 96.3%, and 96.6% of our total revenue for the years ended December 31, 2022, 2023 and 2024, respectively. Revenue from copper-based cultural and creative products increased by 1.7% from RMB479.6 million for the year ended December 31, 2022 to RMB488.0 million for the year ended December 31, 2023, and further by 13.0% to RMB551.3 million for the year ended December 31, 2024. This growth was primarily driven by the strong revenue performance of copper ornaments, especially newly launched SKUs featuring smaller-scale formats that were well-received in the market due to their affordability, portability and suitability for gifting.

Revenue from plastic collectibles and trendy toys increased from RMB3.3 million for the year ended December 31, 2022 to RMB13.3 million for the year ended December 31, 2023, and further to RMB14.3 million for the year ended December 31, 2024. The growth was mainly attributable to the introduction of various new SKUs that resonated with younger and trend-conscious consumer segments.

Revenue from silver cultural and creative products amounted to RMB4.8 million, RMB3.3 million, and RMB4.2 million for the years ended December 31, 2022, 2023 and 2024, respectively, accounting for 0.9%, 0.7%, and 0.7% of total revenue in the respective years. Both the absolute revenue and its percentage contribution to total revenue remained low, primarily due to fewer new product launches and limited promotional efforts. From a strategic perspective, silver cultural and creative products function as a supplementary offering under our brand portfolio, and we have accordingly allocated fewer resources to this category during the Track Record Period.

Revenue from gold cultural and creative products was RMB1.3 million for the year ended December 31, 2024. This new category was officially launched in 2024 under our "Xijiang Gold Shop" sub-brand, which features high-purity 999 gold as the primary material, with selected products also offering pure silver options. Given its recent introduction and early-stage development, revenue contribution from this category in 2024 remained modest. However, we expect to expand this product line in the coming years as consumer awareness builds and the offering expands.

Revenue from wooden cultural and creative products was RMB15.5 million, RMB1.8 million, and RMB0.2 million for the years ended December 31, 2022, 2023 and 2024, representing 3.0%, 0.4%, and less than 0.1% of total revenue in the respective years. Both the absolute value and proportion of revenue from this category were low, and the significant decrease resulted from our decision to cease production of wooden cultural and creative products starting in 2022. Revenue in the subsequent period was primarily derived from the sale of remaining inventory.

Sales Channel

The following table sets forth our revenue of product sales by sales channel during the Track Record Period:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct sales						
Online direct sales	355,392	70.6	353,977	69.9	402,889	70.5
Retail store sales	3,648	0.7	3,624	0.7	17,627	3.1
Other direct sales	12,805	2.5	13,354	2.6	17,761	3.1
Subtotal	**371,845**	**73.8**	**370,955**	**73.2**	**438,277**	**76.7**
Distribution partnerships						
Online distributors	51,842	10.3	47,027	9.3	37,996	6.7
Offline distributors	75,952	15.1	74,342	14.7	78,986	13.8
Subtotal	**127,794**	**25.4**	**121,369**	**24.0**	**116,982**	**20.5**
Consignment arrangement	**3,546**	**0.8**	**14,059**	**2.8**	**15,929**	**2.8**
Total	**503,185**	**100.0**	**506,383**	**100.0**	**571,188**	**100.0**

We operate a multi-channel sales network comprising: (i) direct sales, including online direct sales through e-commerce flagship stores and offline direct sales through self-operated retail stores; (ii) distribution partnerships, consisting of online and offline distributors operating under a buyout model; and (iii) consignment arrangement, primarily through managed third-party online platforms.

Our revenue structure has remained centered on direct sales throughout the Track Record Period, accounting for 73.8%, 73.2%, and 76.7% of total revenue for the years ended December 31, 2022, 2023, and 2024, respectively. Among direct sales, online direct sales, which primarily conducted through flagship stores on platforms such as Tmall, JD.com and Douyin, contributed 70.6%, 69.9%, and 70.5% of total revenue in the same periods, respectively.

Offline direct sales through self-operated retail stores increased significantly for the year ended December 31, 2024, with revenue rising by 386.4%, from RMB3.6 million in 2023 to RMB17.6 million in 2024. This sharp increase was driven by the expansion of our retail footprint, as the number of self-operated stores increased from two in 2023 to nine in 2024, enabling stronger brand presence and localized engagement with consumers.

Other direct sales also showed steady growth, increasing by 4.3% in 2023 and 33.0% in 2024, reflecting a continued increase in customized demand for corporate gifting and commemorative purchases.

Distribution partnerships, which supplement our direct sales model, contributed 25.4%, 24.0%, and 20.5% of total revenue for the years ended December 31, 2022, 2023, and 2024, respectively. Revenue from offline distributors declined moderately in the year ended December 31, 2023 and rebounded slightly in the year ended December 31, 2024. This trend was primarily attributable to our strategic decision to reduce reliance on lower-performing distributors, especially those unable to secure high-footfall retail locations or maintain brand presentation standards.

Revenue from consignment arrangement, primarily through JD Self-Operated and Douyin's managed stores, increased significantly by 296.5% from RMB3.5 million for the year ended December 31, 2022 to RMB14.1 million for the year ended December 31, 2023, and further by 13.3% to RMB15.9 million for the year ended December 31, 2024. This growth was largely attributable to our short-term expansion onto one emerging third-party retail platforms, although we have since scaled back such efforts as part of a broader shift toward self-owned channels.

In the future, we plan to deepen our direct-to-consumer strategy by expanding both online and offline self-operated channels while gradually optimizing our distribution and consignment partnerships to support brand consistency and long-term profitability.

Geographical Region

The following table sets forth a breakdown of our revenue by geographical market for the period indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China	495,990	98.6	500,514	98.8	564,147	98.8
Taiwan	7,195	1.4	5,869	1.2	6,624	1.1
United States	–	–	–	–	417	0.1
Total	**503,185**	**100.0**	**506,383**	**100.0**	**571,188**	**100.0**

We generate the vast majority of our revenue from the PRC, accounting for over 98.5% of our total revenue throughout the Track Record Period. Revenue from Taiwan remained stable at around RMB6.0 million annually, while our United States business began in 2024 with a trial shipment of RMB0.4 million. In the future, we expect domestic sales to continue growing at a steady pace, driven by channel diversification and enhanced product-market alignment. Meanwhile, our overseas sales are at an early stage and subject to further exploration.

Cost of Sales

Our cost of sales primarily consists of direct material costs, direct labor costs, and manufacturing overhead. During the Track Record Period, our cost of sales amounted to RMB341.0 million, RMB342.2 million and RMB369.1 million for the years ended December 31, 2022, 2023 and 2024, respectively.

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

	As of December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Direct materials	176,932	51.9	161,176	47.1	173,682	47.1
Direct labor	103,683	30.4	106,453	31.1	108,586	29.4
Manufacturing overhead	60,342	17.7	74,545	21.8	86,835	23.5
Total	**340,957**	**100.0**	**342,174**	**100.0**	**369,103**	**100.0**

Direct materials consistently represented the largest component of our cost of sales, primarily comprising copper used in our core copper-based cultural and creative products, alongside packaging materials and select materials for plastic and silver product lines. Direct materials cost decreased from RMB176.9 million for the year ended December 31, 2022, to RMB161.2 million for the year ended December 31, 2023, reflecting a reduction in raw material consumption as a result of upgraded production techniques in 2023, which led to a more efficient utilization of copper. These upgrades temporarily constrained production output for approximately three months during the year. Direct materials cost increased to RMB173.7 million for the year ended December 31, 2024, in line with the sales growth and an overall rise in raw material prices.

Direct labor mainly includes the wages and performance-based compensation of production personnel under both piece-rate and time-based compensation systems. Labor cost rose steadily across the Track Record Period.

Manufacturing overhead includes utility expenses (electricity, water, and gas), depreciation of machinery and equipment, and indirect production-related expenses such as management salaries allocated to workshop operations and personal protective equipment. Manufacturing overhead increased steadily throughout the Track Record Period, mainly driven by increased utility expenses, which reflected intensified production activities to meet growing demand.

The following table sets forth a breakdown of our cost of sales by product categories for the periods indicated:

	As of December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Copper-based cultural and creative products	323,991	95.0	332,103	97.1	357,227	96.8
Plastic collectibles and trendy toys	1,795	0.5	6,498	1.9	8,037	2.2
Silver cultural and creative products	2,888	0.8	1,981	0.6	2,674	0.7
Gold cultural and creative products	–	–	–	–	1,069	0.3
Wooden cultural and creative products	12,283	3.7	1,592	0.4	96	–
Total	**340,957**	**100.0**	**342,174**	**100.0**	**369,103**	**100.0**

Gross Profit and Gross Profit Margin

Gross profit represents the difference between our revenue and cost of sales, reflecting the profitability of our core operations. For the years ended December 31, 2022, 2023 and 2024, our gross profit amounted to RMB162.2 million, RMB164.2 million and RMB202.1 million, respectively. Our gross profit margin was 32.2%, 32.4% and 35.4% for the years ended December 31, 2022, 2023 and 2024, respectively.

The following table sets forth the breakdown of our gross profit and gross profit margin by product categories during the Track Record Period.

	For the year ended December 31,					
	2022		2023		2024	
	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin	Gross Profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Copper-based cultural and creative products	155,654	32.5	155,902	31.9	194,024	35.2
Plastic collectibles and trendy toys	1,491	45.4	6,806	51.2	6,215	43.6
Silver cultural and creative products	1,883	39.5	1,339	40.3	1,558	36.8
Gold cultural and creative products	–	–	–	–	205	16.1
Wooden cultural and creative products	3,200	20.7	162	9.2	83	46.4
Total	**162,228**	**32.2**	**164,209**	**32.4**	**202,085**	**35.4**

Gross profit from our copper-based cultural and creative products remained the largest contributor throughout the Track Record Period, amounting to RMB155.7 million, RMB155.9 million and RMB194.0 million for the years ended December 31, 2022, 2023 and 2024, respectively. Gross profit margin for this category remained relatively stable at 32.5% and 31.9% for the years ended December 31, 2022 and 2023, respectively, and improved to 35.2% for the year ended December 31, 2024, primarily driven by the introduction of higher-value sculptural pieces, improved pricing accuracy and enhanced production efficiency.

Gross profit from our plastic cultural and creative collectibles and trendy toys amounted to RMB1.5 million, RMB6.8 million and RMB6.2 million for the years ended December 31, 2022, 2023 and 2024, respectively. This category is substantially outsourced to third-party manufacturers, allowing us to focus internal resources on creative design and the production of metal cultural and creative products. The cost advantages of outsourced production, together with the scalable and low-material-cost nature of this category, contributed to its high profitability.

Gross profit from our silver cultural and creative products amounted to RMB1.9 million, RMB1.3 million and RMB1.6 million for the years ended December 31, 2022, 2023 and 2024, respectively. Gross profit margin declined from 40.3% for the year ended December 31, 2023 to 36.8% for the year ended December 31, 2024, primarily due to the reallocation of internal design and production resources to support the launch and development of our gold cultural and creative product line.

Gross profit from our gold cultural and creative products amounted to RMB0.2 million for the year ended December 31, 2024, with a gross profit margin of 16.1%. This category was newly launched during the year and remained at an early stage of development. We expect it to become a more meaningful contributor as consumer awareness increases and product offerings expand.

Gross profit from our wooden cultural and creative products amounted to RMB3.2 million, RMB0.2 million and RMB0.08 million for the years ended December 31, 2022, 2023 and 2024, respectively. We ceased production of this product category in 2022, and the contribution for the year ended December 31, 2024 primarily reflected the sell-down of existing inventory. The gross profit margin for the year ended December 31, 2024 was elevated due to the low carrying cost of clearance stock.

Other Income

Other income primarily comprises revenue from the sale of production scrap, rental income, government-related incentives, interest income, and compensation income. For the years ended December 31, 2022, 2023 and 2024, our other income amounted to RMB13.7 million, RMB15.6 million and RMB14.4 million, respectively.

The table below sets forth a breakdown of our other income for the periods indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Other Income						
Sales of scrap and others . . .	4,009	29.2	3,391	21.7	4,242	29.5
Sales of accessories	206	1.5	58	0.4	28	0.3
Rental income	5,143	37.4	5,143	32.9	3,656	25.4
Government grants.	2,430	17.7	3,003	19.2	2,621	18.2
Value added tax benefits . . .	358	2.6	2,418	15.5	2,414	16.8
Interest income on bank deposits.	759	5.5	1,042	6.7	1,077	7.5
Compensation from third parties	842	6.1	565	3.6	332	2.4
Total	**13,747**	**100.0**	**15,620**	**100.0**	**14,370**	**100.0**

Sale of scrap and others primarily comprised proceeds from the disposal of reusable production materials such as metal offcuts and packaging.

Sales of accessories were incidental in nature and consisted mainly of small components sold separately from our principal products.

Rental income was derived from the leasing of unused land and facilities at our Yading Road site to a related party. The decrease in 2024 reflected the reduction in the leased area and rent adjustments.

Government grants represented discretionary subsidies received from government authorities for purposes such as supporting cultural development, employment stabilization, and equipment upgrades.

Value-added tax benefits comprised tax benefits granted to us as a qualified high and new technology enterprise under relevant PRC policies.

Interest income on bank deposits reflected the return from our cash management activities, including placements in time and structured deposits.

Compensation from third parties included indemnities received through settlement of disputes. These items are non-recurring and vary by case.

Other gains and losses

Other gains and losses primarily represent non-recurring items that are incidental to our core operations. For the years ended December 31, 2022, 2023 and 2024, we recorded net other gains of RMB42,000, RMB105,000 and RMB260,000, respectively.

The table below sets forth a breakdown of our other gains and losses for the periods indicated:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
(Loss) gain on disposal of property, plant and equipment	(352)	(838.1)	79	75.2	(247)	(95.0)
Net foreign exchange gain	394	938.1	26	24.8	157	60.4
Fair value gain of financial assets at FVTPL	–	–	–	–	345	132.7
Gain on disposal of interest in an associate	–	–	–	–	5	1.9
Total	**42**	**100.0**	**105**	**100.0**	**260**	**100.0**

In the years ended December 31, 2022 and 2024, we recorded losses from the disposal of certain aged production equipment during fixed asset upgrades, while in the year ended December 31, 2023, a small net gain was recognized.

Impairment Losses Under Expected Credit Loss Model, Net of Reversal

Impairment losses under the ECL model, net of reversal primarily represent provisions and reversals related to trade and other receivables in accordance with IFRS 9. For the years ended December 31, 2022, 2023 and 2024, we recorded net impairment losses of RMB0.8 million, a net reversal of RMB0.7 million, and a net impairment loss of RMB0.2 million, respectively.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of costs associated with supporting our sales activities, executing promotional campaigns, and maintaining ongoing customer engagement. These expenses typically include salaries and benefits for sales and marketing personnel, expenditures related to advertising and promotional placements, customer relationship management, as well as office utilities and consumables incurred by the sales department.

For the years ended December 31, 2022, 2023 and 2024, our selling and marketing expenses amounted to RMB62.7 million, RMB72.4 million and RMB71.6 million, respectively, representing 12.5%, 14.3% and 12.5% of our total revenue in the same years.

The table below sets forth a breakdown of our selling and marketing expenses by nature for the Track Record Period:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Platform services and promotion	47,800	76.3	55,658	77.0	49,378	69.0
Employee salaries and benefits	10,485	16.7	10,871	15.0	14,544	20.3
Rental and related costs	2,090	3.3	886	1.2	1,796	2.5
Office expenses and consumables	1,103	1.8	753	1.0	1,951	2.7
IP and licensing fees	988	1.6	3,657	5.0	1,972	2.8
Store operation and travel	137	0.2	539	0.7	1,489	2.1
Others	64	0.1	84	0.1	460	0.6
Total	**62,667**	**100.0**	**72,448**	**100.0**	**71,590**	**100.0**

Platform services and promotion costs, comprising advertising expenses and platform service fees, accounted for the largest portion of our total selling and marketing expenses in each of the years ended December 31, 2022, 2023 and 2024, representing approximately 76.3%, 77.0% and 69.0%, respectively.

Employee salaries and benefits constituted our second-largest expense item, accounting for approximately 16.7%, 15.0% and 20.3% of selling and marketing expenses in the same years. This primarily reflects the size and structure of our in-house sales and promotion team increased in the year ended December 31, 2024 as we expanded our offline presence.

Other components included rental and related costs (including store leases and renovations), office consumables and depreciation, and IP and licensing fees.

Administrative Expenses

Administrative expenses primarily represent costs incurred in connection with our general management functions, administrative support, and corporate operations. These expenses typically include employee salaries and benefits for administrative staff, professional service fees, depreciation of administrative-use assets, and various office-related costs.

For the years ended December 31, 2022, 2023 and 2024, our administrative expenses amounted to RMB28.0 million, RMB30.4 million and RMB26.9 million, respectively, representing 5.6%, 6.0% and 4.7% of our total revenue for the respective years.

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee salaries and benefits	12,023	43.0	15,214	50.0	15,741	58.5
Professional and consulting fees	8,539	30.5	7,043	23.1	2,589	9.6
Office and utility expenses	4,534	16.2	4,818	15.8	4,478	16.6
Depreciation and amortization	1,899	6.8	1,812	6.0	2,521	9.4
Others	977	3.5	1,539	5.1	1,594	5.9
Total	**27,972**	**100.0**	**30,426**	**100.0**	**26,923**	**100.0**

Our administrative expenses primarily consist of employee compensation, depreciation and amortization, professional service fees, and general administrative and office-related costs. For the years ended December 31, 2022, 2023 and 2024, employee salaries and benefits consistently represented the largest component of administrative expenses, accounting for approximately 43.0%, 50.0% and 58.5% of total administrative expenses, respectively.

Professional service fees, primarily comprising legal, audit and financial advisory costs, accounted for 30.5%, 23.1% and 9.6% in the respective years. The decreased in the year ended December 31, 2024 following the completion of several financial and internal control checks in 2023.

Depreciation and amortization accounted for approximately 6.8%, 6.0% and 9.4% of administrative expenses for the years ended December 31, 2022, 2023 and 2024, respectively, primarily relating to our administrative-use properties and equipment.

Others mainly include office utilities, travel, maintenance, leasing, and related consumables.

Other Operating Expenses

Other operating expenses primarily consist of miscellaneous costs incurred in the ordinary course of business that are not classified under cost of sales, selling and marketing expenses, or administrative expenses. Our other operating expenses primarily relate to (i) the cost of component processing performed on behalf of our related party, and (ii) depreciation and amortization of properties leased to third parties, which are recognized on an ongoing basis during the relevant lease period.

For the years ended December 31, 2022, 2023 and 2024, our other operating expenses amounted to RMB2.5 million, RMB2.3 million and RMB1.6 million, respectively, representing 0.5%, 0.5% and 0.3% of our total revenue for the same years.

Research and Development Expenses

Our research and development expenses primarily represent expenditures incurred in connection with the creative development, design iteration, and refinement of our cultural and creative products. Our research and development efforts are artistic and design-driven in nature, encompassing activities such as original IP development, sculptural modeling, sample prototyping, and iterative material and process testing. These activities are carried out by our in-house creative team under a project-based structure and form a core part of our product innovation cycle.

For the years ended December 31, 2022, 2023 and 2024, our R&D expenses amounted to RMB18.8 million, RMB28.6 million and RMB28.2 million, respectively, representing 3.7%, 5.7% and 4.9% of our total revenue for the same years.

The table below sets forth a breakdown of our research and development expenses expenses by nature for the Track Record Period:

	For the year ended December 31,					
	2022		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee salaries and benefits	16,195	86.1	22,573	78.7	23,230	82.4
Material consumption	539	2.9	2,021	7.1	1,210	4.3
Depreciation	354	1.9	646	2.3	825	2.9
R&D stage IP	691	3.7	1,260	4.4	940	3.3
Others	1,023	5.4	2,138	7.5	2,007	7.1
Total	**18,802**	**100.0**	**28,638**	**100.0**	**28,212**	**100.0**

For the years ended December 31, 2022, 2023 and 2024, employee salaries and benefits represented the dominant component, accounting for 86.1%, 78.7% and 82.4% of total research and development expenses, respectively. This reflects our continued investment in maintaining an internally driven design and product development system.

R&D-stage IP costs primarily represented licensing fees for authorized IPs, which support the enrichment of our product portfolio during the design phase.

Others captures ancillary expenditures related to research and development activities, primarily including electricity and utilities as well as 3D printing costs.

Finance Costs

Finance costs primarily represent interest expenses incurred on bank borrowings and lease liabilities. For the years ended December 31, 2022, 2023 and 2024, our finance costs amounted to RMB896,000, RMB5,000 and RMB97,000, respectively.

The significant decrease in 2023 was due to the full repayment of short-term bank borrowings in the year ended December 31, 2022. In the year ended December 31, 2024, finance costs slightly increased, primarily due to the interest expenses recognized under lease liabilities following the expansion of our self-operated retail network and related lease arrangements.

Income Tax Expenses

Our income tax expenses primarily comprise current tax charges under the PRC EIT, as well as movements in deferred tax arising from temporary differences. For the years ended December 31, 2022, 2023 and 2024, we incurred income tax expenses of RMB5.5 million, RMB2.7 million and RMB9.1 million, respectively, representing effective tax rates of approximately 8.8%, 5.8% and 10.3% for the same years. The decrease in income tax expenses for the year ended December 31, 2023 was mainly due to a decline in taxable income and enhanced research and development deductions. The subsequent increase in 2024 reflected a higher profit before tax.

Under the PRC Enterprise Income Tax Law (the "**EIT Law**") and its implementation regulations, the standard EIT rate applicable to PRC enterprises is 25%. However, certain of our PRC subsidiaries qualified as "High and New Technology Enterprises" or "Micro and Small Enterprises" during the Track Record Period and were entitled to preferential tax rates of 15% or other tax concessions.

Our effective tax rates were lower than the statutory rate of 25% during the Track Record Period, primarily due to the availability of the following tax benefits:

- Preferential tax rates;
- Super deductions for research and development expenses;
- Additional deductions for qualified staff costs and small-value assets;
- Utilization of previously unrecognized tax losses.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2023 Compared to Year Ended December 31, 2024

Revenue and Gross Profit

Our revenue increased by 12.8% from RMB506.4 million for the year ended December 31, 2023 to RMB571.2 million for the year ended December 31, 2024. This increase was primarily driven by continued growth in sales of copper-based cultural and creative products, particularly copper ornaments, supported by improved product quality, increased online direct sales, and more synchronized production and demand alignment under an increasingly structured management system.

Our gross profit increased by 23.1%, from RMB164.2 million for the year ended December 31, 2023 to RMB202.1 million for the year ended December 31, 2024, while our gross profit margin improved from 32.4% in 2023 to 35.4% in 2024, reflecting the impact of product design optimization, craftsmanship improvements, and better material utilization, which enhanced product quality and contributed to improved consumer satisfaction. For details of the gross profit and gross profit margin by product categories, please refer to "– Description of Selected Components of Statements of Profit or Loss – Gross Profit and Gross Profit Margin" above.

Cost of Sales

Our cost of sales increased by 7.9%, from RMB342.2 million for the year ended December 31, 2023 to RMB369.1 million for the year ended December 31, 2024. The increase was primarily attributable to the increase in direct materials and manufacturing overhead, in line with the sales growth and an overall rise in raw material prices.

Other Income

Other income decreased by 8.0%, from RMB15.6 million in 2023 to RMB14.4 million in 2024, mainly due to reduced rental income as a result of the reallocation of leased premises for internal operational use.

Other Gains and Losses

Other gains and losses increased from RMB0.1 million in 2023 to RMB0.3 million in 2024, primarily due to fair value gains on financial instruments, partially offset by one-off losses from the disposal of assets.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

We recorded a net impairment loss of RMB0.2 million in 2024, compared to a net reversal of RMB0.7 million in 2023. The change was attributable to shifts in the credit risk profile of certain accounts receivable.

Selling and Marketing Expenses

Selling and marketing expenses slightly decreased by 1.2%, from RMB72.4 million in 2023 to RMB71.6 million in 2024. The decrease reflected our ongoing efforts to optimize marketing spending and the effectiveness of our product-led sales approach.

Administrative Expenses

Administrative expenses decreased by 11.5%, from RMB30.4 million in 2023 to RMB26.9 million in 2024, mainly due to a reduction in professional service fees following the completion of several financial and internal control checks in 2023.

Other Operating Expenses

Other operating expenses declined by 28.5%, from RMB2.3 million in 2023 to RMB1.6 million in 2024, primarily due to reduced depreciation of leased properties following reallocation of space for internal use.

Research and Development Expenses

Research and development expenses remained broadly stable, slightly decreasing by 1.5%, from RMB28.6 million in 2023 to RMB28.2 million in 2024, primarily due to a decline in licensing fees and lower materials consumption, as a portion of research and development samples were re-integrated through recovery processes.

Finance Costs

Finance costs increased from RMB5,000 in 2023 to RMB97,000 in 2024, mainly due to interest expenses on newly recognized lease liabilities associated with our offline retail expansion.

Income Tax Expenses

Income tax expenses increased significantly from RMB2.7 million in 2023 to RMB9.1 million in 2024, primarily due to a higher level of taxable income in the year ended December 31, 2024.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, our profit and total comprehensive income for the year increased by 79.0%, from RMB44.1 million for the year ended December 31, 2023 to RMB79.0 million for the year ended December 31, 2024.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2023

Revenue and Gross Profit

Our revenue increased by 0.6%, from RMB503.2 million for the year ended December 31, 2022 to RMB506.4 million for the year ended December 31, 2023. This modest growth reflected a transitional phase in which we focused on upgrading production lines and refining artisanal processes. These upgrades temporarily constrained production output for approximately three months during the year.

Our gross profit increased by 1.2%, from RMB162.2 million for the year ended December 31, 2022 to RMB164.2 million for the year ended December 31, 2023, while our gross profit margin remained stable at 32.2% and 32.4%, respectively. The margin performance was supported by early-stage improvements in product mix and pricing precision, which helped offset the temporary impact of lower output capacity during the production ramp-up period. For details of the gross profit and gross profit margin by product categories, please refer to "– Description of Selected Components of Statements of Profit or Loss – Gross Profit and Gross Profit Margin" above.

Cost of Sales

Our cost of sales increased slightly by 0.4%, from RMB341.0 million in 2022 to RMB342.2 million in 2023. The slight increase was attributable to the increase in manufacturing overhead, partly offset by the decrease in direct materials, reflecting a reduction in raw material consumption as a result of upgraded production techniques in 2023.

Other Income

Our other income increased by 13.6%, from RMB13.7 million in 2022 to RMB15.6 million in 2023, mainly driven by an increase in government grants and a moderate rise in interest income on bank deposits.

Other Gains and Losses

Other gains and losses increased from RMB42,000 in 2022 to RMB105,000 in 2023, primarily due to net foreign exchange gains and a small net gain on the disposal of equipment.

Impairment Losses under Expected Credit Loss Model, Net of Reversal

We recorded a net reversal of impairment losses of RMB0.7 million in 2023, compared to a net impairment loss of RMB0.8 million in 2022. This improvement was mainly attributable to enhanced credit control and better collection efficiency.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 15.6%, from RMB62.7 million in 2022 to RMB72.4 million in 2023, primarily due to increased commission expenses paid to e-commerce platforms, which grew in tandem with revenue.

Administrative Expenses

Administrative expenses rose by 8.8%, from RMB28.0 million in 2022 to RMB30.4 million in 2023, mainly due to higher personnel-related costs, utility expenses, and an increase in operating costs associated with the commissioning of our employee canteen, which became fully operational in 2023 following its completion in 2022.

Other Operating Expenses

Other operating expenses decreased by 7.6%, from RMB2.5 million in 2022 to RMB2.3 million in 2023, primarily due to a reduction in depreciation charges on leased properties following a decrease in externally leased space.

Research and Development Expenses

Our research and development expenses increased significantly by 52.3%, from RMB18.8 million in 2022 to RMB28.6 million in 2023, reflecting an expansion in the size of our research and development team.

Finance Costs

Finance costs declined from RMB0.9 million in 2022 to RMB5,000 in 2023, mainly as a result of repaying interest-bearing bank borrowings.

Income Tax Expenses

Income tax expenses decreased by 50.8%, from RMB5.5 million in 2022 to RMB2.7 million in 2023, primarily due to a lower level of profit before tax.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing factors, our profit and total comprehensive income for the year decreased by 22.5%, from RMB56.9 million for the year ended December 31, 2022 to RMB44.1 million for the year ended December 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

We finance our operations primarily through cash generated from operating activities. During the Track Record Period, our principal source of funds was net cash from operations, supplemented by short-term bank borrowings as necessary. We maintain a prudent approach to capital management and regularly monitor our liquidity position to ensure operational flexibility and financial stability.

Working Capital Statement

Our Directors confirm that taking into account the financial resources presently available to our Group, including our internal resources and the estimated [**REDACTED**] of the [**REDACTED**], our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of this document.

Our Directors confirm that there were no material defaults in payment of trade and non-trade payables and borrowings, and/or breaches of financial covenants during the Track Record Period and up to the date of this document.

Cash Flows

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

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net cash generated from operating activities	28,414	82,493	58,548
Net cash used in investing activities	(19,203)	(24,024)	(83,058)
Net cash used in financing activities	(68,315)	(62)	(1,683)
Cash and cash equivalents at the beginning of the year	114,520	55,677	114,094
Cash and cash equivalents at the end of the year	55,677	114,094	88,044

Net Cash Generated from Operating Activities

As of December 31, 2024, net cash generated from operating activities was RMB58.5 million, primarily driven by profit before tax of RMB88.1 million, adjusted for (i) depreciation of property, plant and equipment of RMB16.1 million and right-of-use assets of RMB1.7 million, (ii) amortization of intangible assets of RMB2.3 million, and (iii) write-down of inventories of RMB0.8 million. These adjustments were partially offset by (i) bank interest income of RMB1.1 million, (ii) a fair value gain on financial assets at fair value through profit or loss of RMB0.3 million, and (iii) a gain on disposal of an associate of RMB5,000. Working capital movements included (i) an increase in inventories of RMB25.8 million, (ii) an increase in trade and other receivables of RMB8.7 million, and (iii) a decrease in contract liabilities of RMB6.4 million. We also paid income tax of RMB5.9 million during the year. The decrease in net operating cash inflow compared to 2023 primarily reflected the impact of higher year-end inventory levels following improved production stability and capacity expansion.

As of December 31, 2023, net cash generated from operating activities was RMB82.5 million, primarily driven by profit before tax of RMB46.8 million, adjusted for (i) depreciation of property, plant and equipment and right-of-use assets of RMB13.5 million, (ii) amortization of intangible assets of RMB2.5 million, and (iii) a reversal of impairment losses on trade and other receivables of RMB0.7 million. Working capital movements included (i) a decrease in inventories of RMB8.7 million, (ii) an increase in trade and other payables of RMB7.0 million, and (iii) an increase in contract liabilities of RMB6.0 million. Income tax paid was RMB2.6 million during the year. The significant increase in net operating cash inflows compared to 2022 was mainly due to inventory reduction, which reflected supply constraints in the early stage of process transformation. Sales increased markedly during the year, while inventory levels remained relatively low as capacity had not fully caught up with demand.

As of December 31, 2022, net cash generated from operating activities was RMB28.4 million, primarily driven by profit before tax of RMB62.4 million, adjusted for (i) depreciation of property, plant and equipment of RMB11.7 million and depreciation of right-of-use assets of RMB0.5 million, (ii) amortization of intangible assets of RMB0.9 million, and (iii) impairment losses on trade and other receivables of RMB0.8 million. These adjustments were partially offset by (i) bank interest income of RMB0.8 million, and (ii) net foreign exchange gains of RMB0.4 million. Working capital movements included (i) an increase in inventories of RMB32.2 million, (ii) a decrease in contract liabilities of RMB9.9 million, and (iii) a decrease in trade and other payables of RMB6.9 million. We paid RMB7.8 million in income tax during the year. The lower level of net operating cash inflow was primarily attributable to a deliberate increase in inventory levels at year-end to accommodate anticipated sales demand and to resolve prior backlog in order fulfillment.

Net Cash Used in Investing Activities

As of December 31, 2024, net cash used in investing activities was RMB83.1 million. This primarily reflected (i) the placement of RMB45.0 million in financial assets at fair value through profit or loss, (ii) the placement of RMB32.0 million in time deposits, (iii) purchases of property, plant and equipment of RMB15.7 million, and (iv) purchases of intangible assets of RMB5.9 million. We also paid RMB1.9 million for right-of-use assets and RMB0.7 million in rental deposits in relation to our offline store expansion. These outflows were partially offset by (i) withdrawals of RMB15.2 million from FVTPL investments, (ii) RMB2.1 million in proceeds from the disposal of property, plant and equipment, and (iii) bank interest income of RMB0.8 million.

As of December 31, 2023, net cash used in investing activities was RMB24.0 million. This mainly consisted of RMB24.8 million in purchases of property, plant and equipment, largely for the final stage of our new production line investment. We also acquired intangible assets of RMB1.4 million related to IP licensing. These outflows were partly offset by RMB1.4 million in proceeds from asset disposals and RMB1.0 million in interest income. Lease-related movements, including rental deposits and refunds totaling approximately RMB0.3 million, were also recognized under investing activities.

As of December 31, 2022, net cash used in investing activities amounted to RMB19.2 million. This primarily comprised (i) capital expenditure of RMB22.1 million for property, plant and equipment, and (ii) RMB3.3 million for intangible assets mainly related to IP licensing. These outflows were partially offset by (i) RMB0.8 million in bank interest income, (ii) RMB0.2 million in proceeds from the disposal of property, plant and equipment, and (iii) a one-time repayment from the single largest shareholder of RMB5.1 million. The investments during the year reflected our continued capital commitments to production upgrades and creative development.

Net Cash Used in Financing Activities

As of December 31, 2024, net cash used in financing activities amounted to RMB1.7 million. This was mainly attributable to repayments of lease liabilities of RMB1.7 million in connection with our self-operated offline stores. These outflows were partially offset by proceeds from bank borrowings of RMB1.0 million, which were fully repaid within the same year. Interest paid amounted to RMB1,000.

As of December 31, 2023, net cash used in financing activities was RMB62,000, mainly attributable to repayments of lease liabilities. No new bank borrowings were made during the year as our internal cash flow was sufficient to support operations.

As of December 31, 2022, net cash used in financing activities was RMB68.3 million. This was primarily due to repayments of bank borrowings totaling RMB128.6 million, partially offset by proceeds from new bank borrowings of RMB61.0 million. The simultaneous occurrence of large borrowings and repayments reflected short-term liquidity arrangements aimed at bridging working capital needs during a transitional phase of business growth. Interest payments totaled RMB0.9 million. In addition, we received a capital injection of RMB0.2 million from shareholders.

DISCUSSION OF CERTAIN SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets				
Inventories	115,681	107,161	132,305	126,008
Trade and other receivables	10,972	9,469	18,631	20,061
Right to returned goods asset	434	548	558	534
Tax recoverable	1,349	1,527	9	6
Financial asset at FVTPL	–	–	30,097	57,097
Time deposits	–	–	17,019	17,019
Restricted bank deposit	*	–	–	–
Bank balances and cash	55,677	114,094	88,044	86,597
Total current assets	**184,113**	**232,799**	**286,663**	**307,322**
Current liabilities				
Trade and other payables	66,667	73,035	68,584	61,285
Refund liabilities	688	831	889	851
Income tax payable	*	216	2,114	800
Lease liabilities	–	403	2,016	1,822
Contract liabilities	5,662	11,638	5,284	6,870
Total current liabilities	**73,017**	**86,123**	**78,887**	**71,628**
Net current assets	**111,096**	**146,676**	**207,776**	**235,694**

* Amount below RMB1,000

As of December 31, 2022, 2023 and 2024, and March 31, 2025, our net current assets amounted to RMB111.1 million, RMB146.7 million, RMB207.8 million and RMB235.7 million, respectively, demonstrating a continued improvement in our liquidity position.

As of March 31, 2025, our net current assets increased by RMB27.9 million compared to December 31, 2024, primarily driven by a RMB27.0 million increase in financial assets at fair value through profit or loss, reflecting the allocation of surplus cash to low-risk investment products. The increase was partially offset by a RMB6.3 million decrease in inventories. On the liabilities side, total current liabilities decreased by RMB7.3 million, mainly due to a reduction in trade and other payables.

As of December 31, 2024, our net current assets increased by RMB61.1 million compared to December 31, 2023. The increase was primarily due to (i) an increase of RMB30.1 million in financial assets at fair value through profit or loss and RMB17.0 million in time deposits, which reflected enhanced treasury management, and (ii) a RMB25.1 million increase in inventories.

As of December 31, 2023, our net current assets increased by RMB35.6 million compared to December 31, 2022, mainly driven by a RMB58.4 million increase in bank balances and cash, reflecting improved operating cash flow during the year. The increase was partially offset by a RMB8.5 million decrease in inventories due to production upgrade adjustments in 2023.

Property, Plant and Equipment

We adopt a straight-line depreciation method over the estimated useful lives of the assets. No impairment was recorded during the Track Record Period. The net carrying amount of our property, plant and equipment increased from RMB166.8 million as of December 31, 2022 to RMB176.2 million as of December 31, 2023, and slightly decreased to RMB171.4 million as of December 31, 2024.

The table below sets forth the breakdown of our property, plant and equipment as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net carrying amount			
Plant and buildings	126,215	121,392	116,090
Machineries	33,854	41,649	45,868
Leasehold improvements	33	388	1,407
Office equipment	4,284	3,917	2,771
Motor vehicles	2,459	3,032	5,250
Construction in progress	–	5,822	–
Total	**166,845**	**176,200**	**171,386**

The net carrying amount of property, plant and equipment increased by 5.6% from RMB166.8 million as of December 31, 2022 to RMB176.2 million as of December 31, 2023. This growth was primarily attributable to (i) an increase of RMB7.8 million in plant and machineries, reflecting capacity expansion during 2023 in response to production needs; and (ii) the recognition of RMB5.8 million in construction in progress ("**CIP**"), mainly related to new production line investment. These increases were partially offset by depreciation charges and limited disposals during the year.

As of December 31, 2024, the net carrying amount of property, plant and equipment slightly decreased by 2.7% to RMB171.4 million, primarily due to (i) depreciation of approximately RMB16.3 million provided during the year; and (ii) the decrease of RMB5.8 million in construction in progress was attributable to the transfer of completed assets.

Right-of-Use Assets

Our right-of-use assets primarily comprise land use rights and leased properties. Our right-of-use assets are amortized over the shorter of the lease term and the estimated useful life of the leased asset on a straight-line basis. As of December 31, 2022, 2023 and 2024, the net carrying amounts of our right-of-use assets were RMB6.0 million, RMB6.6 million, and RMB10.0 million, respectively.

The table below sets forth the breakdown of our right-of-use assets as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Land use right	5,957	5,786	7,525
Leased properties	–	795	2,446
Total	**5,957**	**6,581**	**9,971**

The land use right relates to our industrial land in Hangzhou, which was recognized at cost and amortized over a lease term of 50 years. In 2024, we acquired an additional adjoining plot of land near our factory premises, resulting in an increase in the carrying amount of land use rights to RMB7.5 million as of December 31, 2024.

Leased properties primarily represent our self-operated retail stores. The increase in the carrying amount of leased properties from RMB0.8 million in 2023 to RMB2.4 million in 2024 was due to the expansion of offline stores, consistent with our omnichannel retail strategy.

Intangible Assets

Our intangible assets primarily consist of externally acquired IP copyrights, which are amortized over their estimated useful lives on a straight-line basis. As of December 31, 2022, 2023 and 2024, the net carrying amount of intangible assets was RMB2.8 million, RMB1.7 million and RMB5.3 million, respectively.

The decrease in net carrying amount from RMB2.8 million as of December 31, 2022 to RMB1.7 million as of December 31, 2023 was mainly due to amortization and the expiry of certain copyrights during the year. The subsequent increase to RMB5.3 million as of December 31, 2024 was primarily driven by the acquisition of new IP rights in connection with external content partnerships and product development initiatives.

Inventories

During the Track Record Period, our inventories primarily consisted of raw materials and consumables, work-in-progress, finished goods, and goods in transit. Inventories were measured at the lower of cost and net realizable value. As of December 31, 2022, 2023 and 2024, our inventories amounted to RMB115.7 million, RMB107.2 million and RMB132.3 million, respectively.

The table below sets forth the breakdown of our inventories as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	20,883	22,345	22,354
Work in progress	18,517	30,360	26,456
Finished goods	71,476	47,951	76,574
Goods in transit	4,805	6,505	6,921
Total	**115,681**	**107,161**	**132,305**

Raw materials and consumables remained relatively stable over the period, increasing from RMB20.9 million in 2022 to RMB22.3 million in 2023 and RMB22.4 million in 2024, in line with production requirements. Work-in-progress increased from RMB18.5 million in 2022 to RMB30.4 million in 2023 and then declined to RMB26.5 million in 2024, reflecting production scheduling and throughput efficiency. Finished goods declined from RMB71.5 million in 2022 to RMB48.0 million in 2023. The lower balance in 2023 primarily reflected the reliance on existing inventory to fulfill orders during the period of reduced output caused by production upgrade. In 2024, finished goods increased to RMB76.6 million, returning to a normalized inventory level aligned with sales planning and fulfillment needs.

We recognized inventory provisions of RMB2.4 million, RMB2.2 million and RMB3.1 million in 2022, 2023 and 2024, respectively. These provisions were primarily related to raw materials and finished goods with long aging periods, and were determined based on a consistent policy linked to inventory aging and recoverability.

Turnover days

The following table sets forth our inventory turnover days during the Track Record Period:

	For the year ended December 31,		
	2022	**2023**	**2024**
		days	
Inventory turnover days(1)	107	119	119

Note:

(1) Inventory turnover days is calculated based on the average of the beginning and ending balance of inventory divided by cost of sales for the year, then multiplied by the number of days of the year.

Our inventory turnover days remained relatively stable at 107 days, 119 days and 119 days for the years ended December 31, 2022, 2023 and 2024, respectively.

Aging analysis

The table below sets forth the aging analysis of our inventories (excluding goods in transit), net of allowance, as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
0 to 90 days	63,870	61,786	71,157
91 to 180 days	23,413	7,936	16,368
181 to 365 days	18,197	14,433	13,377
Above one year to two years	4,037	14,011	13,231
Above two years	1,359	2,490	11,251
Total	**110,876**	**100,656**	**125,384**

The majority of our inventories as of each year-end remained within one year of aging, with a stable proportion of inventories within 0 to 180 days, reflecting effective alignment between production and sales cycles. The balance of inventories aged above one year increased from RMB5.4 million as of December 31, 2022 to RMB16.5 million as of December 31, 2023, and further to RMB24.5 million as of December 31, 2024.

The increase in inventories aged over one year was primarily due to historical mismatches between sales forecasts and inventory planning. In particular, the aged inventory as of December 31, 2022 mainly related to certain themed SKUs, for which demand was overestimated at the time. More broadly, while some products experienced insufficient pre-stocking leading to prolonged pre-sale cycles, others saw excess build-up due to inaccurate forecast assumptions. In response, we have made improvements to our internal demand planning and supply alignment capabilities, with an explicit focus on enhancing the accuracy of sales forecasts and production planning coordination. For details, please refer to "Business – Strategies – Improving Demand Forecasting and Resource Allocation to Optimize Order Fulfillment" in this document. In addition, we are actively conducting targeted promotional campaigns to gradually clear accumulated inventory and improve stock efficiency.

As of the Latest Practicable Date, RMB110.3 million, or 82.5% of our inventories as of December 31, 2024, had been subsequently sold or utilized.

Trade and Other Receivables

During the Track Record Period, our trade and other receivables primarily consisted of receivables from direct and consignment sales, e-commerce platform sales, and a small portion of other receivables including deposits and advances. All receivables were non-interest-bearing and subject to our internal credit risk management policies. We allow a credit period ranging from 30 to 60 days to its certain customers.

The table below sets forth our trade and other receivables as of the dates indicated:

	As of December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	5,808	2,715	9,062
Other receivables	1,965	1,551	2,366
Advances to suppliers	1,811	2,455	4,942
Prepaid expenses	978	2,164	858
VAT recoverable	410	584	1,403
Total	**10,972**	**9,469**	**18,631**

The balance of trade and other receivables decreased by 13.7% from RMB11.0 million in 2022 to RMB9.5 million in 2023, primarily due to improved collection cycles and a reduction in e-commerce receivables. As of December 31, 2024, the balance increased significantly to RMB18.6 million, driven by our sales growth during the year, particularly in consignment and direct sales channels.

Turnover days

The following table sets forth our trade receivables turnover days during the Track Record Period:

	For the year ended December 31,		
	2022	2023	2024
		days	
Trade receivables turnover days	5	4	4

Note:

(1) Trade receivables turnover days is calculated based on the average of the beginning and ending balance of trade receivables divided by revenue for the year, then multiplied by the number of days of the year.

Our trade receivables turnover days remained low throughout the Track Record Period, at 5 days, 4 days, and 4 days for the years ended December 31, 2022, 2023 and 2024, respectively. These consistently low levels reflect our limited credit exposure and strong collection capabilities.

Aging analysis

The table below sets forth the aging analysis of our trade receivables (net of allowance for credit losses) as of the dates indicated, based on invoice dates:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
0-30 days not past due	4,766	2,715	8,465
31-60 days not past due	1,042	–	597
Total	**5,808**	**2,715**	**9,062**

As of the Latest Practicable Date, RMB8.9 million or 98.6% of our trade receivables as of December 31, 2024, had been subsequently settled.

Financial Asset at FVTPL

As of December 31, 2024, our financial assets FVTPL amounted to RMB30.1 million. We did not hold any such assets as of December 31, 2022 and 2023.

The balance represented structured deposits purchased using internal funds, with a contractual maturity of less than 90 days and a yield rate linked to foreign currency market performance. The expected annualized yield rate is approximately 2.5% in 2024.

Bank Balances and Cash

As of December 31, 2022, 2023 and 2024, our bank balances and cash amounted to RMB55.7 million, RMB114.1 million and RMB88.0 million, respectively. The increase in 2023 reflected cash accumulation from operating activities, while the decrease in 2024 was primarily due to reallocation into financial assets at fair value through profit or loss.

Our bank balances and cash mainly comprised cash at banks and short-term bank deposits with original maturities of three months or less. These balances carried interest at market rates ranging from 0.05% to 0.9%, 0.05% to 0.7% and 0.1% to 1.3% per annum as of December 31, 2022, 2023 and 2024, respectively.

Trade and Other Payables

During the Track Record Period, our trade and other payables primarily reflected amounts payable to suppliers for raw materials, utilities and equipment, as well as accrued expenses, distributor guarantee deposits, payroll liabilities, and tax-related payables.

The total balance of trade and other payables increased from RMB66.7 million as of December 31, 2022 to RMB73.0 million as of December 31, 2023, representing a 9.6% increase. The increase in 2023 was primarily attributable to the rise in salary and bonus payables, reflecting a temporary expansion in overall headcount in 2023, which subsequently normalized in 2024, resulting in a lower payable balance by year-end of 2024.

The table below sets forth our trade and other payables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	31,077	34,525	32,554
Other payables and accruals	7,779	6,825	7,222
Payables for purchase of property, plant and equipment	5,088	4,459	2,607
Distributor guarantee deposits	5,281	5,346	3,740
Salary and bonus payables	12,353	17,380	15,513
Other taxes payables	5,089	4,500	6,948
Total	**66,667**	**73,035**	**68,584**

Turnover days

The following table sets forth our trade payables turnover days during the Track Record Period:

	For the year ended December 31,		
	2022	**2023**	**2024**
		days	
Trade payables turnover days	31	35	34

Note:

Trade payables turnover days is calculated based on the average of the beginning and ending balance of trade payables divided by cost of sales for the year, then multiplied by the number of days of the year.

Our trade payables turnover days remained relatively stable at 31 days in 2022 to 35 days in 2023, and remained stable at 34 days in 2024.

Aging analysis

The table below sets forth the aging analysis of trade payables as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
0-30 days	21,763	29,965	29,216
31-60 days	9,314	4,560	3,338
Total	**31,077**	**34,525**	**32,554**

As of the Latest Practicable Date, RMB31.3 million or 96.1% of our trade payables as of December 31, 2024 had been subsequently settled.

Contract Liabilities

During the Track Record Period, our contract liabilities primarily arose from (i) advance payments from distributors for product sales, and (ii) our points accumulation program operated through self-managed e-commerce platforms. Revenue is recognized when control of the goods is transferred to the customer or when points are redeemed.

Distributor-related contract liabilities primarily represent cash received in advance for undelivered goods as of each year-end. Under our revenue recognition policy, revenue is recognized when control of the goods is transferred to the customer, typically upon delivery. Accordingly, advance payments received but not fulfilled by the end of the reporting period are recorded as contract liabilities.

The points accumulation program reflects the estimated value of loyalty points earned by customers through purchases made on our flagship stores hosted on e-commerce platforms such as Tmall, JD.com, and Douyin. These points are issued, tracked, and managed independently by each respective platform and can be redeemed by customers for discounts on future purchases within that specific platform ecosystem. Customers cannot accumulate or redeem loyalty points across platforms. The associated revenue is deferred until the corresponding points are redeemed.

All contract liabilities as of the end of each reporting period were expected to be recognized as revenue within the following financial year.

The table below sets forth the breakdown of our contract liabilities as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Advance payments from distributors . .	5,343	11,288	4,903
Points accumulation program	319	350	381
Total	**5,662**	**11,638**	**5,284**

As of December 31, 2022, 2023 and 2024, our contract liabilities amounted to RMB5.7 million, RMB11.6 million and RMB5.3 million, respectively. The increase in 2023 was primarily attributable to a higher volume of distributor prepayments received near year-end, while the decrease in 2024 reflected the fulfillment of outstanding orders and a return to more normalized distributor purchasing patterns.

Lease Liabilities

Our lease liabilities primarily relate to leased retail store premises, and are recognized in accordance with applicable accounting standards. The classification between current and non-current liabilities is based on the remaining contractual lease terms as at the end of each reporting period.

As of December 31, 2022, 2023 and 2024, our total lease liabilities amounted to nil, RMB797,000 and RMB2,355,000, respectively. The increase in lease liabilities reflected the continued expansion of our self-operated offline stores during the Track Record Period.

The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Current position (within 1 year).	–	403	2,016
Non-current position (1-2 years)	–	394	339
Total	**–**	**797**	**2,355**

The weighted average incremental borrowing rate applied to lease liabilities was 4.20% in 2023 and 4.01% in 2024.

The significant increase in current lease liabilities in 2024 was due to the lease payments under newly added store leases.

INDEBTEDNESS

As of March 31, 2025, being the most recent practicable date for this indebtedness statement, save as disclosed in this paragraph headed "Indebtedness" in this section, we did not have any outstanding or unutilized bank borrowings, loan capital issued or agreed to be issued, bank overdrafts, liabilities under acceptances (other than normal trade payables), acceptance credits, debt securities, term loans, or indebtedness in the nature of borrowings, mortgages, charges, hire purchase commitments, contingent liabilities, debentures or guarantees.

As of the Latest Practicable Date, our Directors confirmed that we had not entered into any material loan agreements and had not drawn down on any credit facilities. We had not been subject to any material covenants associated with debt obligations, nor had we breached any financial or operational covenants during the Track Record Period and up to the Latest Practicable Date. There has been no difficulty in obtaining or repaying any bank facilities or borrowings, and no default or delay in any scheduled repayment occurred. Our Directors further confirmed that there has been no material change in our indebtedness or contingent liabilities since March 31, 2025 and up to the date of this document.

The following table sets forth our Group's indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2022	2023	2024	2025
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Lease liabilities (current)	–	403	2,016	1,822
Lease liabilities (non-current)	–	394	339	34
Total	**–**	**797**	**2,355**	**1,856**

We expect to continue funding our operations primarily through operations generated cash flows. As of March 31, 2025, we had not utilized any bank credit facilities, and no bank loans had been approved or drawn down.

CAPITAL EXPENDITURE

Our Group incurred capital expenditures of approximately RMB25.4 million, RMB26.2 million and RMB23.5 million for the years ended December 31, 2022, 2023, and 2024, respectively. Our capital expenditure primarily related to additions to property, plant and equipment, IP licensing fees paid to IP licensors and land use right.

RELATED PARTY TRANSACTIONS

Our related party transactions during the Track Record Period are summarized in Note 33 to the Accountants' Report set out in Appendix I to this document. During the Track Record Period, we entered into certain transactions with related parties in the ordinary course of business. These transactions primarily involved the sale and purchase of goods, provision of rental services, and receipt of shareholder guarantees.

Sales and Purchases with Related Parties

We sold a small volume of goods to Hangzhou Tongmu Zhuyi Furniture Co., Ltd. ("Tongmu Zhuyi") and Hebei Zhe Yi Jian Construction Engineering Co., Ltd. ("Hebei Zhe Yi Jian"), both of which are related parties. We also purchased a small volume of raw materials from Tongmu Zhuyi.

Rental Income from Related Parties

We leased out a portion of our properties to Tongmu Zhuyi and recorded rental income of RMB5.1 million, RMB5.1 million and RMB3.7 million for the years ended December 31, 2022, 2023 and 2024, respectively. The rental arrangements were made on normal commercial terms.

Guarantees Provided by Related Parties

During the year ended December 31, 2022, Mr. Yu, our Single Largest Shareholder, provided guarantees in respect of certain bank borrowings of the Group in the aggregate amount of RMB128.5 million. All such guarantees were fully released by December 31, 2022.

Compensation of Key Management Personnel

For details of the remuneration paid to our Directors and senior management, including salaries, bonuses and other benefits, please refer to Note 33 to the Accountants' Report.

Our Directors confirm that all transactions with related parties described in Note 33 of the Accountants' Report were conducted on normal commercial terms determined after arm's length negotiation having considered the rental paid for our office is comparable to the prevailing market rent of comparable properties in similar locations, which are considered fair, reasonable and in the interest of the Shareholders as a whole.

CONTINGENT LIABILITIES

We did not have any contingent liabilities during the Track Record Period and up to the Latest Practicable Date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

KEY FINANCIAL RATIOS

	As of December 31/ For the year ended December 31,		
	2022	2023	2024
Net profit margin	11.3%	8.7%	13.8%
Return on equity	22.1%	14.3%	21.4%
Return on total assets	15.2%	11.4%	17.4%
Current ratio	2.52	2.70	3.63
Quick ratio	0.94	1.46	1.96

Net Profit Margin

Net profit margin is calculated by dividing profit for the year by revenue and multiplying by 100%. Our net profit margin was 11.3%, 8.7%, and 13.8% for the years ended December 31, 2022, 2023 and 2024, respectively. The lower net profit margin for the year ended December 31, 2023 was primarily due to temporary production disruptions resulting from process improvements and technical upgrades. The margin improved in 2024 as production efficiency and output normalized.

Return on Equity

Return on equity represents net profit for the year divided by the arithmetic mean of opening and closing balances of shareholder's equity, multiplied by 100%. The ratio declined from 22.1% in 2022 to 14.3% in 2023, mainly due to the same temporary production disruptions mentioned above. It rebounded to 21.4% in 2024, reflecting improved profitability and operational efficiency.

Return on Total Assets

Return on total assets is calculated by dividing net profit by the arithmetic mean of opening and closing balances of total assets and multiplying by 100%. This ratio declined from 15.2% in 2022 to 11.4% in 2023, before increasing to 17.4% in 2024, following the same production-related impacts and subsequent recovery.

Current Ratio

Current ratio is calculated as total current assets divided by total current liabilities. We maintained a healthy liquidity position with current ratios of 2.52, 2.70 and 3.63 as of December 31, 2022, 2023 and 2024, respectively. The increase in 2024 was primarily attributable to the increase in financial asset at FVTPL and time deposits, reflecting our improved cash deployment strategies.

Quick Ratio

Quick ratio is calculated as total current assets less inventories divided by total current liabilities. Our quick ratio improved from 0.94 as of December 31, 2022 to 1.96 as of December 31, 2024, primarily reflecting the same increase in liquid financial assets mentioned above, combined with a stable level of current liabilities.

FINANCIAL RISK MANAGEMENT

We are exposed to various financial risks in the ordinary course of business, including currency risk, interest rate risk, credit risk, and liquidity risk. We have adopted a set of risk management policies to mitigate these exposures, including internal credit assessments, cash flow planning, and conservative investment practices.

Currency Risk

Our exposure to currency risk primarily arises from trade and other receivables and bank balances denominated in currencies other than our functional currency. These exposures are mainly related to transactions in U.S. dollars.

As of December 31, 2024, the carrying amount of foreign currency denominated monetary assets was approximately RMB1.2 million, similar to the balance as of December 31, 2023. As of December 31, 2022, this balance was approximately RMB8.5 million. These foreign currency exposures mainly arose from balances of trade receivables and bank accounts held in U.S. dollars.

Interest Rate Risk

Our exposure to interest rate risk arises primarily from fixed-rate lease liabilities and interest-bearing bank balances.

To manage this risk prudently, we continuously monitor market interest rate in the context of our business operations and financial position. Based on the assessment, we seek to implement effective interest rate risk management strategies.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to us. At the end of each reporting period, our maximum exposure to credit risk, which causes a financial loss to us due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognized financial assets, as disclosed in the consolidated statements of the financial position.

In order to minimize credit risk, we have established a credit risk grading system to categorize exposures based on the degree of risk of default. Our management will consider publicly available financial information, along with our historical repayment records for the major customers and other debtors. We continuously monitor its exposure to counterparties and review our credit ratings at the end of the reporting period to ensure that adequate impairment losses, if any, are made for irrecoverable amount.

Liquidity Risk

In the management of the liquidity risk, we monitor and maintain a level of bank balances and cash deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

DIVIDEND

During the Track Record Period, we did not declare or pay any dividends. No dividend has been proposed, paid or declared by our Company since its incorporation, or by any of the subsidiaries of our Group during the Track Record Period. We do not have any dividend policy to declare or pay any dividends in the foreseeable future.

After completion of the [**REDACTED**], we may distribute dividends in the form of cash or by other means permitted by our Articles of Association. Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval of our Shareholders. A decision to declare or to pay any dividends in the future, and the amount of any dividend, will depend upon a number of factors, including our earnings and financial condition, operating requirements, capital requirements, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends, and any other factors that our Directors may consider important.

There is no assurance that dividends of any amount will be declared or be distributed in any year. Currently, we do not intend to adopt a formal dividend policy or a fixed dividend distribution ratio following the [**REDACTED**].

DISTRIBUTABLE RESERVES

As of December 31, 2024, our distributable reserves amounted to approximately RMB330.7 million.

UNAUDITED [REDACTED] ADJUSTED NET TANGIBLE ASSETS

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets as at December 31, 2024 as if it had taken place on that date.

The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to owners of our Company had the [**REDACTED**] been completed as at December 31, 2024 or any future dates. The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of our Group attributable to the owners of our Company is based on the consolidated net tangible assets of our Group attributable to the owners of our Company as at December 31, 2024 as set out in the Accountants' Report of our Company, the text of which is set out in Appendix I to this document, and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to the owners of or Company as at December 31, 2024	Estimated [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets attributable to the owners of our Company as at December 31, 2024	Unaudited [REDACTED] adjusted consolidated net tangible assets per Share	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	403,853	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	403,853	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED] EXPENSES

The total estimated [**REDACTED**] expenses in connection with the [**REDACTED**] are approximately RMB[**REDACTED**] million (equivalent to approximately HK$[**REDACTED**] million), representing approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**], assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the indicative [**REDACTED**]) and the [**REDACTED**] is not exercised. We expect to incur [**REDACTED**] expenses of approximately HK$[**REDACTED**] million, of which approximately HK$[**REDACTED**] million is expected to be recognized in the consolidated statements of profit or loss and other comprehensive income as administrative expenses, and approximately HK$[**REDACTED**] million is expected to be recognized as a deduction in equity directly upon the [**REDACTED**]. By nature, our [**REDACTED**] expenses are composed of (i) [**REDACTED**] commission of approximately HK$[**REDACTED**] million; and (ii) [**REDACTED**] related expenses of approximately HK$[**REDACTED**] million, which consist of fees and expenses of legal advisers and reporting accountants of approximately HK$[**REDACTED**] million and other fees and expenses of approximately HK$[**REDACTED**] million. The [**REDACTED**] expenses above are the current estimate for reference only and the final amount to be recognized to our consolidated income statement is subject to audit and the then changes in variables and assumptions.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this document, save as disclosed in this document, there has been no material adverse change in our financial, operational or trading positions or prospects since December 31, 2024, being the end of the period reported on as set out in the Accountants' Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

Please refer to the section headed "Business – Strategies" in this document for a detailed discussion of our future plans.

REASONS FOR THE [REDACTED]

We believe that the [**REDACTED**] will enhance our brand profile and credibility, strengthen our capital base to support business expansion, and provide us with access to international capital markets. The [**REDACTED**] will also enable us to broaden our shareholder base and create a liquid market for our Shares, which we expect will facilitate future capital raising to support our strategic growth initiatives. In addition, the [**REDACTED**] will provide an opportunity for us to further institutionalize our internal controls and corporate governance framework in accordance with international standards, which we believe will support our long-term development.

[REDACTED]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]), we estimate that we will receive net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**], after deducting the [**REDACTED**] commissions and other estimated expenses payable by us in connection with the [**REDACTED**], and assuming the [**REDACTED**] is not exercised.

We intend to apply the [**REDACTED**] from the [**REDACTED**] in the following manner:

- **Invest in product development and design capabilities (approximately [REDACTED]%, equivalent to approximately HK$[REDACTED] million)**: We plan to allocate approximately [**REDACTED**]% (equivalent to approximately HK$[**REDACTED**] million) to support the construction of a dedicated research and development center. The planned investment will cover site preparation, structural works, facade and interior construction, as well as the procurement of equipment and software. The facility will also be used to accommodate an expanded research and design team. In addition, approximately [**REDACTED**]% of the [**REDACTED**] will be allocated to expand and refine our product portfolio.

- **Enhance production capacity and fulfillment agility (approximately [REDACTED]%, equivalent to approximately HK$[REDACTED] million)**: We intend to allocate approximately [**REDACTED**]% (equivalent to approximately HK$[**REDACTED**] million) to procure and install new production equipment at our Hangzhou facility, and approximately [**REDACTED**]% (equivalent to approximately HK$[**REDACTED**] million) for the recruitment and training of skilled production personnel.

- **Strengthen sales channels and marketing capabilities (approximately [REDACTED]%, equivalent to approximately HK$[REDACTED] million)**: We intend to enhance our sales and marketing infrastructure through the expansion of our self-operated store network in the PRC, development of international market channels, and reinforcement of digital engagement initiatives. This includes investments in self-operated store presence across high-footfall commercial zones, participation in overseas exhibitions and localized promotional campaigns, as well as the production of branded content and optimization of platform traffic to strengthen consumer awareness and drive conversion across both offline and online touchpoints.

- **Upgrade digital and information infrastructure (approximately [REDACTED]%, equivalent to approximately HK$[REDACTED] million)**: This includes the implementation of customized enterprise software, integrated data systems, and operational coordination platforms.

- **Working capital and general corporate purposes (approximately [REDACTED]%, equivalent to approximately HK$[REDACTED] million)**: These funds will support strategic flexibility and allow us to respond prudently to emerging market opportunities and operational needs.

We expect that the above allocation of [**REDACTED**] will enable us to execute our strategies as set out in the section headed "Business – Strategies" in this document and support our long-term growth and competitiveness.

To the extent that the [**REDACTED**] of the [**REDACTED**] are either more or less than expected due to a change in the [**REDACTED**] or the actual number of Shares issued, we may adjust the above allocation on a pro rata basis, subject to such variation not resulting in a material change in the proposed use of [**REDACTED**]. Any material change in the use of [**REDACTED**] will be disclosed in accordance with the requirements under the Listing Rules.

1. Invest in Product Development and Design Capabilities

We intend to allocate approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) to strengthen our product development and design capabilities, which serve as the foundation of our innovation-driven growth. This investment will primarily support the construction of a dedicated research and development center and the expansion and diversification of our core product portfolio, including copper-based cultural and creative products, gold cultural and creative products and plastic collectibles and trendy toys.

Build and upgrade research and development infrastructure

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to HK$[**REDACTED**] million) will be allocated to the construction and equipping of a new research and development center, which is expected to serve as a centralized hub for cross-functional collaboration among our creative designers, technical teams and marketing professionals.

The total investment in the research and development center is expected to reach HK$[**REDACTED**] million, funded entirely by the [**REDACTED**] from the [**REDACTED**]. A breakdown of planned capital expenditures by year is as follows:

Year	Construction Expenditure	Equipment & Software Procurement	Other Related Costs	Total
	In HK$ millions			
2026	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2027	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2028	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The proposed research and development center will be located in our Hangzhou Facility and is expected to span a gross floor area of approximately 31,000 square meters. Construction is scheduled to commence in June 2026 and complete in July 2028. The facility will be designed to include dedicated spaces for product design, prototyping, material testing, and collaborative work.

Construction will proceed in key phases including site preparation, structural engineering, facade completion, interior fitting, and final system commissioning. Procurement of equipment and supporting systems will be synchronized with the building's readiness to enable prompt installation and trial operations.

We plan to acquire 3D modeling software, CNC machines, and multi-material 3D printers to support in-house prototyping and small-batch product validation. Installation of these systems is expected to be completed by 2028, allowing the new center to commence full operation by the end of that year.

To support the expanded functions, we plan to recruit approximately 100 additional personnel by 2028, including creative designers, process engineers and project coordination staff. The new center is expected to improve internal collaboration, accelerate prototyping cycles and enable broader material integration across product lines.

Diversify and enhance product portfolio

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) will be allocated to expand and refine our product portfolio. This includes enriching our copper-based cultural and creative products while also advancing the development of gold cultural and creative products and plastic collectibles and trendy toys marketed under our sub-brands "Xijiang Gold Shop" and "Huanxi Xiaojiang," respectively.

These funds will primarily support product design and sampling, IP collaboration initiatives, and limited-edition licensing projects with cultural institutions and artists. We also plan to explore new themes across traditional culture, wellness, and emotional storytelling, supported by corresponding marketing campaigns to reinforce brand identity and cross-category appeal.

2. Enhance Production Capacity and Fulfillment Agility

We intend to allocate approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) to enhance our in-house production capacity and improve alignment between demand forecasting and manufacturing output, thereby increasing fulfillment agility and supporting long-term product availability.

Procure and install equipment to improve capacity throughput

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) will be used to procure and install new production equipment at our Hangzhou Facility. The planned procurement covers key segments such as casting, machining, surface finishing, environmental controls, and utilities infrastructure.

The following table outlines the major equipment categories, intended functions, and procurement schedule:

Category	**Equipment Description**	**Function**	**Planned Installation Period**
Casting	Precision casting machines	Improve copper casting efficiency	2026 – 2027
Machining	High-precision CNC tools	Carving and finishing	2026 – 2027
Surface finishing	Spray and baking systems	Automated coloring and drying	2026 – 2027
Environmental	Dust extraction and ventilation	Workplace air filtration and compliance	2026 – 2027
Utilities	Water, gas, power facility upgrade	Utility retrofit and safety enhancements	2026 – 2027
Civil works	Facility reconfiguration	Localized structural and layout changes	2026 – 2027

The planned layout optimization and partial facility reconfiguration are expected to take less than a year and will be implemented in phases to minimize production disruptions. Our internal teams are expected to oversee utility adjustments and site handover, while third-party suppliers will be engaged for equipment installation and commissioning.

Expand and stabilize skilled production workforce

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) will be used to recruit and train approximately around 250 additional production personnel. This includes over 200 skillful craftsmen specializing in wax modeling, welding, and polishing, along with logistics, support, and quality control staff.

We have implemented an internal apprenticeship system under which experienced artisans will provide on-the-job mentorship to new hires. This team structure is designed to support productivity while ensuring that our artisanal quality standards are preserved. By expanding our skilled workforce and upgrading production equipment, we expect to reduce production cycle times and enhance responsiveness to high-volume SKUs, thereby improving our overall order fulfillment capabilities and operational resilience.

3. Strengthen Sales Channels and Marketing Capabilities

We intend to allocate approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) to expand and enhance our retail and marketing infrastructure, with a focus on strengthening our self-operated store network in the PRC, accelerating our international presence, and reinforcing our digital marketing and content development capabilities.

Expand our self-operated store network in the PRC

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) will be used to expand our self-operated store network across the PRC, with priority given to tier-one, new-tier-one, tier-two and tier-three cities. These stores are expected to serve as immersive brand touchpoints that integrate cultural storytelling and interactive experiences.

We plan to open approximately [**REDACTED**] new stores from 2026 to 2028. Target locations include cities such as Beijing, Shenzhen, Chongqing, Nanjing, Wuhan, Jinan, Xiamen, Xi'an, Kunming, and Guiyang. These locations were selected based on commercial foot traffic, mall rankings, and regional consumption trends. Each new store is expected to have a gross floor area of approximately 100 square meters. The average capital expenditure per store is approximately RMB[**REDACTED**] million, which primarily covers items such as decoration and fit-out, initial inventory costs, lease deposits, and staff hiring and training. Based on our past experience, each new location is expected to break even in approximately 6 to 9 months of opening.

Enhance digital marketing and online engagement

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) will be allocated to strengthen our digital marketing infrastructure. Our initiatives will focus on producing branded content, including short-form videos, cultural storytelling, and livestream segments.

We plan to upgrade studio capabilities, expand editing and scripting teams, and develop standardized livestreaming practices across channels. Additionally, we intend to enhance backend analytics systems for real-time performance tracking and budget optimization.

Develop international presence and regional marketing channels

Approximately [**REDACTED**]% of the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) will be used to support our international expansion. We plan to explore markets such as Hong Kong, Macau, Southeast Asia, Japan, Europe, and North America. Our strategy includes participation in overseas exhibitions and trade fairs, collaboration with local distributors, and customized marketing campaigns.

In 2025, we plan to initiate market entry in Hong Kong, Japan, and Italy through scheduled exhibitions. Subsequent efforts will extend to selected Western European and North American markets. We aim to allocate funds to international travel, sample preparation, bilingual materials, promotional adaptation, and preliminary market research.

4. Upgrade Digital and Information Infrastructure

We intend to allocate approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) to strengthen our digital and information infrastructure. This initiative consists of two major components: (i) the implementation of enterprise software systems to improve production and inventory coordination, and (ii) the deployment of supporting hardware and smart devices to enhance data capture and operational connectivity.

Deploy supporting IT infrastructure and smart devices

Approximately [**REDACTED**]% (equivalent to approximately HK$[**REDACTED**] million) will be used to procure and install supporting IT infrastructure. Planned investments include four sets of dedicated data servers for system deployment and data backup, one enterprise-grade network firewall for information security, and IoT-enabled sensor nodes to support real-time tracking across core production lines and warehousing locations. These hardware systems are expected to be instaled between 2026 and 2027.

Implement Enterprise Software Systems

Approximately [**REDACTED**]% (equivalent to approximately HK$[**REDACTED**] million) will be allocated to the phased development and implementation of customized software systems. These include a Manufacturing Execution System ("**MES**"), focused on production planning, on-site execution and process traceability, and a Warehouse Management System ("**WMS**"), responsible for location-based inventory tracking, in- and out-bound logistics, and periodic stock-taking. Both systems are expected to be equipped with matching terminal hardware to ensure effective data integration and on-site operability. The MES system and hardware are scheduled for deployment by 2027, and the WMS system is also expected to go live by 2027. These systems will be tailored through modular customization to fit our existing operational processes.

All software and hardware deployments will be managed by our IT and Finance teams, with staged implementation across development, testing, and training phases. The combined system is expected to support real-time data visibility, traceability, and operational coordination, thereby enhancing efficiency and scalability as our business grows.

5. Working Capital and General Corporate Purposes

Approximately [**REDACTED**]% of the [**REDACTED**] from the [**REDACTED**] (equivalent to approximately HK$[**REDACTED**] million) will be reserved for general working capital and operational flexibility. These funds will allow us to respond to strategic opportunities and unforeseen market shifts in a timely and prudent manner.

In the event that the designated [**REDACTED**] are insufficient to fully fund the aforementioned purposes, we intend to utilize internal resources or equity debt financing to address any shortfalls. Conversely, should there be surplus funds, these will be applied toward other projects consistent with our strategic objectives.

In the event that the [**REDACTED**] is fixed below or above the mid-point of the indicative [**REDACTED**], the [**REDACTED**] allocated to the above purposes will be adjusted on a pro rata basis. Any additional [**REDACTED**] received from the exercise of the [**REDACTED**] will be allocated to the above purposes on a pro rata basis.

In the event of any material change in our use of [**REDACTED**] of the [**REDACTED**] from the purposes described above or in our allocation of the [**REDACTED**] among the purposes described above, a formal announcement will be made.

To the extent that the [**REDACTED**] from the [**REDACTED**] are not immediately applied to the above purposes, we will only deposit such [**REDACTED**] into short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

We will issue an announcement in the event that there is any material change in the use of [**REDACTED**] of the [**REDACTED**] as described above.

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The following is the text of a report, set out on pages I-[1] to I-[46], received from the independent reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF HANGZHOU TONGSHIFU CULTURAL AND CREATIVE (GROUP) CO., LTD AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd. (formerly known as Hangzhou Xijiang Culture and Creative Co., Ltd.) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-[3] to I-[46], which comprises the consolidated statements of financial position of the Group as at December 31, 2022, 2023 and 2024, the statements of financial position of the Company as at December 31, 2022, 2023 and 2024, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2024 (the "Track Record Period") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-[3] to I-[46] 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 (the "Stock Exchange").

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 set out in Note 2 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.

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' judgment, 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 set out in Note 1.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's and the Company's financial position as at December 31, 2022, 2023 and 2024, and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 1.2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-[3] have been made.

Dividends

We refer to Note 12 to the Historical Financial Information which states that no dividend was declared or paid by the Company since its incorporation.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[DATE]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information in this report is based, have been prepared in accordance with the accounting policies which conform with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended December 31		
	Notes	**2022**	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	503,185	506,383	571,188
Cost of sales		(340,957)	(342,174)	(369,103)
Gross profit		162,228	164,209	202,085
Other income	*5*	13,747	15,620	14,370
Other gains and losses	*6*	42	105	260
Impairment losses under expected credit loss model, net of reversal		(756)	715	(190)
Selling and marketing expenses		(62,667)	(72,448)	(71,590)
Administrative expenses		(27,972)	(30,426)	(26,923)
Other operating expenses		(2,479)	(2,291)	(1,637)
Research and development expenses		(18,802)	(28,638)	(28,212)
Finance costs	*7*	(896)	(5)	(97)
Profit before tax	*8*	62,445	46,841	88,066
Income tax expenses	*9*	(5,507)	(2,710)	(9,084)
Profit and total comprehensive income for the year		56,938	44,131	78,982
Earnings per share	*11*			
Basic (RMB)		1.00	0.77	1.39

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*13*	166,845	176,200	171,386
Right-of-use assets	*14*	5,957	6,581	9,971
Intangible assets	*15*	2,770	1,669	5,288
Interest in an associate	*16*	–	–	–
Deferred tax assets	*17*	316	230	443
Time deposits	*21*	–	–	15,273
		175,888	184,680	202,361
Current assets				
Inventories	*18*	115,681	107,161	132,305
Trade and other receivables	*19*	10,972	9,469	18,631
Right to returned goods asset	*24*	434	548	558
Tax recoverable		1,349	1,527	9
Financial asset at fair value through profit or loss ("FVTPL")	*20*	–	–	30,097
Time deposits	*21*	–	–	17,019
Restricted bank deposit	*21*	*	–	–
Bank balances and cash	*21*	55,677	114,094	88,044
		184,113	232,799	286,663
Current liabilities				
Trade and other payables	*22*	66,667	73,035	68,584
Income tax payable		*	216	2,114
Lease liabilities	*25*	–	403	2,016
Contract liabilities	*23*	5,662	11,638	5,284
Refund liabilities	*24*	688	831	889
		73,017	86,123	78,887
Net current assets		111,096	146,676	207,776
Total assets less current liabilities		286,984	331,356	410,137
Non-current liabilities				
Lease liabilities	*25*	–	394	339
Deferred income	*26*	956	803	657
		956	1,197	996
Net assets		286,028	330,159	409,141
Capital and reserves				
Share capital	*27*	57,000	57,000	57,000
Reserves		229,028	273,159	352,141
Total equity		286,028	330,159	409,141

* Amount below RMB1,000.

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31		
		2022	2023	2024
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*13*	44,040	58,711	58,819
Right-of-use assets	*14*	–	795	2,446
Intangible assets	*15*	2,770	1,669	5,288
Investment in subsidiaries		3,974	3,974	5,774
Interest in an associate	*16*	–	–	–
Deferred tax assets	*17*	316	230	443
Time deposits	*21*	–	–	15,273
		51,100	65,379	88,043
Current assets				
Inventories	*18*	115,681	107,161	132,305
Trade and other receivables	*19*	137,263	129,962	126,456
Right to returned goods asset	*24*	434	548	558
Tax recoverable		1,644	1,873	–
Financial asset at FVTPL	*20*	–	–	30,097
Time deposits	*21*	–	–	17,019
Restricted bank deposit	*21*	*	–	–
Bank balances and cash	*21*	47,535	103,094	83,270
		302,557	342,638	389,705
Current liabilities				
Trade and other payables	*22*	63,492	70,249	65,534
Income tax payable		–	–	1,795
Lease liabilities	*25*	–	403	2,016
Contract liabilities	*23*	5,807	11,647	6,529
Refund liabilities	*24*	688	831	889
		69,987	83,130	76,763
Net current assets		232,570	259,508	312,942
Total assets less current liabilities		283,670	324,887	400,985
Non-current liabilities				
Lease liabilities	*25*	–	394	339
Deferred income	*26*	956	803	657
		956	1,197	996
Net assets		282,714	323,690	399,989
Capital and reserves				
Share capital	*27*	57,000	57,000	57,000
Reserves	*34*	225,714	266,690	342,989
Total equity		282,714	323,690	399,989

* Amount below RMB1,000.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve	Statutory reserve	(Accumulated losses) Retained earnings	Total
	RMB'000	*RMB'000* *(note i)*	*RMB'000* *(note ii)*	*RMB'000*	*RMB'000*
As at January 1, 2022	57,000	254,679	4,450	(87,201)	228,928
Profit and total comprehensive income for the year	–	–	–	56,938	56,938
Capital contribution from shareholder	–	162	–	–	162
Transfer to statutory reserve	–	–	5,241	(5,241)	–
As at December 31, 2022	57,000	254,841	9,691	(35,504)	286,028
Profit and total comprehensive income for the year	–	–	–	44,131	44,131
Transfer to statutory reserve	–	–	4,098	(4,098)	–
As at December 31, 2023	57,000	254,841	13,789	4,529	330,159
Profit and total comprehensive income for the year	–	–	–	78,982	78,982
Transfer to statutory reserve	–	–	7,630	(7,630)	–
As at December 31, 2024	57,000	254,841	21,419	75,881	409,141

Notes:

(i) Capital reserve represents share premium of the Company.

(ii) In accordance with the Articles of Association of the Company and its subsidiaries, they are required to transfer 10% of the profit after tax to the statutory reserve until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the Company and its subsidiaries.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax	62,445	46,841	88,066
Adjustments for:			
Finance costs	896	5	97
Bank interest income	(759)	(1,042)	(1,077)
Depreciation of property, plant and equipment	11,749	13,512	16,125
Depreciation of right-of-use assets	523	229	1,663
Amortization of intangible assets	931	2,476	2,327
Impairment losses on trade and other receivables, net of reversal	756	(715)	190
Write-down of inventories, net of reversal	137	(185)	824
Income from government grants related to asset	(175)	(153)	(146)
Loss (gain) on disposal of property, plant and equipment	352	(79)	247
Gain on disposal of interest in an associate	–	–	(5)
Net foreign exchange gains	(394)	(26)	(157)
Fair value gain of financial assets at FVTPL	–	–	(345)
Operating cash flows before movements in working capital	76,461	60,863	107,809
(Increase) decrease in inventories	(32,230)	8,672	(25,761)
Decrease (increase) in trade and other receivables	8,669	2,542	(8,712)
Increase in right to returned goods asset	(64)	(114)	(10)
(Decrease) increase in trade and other payables	(6,863)	6,997	(2,599)
(Decrease) increase in contract liabilities	(9,852)	5,976	(6,354)
Increase in refund liabilities	122	143	58
Cash generated from operations	36,423	85,079	64,431
Income taxes paid	(7,829)	(2,586)	(5,883)
NET CASH FROM OPERATING ACTIVITIES	28,414	82,493	58,548
INVESTING ACTIVITIES			
Bank interest received	759	1,042	785
Proceeds on disposal of property, plant and equipment	240	1,422	2,062
Payments for property, plant and equipment	(22,116)	(24,807)	(15,678)
Payments for intangible assets	(3,320)	(1,375)	(5,946)
Payments for right-of-use assets	–	–	(1,910)
Repayment from shareholder	5,102	–	–

	Year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Proceeds on disposal of interest in an associate	–	–	5
Refund of rental deposits	–	116	28
Payments for rental deposits	–	(422)	(652)
Withdrawal of restricted bank deposits	132	*	–
Withdrawal of financial assets at FVTPL	–	–	15,248
Placement of financial assets at FVTPL	–	–	(45,000)
Placement of time deposits	–	–	(32,000)
NET CASH USED IN INVESTING ACTIVITIES	(19,203)	(24,024)	(83,058)
FINANCING ACTIVITIES			
Proceeds from bank borrowings	61,000	–	1,000
Repayments of bank borrowings	(128,581)	–	(1,000)
Interest paid	(896)	–	(1)
Repayments of lease liabilities	–	(62)	(1,682)
Capital injection by shareholders	162	–	–
NET CASH USED IN FINANCING ACTIVITIES	(68,315)	(62)	(1,683)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(59,104)	58,407	(26,193)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	114,520	55,677	114,094
Effect of foreign exchange rate changes	261	10	143
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	55,677	114,094	88,044

* Amount below RMB1,000.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

1.1 General Information

The Company was incorporated in The People's Republic of China (the "PRC") on March 26, 2013 as a limited liability company. The Company was converted into a joint-stock company with limited liability and renamed as Hangzhou Xijiang Cultural Arts Co., Ltd. (杭州璽匠文化藝術品股份有限公司) on 28 October 2014. On December 16, 2024, the Company was further renamed as Hangzhou Tongshifu Cultural and Creative (Group) Co., Ltd. (杭州銅師傅文創(集團)股份有限公司).

As at January 1, 2022, the share capital of the Company has been increased to RMB57,000,000. The share capital of the Company of RMB57,000,000 has remained unchanged throughout the Track Record Period.

As at December 31, 2024, Mr. Yu Guang ("Mr. Yu"), the founder, chairman and general manager of the Company and its subsidiaries (the "Group"), holds 26.27% of the total share capital of the Company. His shareholding remained unchanged throughout the Track Record Period. Mr. Yu is also the single largest shareholder of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the section "Corporate Information" of the Document.

The Company and its subsidiaries, as set out in Note 35, are principally involved in research and development, production and sale of cultural and creative products made of copper, plastics, silver, gold and wooden.

The Historical Financial Information is presented in the currency of RMB, which is the functional currency of the Company.

The statutory financial statements of the Company for the years ended December 31, 2022 and 2023 were prepared in accordance with Accounting Standards for Business Enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, a certified public accountant registered in the PRC. The financial statements of the Company for the year ended December 31, 2024, have not been issued as of the date of this report.

1.2 Basis of Preparation of Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies, in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "IASB").

2. APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS AND MATERIAL ACCOUNTING POLICY INFORMATION

2.1 Application of New and Amendments to IFRS Accounting Standards

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted IFRS Accounting Standards issued by the IASB, which are effective for the accounting period beginning on 1 January 2024, throughout the Track Record Period.

New and revised IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following amendments to the IFRS Accounting Standards that have been issued but not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume 11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after 1 January 2025.

3 Effective for annual periods beginning on or after 1 January 2026.

4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new IFRS Accounting Standard mentioned below, the directors of the Company anticipate that the application of all the amendments to IFRSs will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 *Presentation of Financial Statements*. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements.

2.2 Material Accounting Policy Information

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in this Historical Financial Information is determined on such a basis, except for share-based transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for within the scope of IFRS 16 Leases and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of assets.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 4, 23 and 24.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods, or for administrative purposes (other than equipment in the course of construction as below described). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets are functioning properly. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of items of property, plant and equipment other than equipment in the course of construction less their residual values over their estimated useful lives using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Leases

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception of the contract. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases (including dormitory and retail stores) that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments are fixed payments (including in-substance fixed payments).

Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognized as an expense on a straight-line basis over the lease term.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Bank balances and cash

Bank balances and cash presented on the consolidated statements of financial position include:

(a) cash, which comprises of cash on hand and demand deposits; and

(b) cash equivalents, which comprises of short-term deposits (generally with original maturity of three months or less). Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Investment in subsidiaries

Investments in subsidiaries are stated at cost less any identified impairment loss on the statement of financial position of the Company.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefits costs

Payments to state-managed retirement benefit schemes are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS Accounting Standards requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, and annual leaves) after deducting any amount already paid.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time the transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognized the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized in profit or loss immediately.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade receivables, other receivables, time deposits, restricted bank deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than one year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjustment to their carrying amount, except for trade receivables and other receivables where the corresponding adjustment is recognized through a loss allowance account.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses' line item as part of the net foreign exchange gains/(losses).

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost

Financial liabilities, including trade payable, other payables, payables for purchase of property, plant and equipment and guarantee deposits are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized 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 further periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature, taking into consideration of the production plan. The Group will increase the depreciation charge where useful lives are expected to be less than previously estimated lives, or will write off or write down those assets which are technically obsolete or abandoned.

Allowance for inventories

The Group reviews the carrying amount of inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and realizable value. Net realizable value is estimated based on current market situation and historical experience on similar inventories. Any change in these assumptions may increase or decrease the amount of inventory allowance or its subsequent reversal. The change in allowance would affect the Group's profit for the year.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Type of goods			
Copper-based cultural and creative products	479,645	488,005	551,251
– Copper ornaments	428,004	434,161	497,831
– Copper carved paintings	51,641	53,844	53,420
Plastic collectibles and trendy toys	3,286	13,304	14,252
Silver cultural and creative products	4,771	3,320	4,232
Gold cultural and creative products	–	–	1,274
Wooden cultural and creative ornaments	15,483	1,754	179
Total	503,185	506,383	571,188
Timing of revenue recognition			
A point in time	503,185	506,383	571,188

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Sales channel			
Direct sales	371,845	370,955	438,277
– Online direct sales	355,392	353,977	402,889
– Retail stores sales	3,648	3,624	17,627
– Other direct sales	12,805	13,354	17,761
Distribution partnerships	127,794	121,369	116,982
– Online distributors	51,842	47,027	37,996
– Offline distributors	75,952	74,342	78,986
Consignment arrangement	3,546	14,059	15,929
Total	503,185	506,383	571,188

(ii) Performance obligations for contracts with customers and revenue recognition policies

Sales of goods

The Group sells cultural and creative products to the customers through direct sales, distribution partnerships and consignment arrangement.

Direct sales

- Online direct sales

For online direct sales, revenue is recognized when control of goods has been transferred to customers, being at the point when confirmation of goods receipt by the customers or upon a certain period of time, usually 7 days, following the date of delivery as specified by the online platform, whichever is earlier.

Under the online direct sales, customers are entitled to return goods within a 7-day period upon date of delivery as specified by the online platform. The Group applies the expected value method based on accumulated historical experience, to estimate the volume of return on a portfolio level. Revenue is recognized only when it is highly probable that a significant reversal of the cumulative revenue recognized will not occur. A refund liability is recognized in respect of the expected refunds for estimated goods to be returned. The Group's right to recover products upon customers exercise their right is recognized as a right to returned goods asset, with a corresponding adjustment to cost of sales. The details of the refund liabilities estimated by the management of the Group are set out in Note 24.

- Retail store sales

Revenue from sales of goods through retail stores is recognized when control of the goods is transferred to the customer, being at the point the customer purchases the goods at the retail stores. Payment of the transaction price is due immediately at the point of sales.

- Other direct sales

For other direct sales, revenue is recognized when control of the goods is transferred, being when the goods have been delivered to the customers. These transactions are under cash on delivery.

Distribution partnerships

For sales of goods through online and offline distributors, revenue is recognized when control of the goods is transferred upon handed over to the distributor's designated carrier. The Group generally receives full advance from distributors prior to delivery. Accordingly, a contract liability is recognized for the advances received in respect of sales for which revenue has yet been recognized. In certain cases, credit term of 30 to 60 days from the date of delivery are extended to selected distributors. Following the delivery, the distributor has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for selling the goods and bears the risks of obsolescence and loss in relation to the goods.

Consignment arrangement

For consignment arrangement, revenue is recognized when control of the goods is transferred to the end customers by the consignees. Prior to the sales, the Group typically ships the goods to the consignees; however, control of the goods remain with the Group until they are delivered to the end customers. During this period, the Group retains full discretion over the pricing and distribution of the goods and continues to bear the risk associated with obsolescence and loss.

For sales of goods from direct sales, distribution partnerships and consignment arrangement, sales-related warranties associated with the goods sold cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specification. Accordingly, the Group accounts for warranties in accordance with IAS 37.

Points accumulation program

For online direct sales, points are granted to the customer by the Group on each purchase. These points entitle customers to discounts on future purchases that would not be granted without the initial purchases. As such, the promise provides future discounts constitutes a separate performance obligation under the contract. The total transaction price is allocated between the product sold and the points based on their relative stand-alone selling prices. The stand-alone selling price of the points is estimated by reference to the value of the discount offered upon redemption and the expected redemption rate, which is determined using the Group's historical data. At the time of the initial sales, a contract liability is recognized in respect of the points. Revenue relating to the points is subsequently recognized when the points are redeemed. For points not expected to be redeemed, revenue is recognized in proportion to the pattern of the rights exercised by customers.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

Contract liabilities arising from advances received from customers and from unredeemed points are expected to be recognized as revenue within one year. As permitted under IFRS 15, the Group does not disclose the transaction price allocated to these unsatisfied performance obligations.

(iv) Segment information

Information reported to Mr. Yu, being the chief operating decision maker, uses revenue analysis by type of goods and by sales channel for the purposes of resource allocation and assessment. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, including major customers and geographic information, are presented.

Geographical information

Information about the Group's revenue from external customers is presented based on the location of the operations.

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Mainland China	495,990	500,514	564,147
Taiwan	7,195	5,869	6,624
United States	–	–	417
	503,185	506,383	571,188

As at December 31, 2022, 2023 and 2024, the Group's non-current assets are all located in the Mainland China.

Information about major customers

No customer contributes over 10% of total revenue of the Group over the Track Record Period.

5. OTHER INCOME

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Sales of scrap and others	4,009	3,391	4,242
Sales of accessories	206	58	28
Rental income *(note i)*	5,143	5,143	3,656
Government grants related to:			
– Income *(note ii)*	2,255	2,850	2,475
– Asset *(note iii)*	175	153	146
Super deduction of value added tax	358	2,418	2,414
Interest income on bank deposits	759	1,042	1,077
Compensation from third parties	842	565	332
	13,747	15,620	14,370

Notes:

(i) In respect of rental income, direct operating expenses incurred for properties that generated rental income amounted to RMB2,264,609, RMB2,229,975 and RMB1,605,838 for the years ended December 31, 2022, 2023 and 2024, respectively.

(ii) The Group's income from government grants comprises financial incentives provided by related local government authorities in the PRC. These incentives were awarded in recognition of the Group's support and contribution to local economic development. No specific conditions were attached to the grants received from these local government authorities.

(iii) The Group has received certain government grants as incentive for investing in plant and machineries. The grants have been recognized in profit or loss over the useful lives of the relevant assets. Details of the grants are set out in Note 26.

6. OTHER GAINS AND LOSSES

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
(Loss) gain on disposal of property, plant and equipment	(352)	79	(247)
Gain on disposal of interest in an associate	–	–	5
Net foreign exchange gains	394	26	157
Fair value gain of financial assets at FVTPL	–	–	345
	42	105	260

7. FINANCE COSTS

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	–	5	96
Interest on bank borrowings	896	–	1
	896	5	97

8. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Depreciation of property, plant and equipment	12,025	13,480	16,331
Depreciation of right-of-use assets	523	229	1,663
Amortization of intangible assets	931	2,476	2,327
Total depreciation and amortization	13,479	16,185	20,321
– Capitalized in inventories	(7,144)	(8,453)	(10,490)
	6,335	7,732	9,830
Directors' remuneration *(Note 10)*	1,544	1,846	2,573
Salaries, allowances and benefits	156,851	153,726	169,480
Retirement benefits scheme contributions	9,541	9,532	11,302
Total staff costs (including directors)	167,936	165,104	183,355
– Capitalized in inventories	(128,810)	(117,178)	(129,765)
	39,126	49,926	53,590
Impairment losses under expected credit loss model, net of reversal on:			
– Trade receivables	756	(743)	190

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
– Other receivables	–	28	–
	756	(715)	190
Auditors' remuneration	116	174	203
Write-down of inventories (included in expense)	2,296	1,510	1,664
Reversal of inventories write-down (included in expense)	(2,159)	(1,695)	(840)
Cost of inventories recognized as an expense (excluding (reversal) write-down of inventories)	333,135	334,042	360,204

9. INCOME TAX EXPENSES

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current tax:			
PRC Enterprise Income Tax ("EIT")	5,283	2,624	9,297
Deferred tax:			
Current year *(Note 17)*	224	86	(213)
	5,507	2,710	9,084

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and its Implementation Regulation of the EIT Law, the EIT rate of the subsidiaries operating in the PRC is 25% during the Track Record Period.

However, throughout the Track Record Period, the Company has been accredited as "High and New Technology Enterprise" and is therefore eligible for a preferential EIT rate of 15% up to the year ending December 31, 2026. In addition, certain subsidiaries of the Group operating in the PRC have been accredited as "Micro and Small Enterprise" and are therefore eligible for a preferential EIT rate of 20%.

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	62,445	46,841	88,066
Tax charge at the EIT rate of 25%	15,611	11,710	22,017
Tax at concessionary rates	(6,244)	(4,420)	(8,523)
Tax effect of expenses not deductible for tax purpose	133	5	22
Effect of super deduction in research and development expenses	(2,783)	(4,179)	(4,216)
Effect of additional tax deduction for certain expenses	(521)	(239)	(246)
Tax effect of unused tax losses not recognized as deferred tax assets	35	13	46
Utilization of tax losses previously not recognized as deferred tax assets	(724)	(180)	(16)
Income tax expenses	5,507	2,710	9,084

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the individuals who were appointed as the directors and chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), during the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

For the year ended December 31, 2022

	Director's fee	Salaries, allowances and benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Yu Guang *(note i)*	–	587	36	623
He Yun	–	435	36	471
Luo Renxiang *(note ii)*	–	258	12	270
Xiao Feng	–	–	–	–
Duan Lanchun *(note v)*	–	–	–	–
Lin Xiangfeng *(note v)*	–	–	–	–
Independent non-executive director:				
Tu Bisheng	60	–	–	60
Lou Tianyang	60	–	–	60
Hu Zhe *(note vi)*	60	–	–	60
	180	1,280	32	1,544

For the year ended December 31, 2023

	Director's fee	Salaries, allowances and benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Yu Guang *(note i)*	–	587	34	621
He Yun	–	506	34	540
Luo Renxiang *(note ii)*	–	494	11	505
Xiao Feng	–	–	–	–
Duan Lanchun *(note v)*	–	–	–	–
Lin Xiangfeng *(note v)*	–	–	–	–
Independent non-executive director:				
Tu Bisheng	60	–	–	60
Lou Tianyang	60	–	–	60
Hu Zhe *(note vi)*	60	–	–	60
	180	1,587	79	1,846

For the year ended December 31, 2024

	Director's fee	Salaries, allowances and benefits	Retirement benefits scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:				
Yu Guang *(note i)*	–	652	36	688
He Yun	–	559	36	595
Luo Renxiang *(note ii)*	–	533	12	545
Xiao Feng	–	–	–	–
Duan Lanchun *(note v)*	–	–	–	–
Lin Xiangfeng *(note v)*	–	–	–	–
Chen Ruiguang *(note iii)*	–	138	6	144
Wang Xiaoxia *(note iii)*	–	433	18	451
Independent non-executive directors:				
Tu Bisheng	60	–	–	60
Lou Tianyang	60	–	–	60
Hu Zhe *(note vi)*	–	–	–	–
Huang Wenli *(note iv)*	30	–	–	30
	150	2,315	108	2,573

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

Notes:

i. Mr. Yu is the chairman and chief executive officer of the Company during the Track Record Period.

ii. Luo Renxiang is the chief financial officer of the Company during the Track Record Period.

iii. Appointed as executive director in July 2024.

iv. Appointed as independent non-executive director in July 2024.

v. Resigned as executive director in July 2024.

vi. Resigned as independent executive director in July 2024.

None of the directors of the Company have waived any emoluments during the Track Record Period.

Five highest paid individuals' emoluments

The five highest paid employees of the Group included 1, 2 and 2 directors of the Company whose emoluments are set out above throughout the Track Record Period. The emoluments of the remaining 4, 3 and 3 highest paid individuals throughout the Track Record Period, were as follows:

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and benefits	2,163	1,654	1,667
Retirement benefit scheme contributions	102	78	40
	2,265	1,732	1,707

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals For the year ended December 31		
	2022	2023	2024
Nil to HK$1,000,000	5	5	5

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	For the year ended December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Earnings:			
Earnings for the purpose of calculating basic earnings per share	56,938	44,131	78,982

	Number of shares		
	2022	2023	2024
Number of shares:			
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	57,000,000	57,000,000	57,000,000

No diluted earnings per share for the years ended December 31, 2022, 2023 and 2024 were presented as there were no potential ordinary shares in issue for the Track Record Period.

12. DIVIDENDS

No dividends were proposed or paid to the Company's ordinary shareholders during the Track Record Period, nor have any dividends been proposed since the end of the reporting period.

13. PROPERTY, PLANT AND EQUIPMENT

The Group

	Plant and buildings	Machineries	Leasehold improvements	Office equipment	Motor vehicles	Construction in progress ("CIP")	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
As at January 1, 2022	168,718	31,729	1,860	5,087	1,941	183	209,518
Additions	–	5,252	–	3,436	1,500	10,143	20,331
Disposals	–	(1,968)	–	(185)	–	–	(2,153)
Transfer	1,422	8,904	–	–	–	(10,326)	–
As at December 31, 2022	170,140	43,917	1,860	8,338	3,441	–	227,696
Additions	–	12,385	–	2,231	2,105	7,457	24,178
Disposals	(494)	(496)	(1,860)	(186)	(1,213)	–	(4,249)
Transfer	949	282	404	–	–	(1,635)	–
As at December 31, 2023	170,595	56,088	404	10,383	4,333	5,822	247,625
Additions	–	3,515	1,993	1,265	6,120	933	13,826
Disposals	–	(82)	–	(5)	(2,349)	–	(2,436)
Transfer	246	6,509	–	–	–	(6,755)	–
As at December 31, 2024	170,841	66,030	2,397	11,643	8,104	–	259,015
DEPRECIATION							
As at January 1, 2022	38,547	7,774	1,345	2,541	180	–	50,387
Provided for the year	5,378	3,730	482	1,633	802	–	12,025
Eliminated on disposals	–	(1,441)	–	(120)	–	–	(1,561)
As at December 31, 2022	43,925	10,063	1,827	4,054	982	–	60,851
Provided for the year	5,518	4,443	49	2,598	872	–	13,480
Eliminated on disposals	(240)	(67)	(1,860)	(186)	(553)	–	(2,906)
As at December 31, 2023	49,203	14,439	16	6,466	1,301	–	71,425
Provided for the year	5,548	5,799	974	2,410	1,600	–	16,331
Eliminated on disposals	–	(76)	–	(4)	(47)	–	(127)
As at December 31, 2024	54,751	20,162	990	8,872	2,854	–	87,629
CARRYING VALUES							
As at December 31, 2022	126,215	33,854	33	4,284	2,459	–	166,845
As at December 31, 2023	121,392	41,649	388	3,917	3,032	5,822	176,200
As at December 31, 2024	116,090	45,868	1,407	2,771	5,250	–	171,386

The Company

	Machineries	Leasehold improvements	Office equipment	Motor vehicles	CIP	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
As at January 1, 2022	27,910	9,923	5,074	1,941	183	45,031
Additions	5,204	–	3,436	1,500	10,143	20,283
Disposals	(1,968)	–	(185)	–	–	(2,153)
Transfer	8,904	1,422	–	–	(10,326)	–
As at December 31, 2022	40,050	11,345	8,325	3,441	–	63,161
Additions	12,385	–	2,231	2,105	7,457	24,178
Disposals	(453)	(1,860)	(186)	(1,213)	–	(3,712)
Transfer	282	1,353	–	–	(1,635)	–
As at December 31, 2023	52,264	10,838	10,370	4,333	5,822	83,627
Additions	3,515	1,963	1,265	6,120	933	13,796
Disposals	(82)	–	(5)	(2,349)	–	(2,436)
Transfer	6,509	246	–	–	(6,755)	–
As at December 31, 2024	62,206	13,047	11,630	8,104	–	94,987
DEPRECIATION						
As at January 1, 2022	5,918	5,048	2,529	180	–	13,675
Provided for the year	3,411	1,161	1,633	802	–	7,007
Eliminated on disposals	(1,441)	–	(120)	–	–	(1,561)
As at December 31, 2022	7,888	6,209	4,042	982	–	19,121
Provided for the year	4,093	875	2,598	872	–	8,438
Eliminated on disposals	(44)	(1,860)	(186)	(553)	–	(2,643)
As at December 31, 2023	11,937	5,224	6,454	1,301	–	24,916
Provided for the year	5,582	1,787	2,410	1,600	–	11,379
Eliminated on disposals	(76)	–	(4)	(47)	–	(127)
As at December 31, 2024	17,443	7,011	8,860	2,854	–	36,168
CARRYING VALUES						
As at December 31, 2022	32,162	5,136	4,283	2,459	–	44,040
As at December 31, 2023	40,327	5,614	3,916	3,032	5,822	58,711
As at December 31, 2024	44,763	6,036	2,770	5,250	–	58,819

Except for CIP, the above items of property, plant and equipment are depreciated on a straight-line basis, after taking into account of the residual value, as follows:

Plant and buildings	2-5% per annum
Machineries	10% per annum
Leasehold improvements	10-63% per annum
Office equipment	19-48% per annum
Motor vehicles	19-24% per annum

As at the years ended December 31, 2022, 2023 and 2024, plant and buildings with carrying amount of RMB103,544,000, RMB100,770,000 and nil, respectively, are pledged for banking facilities by the Group.

The Group as lessor

The Group leases out part of plant under operating leases. The leases typically run for an initial period of 1 year throughout the Track Record Period. None of the leases includes variable lease payments. The disaggregation of this part of plant under operating leases and the reconciliation of the carrying amount at the beginning and end of the period are set out as below:

	RMB'000
COST	
As at January 1, 2022	94,459
Termination	(20,890)
As at December 31, 2022	73,569
Termination	(238)
As at December 31, 2023	73,331
Termination	(19,216)
As at December 31, 2024	54,115
DEPRECIATION	
As at January 1, 2022	22,246
Charge for the year	2,264
Eliminated on termination	(4,930)
As at December 31, 2022	19,580
Charge for the year	2,230
Eliminated on termination	(107)
As at December 31, 2023	21,703
Charge for the year	1,606
Eliminated on termination	(5,687)
As at December 31, 2024	17,622
CARRYING VALUES	
As at December 31, 2022	53,989
As at December 31, 2023	51,628
As at December 31, 2024	36,493

14. RIGHT-OF-USE ASSETS

The Group as lessee

	Land use right	Leased properties	Total
	RMB'000	RMB'000	RMB'000
As at December 31, 2022			
Carrying amount	5,957	–	5,957
As at December 31, 2023			
Carrying amount	5,786	795	6,581
As at December 31, 2024			
Carrying amount	7,525	2,446	9,971
For the year ended December 31, 2022			
Depreciation charge	170	353	523
For the year ended December 31, 2023			
Depreciation charge	170	59	229
For the year ended December 31, 2024			
Depreciation charge	170	1,493	1,663

	For the year ended December 31		
	2022	2023	2024
	RMB'000	RMB'000	RMB'000
Expense relating to short-term leases	221	475	255
Variable lease payments not included in the measurement of lease liabilities	747	493	485
Total cash outflow for leases	968	1,568	3,102
Additions to right-of-use assets	–	854	5,053

For the years ended December 31, 2022, 2023 and 2024, the Group leases various retail stores for operational purpose. Lease contracts were entered into with fixed terms, with no extension options, ranging from 39 months, 24 to 25 months and 23 to 25 months, respectively. The Group assessed that it is reasonably certain not to exercise the termination option.

Lease terms are individually negotiated and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period during which the contract is enforceable.

In addition, leasehold land with a lease term of 50 years represents upfront payments for land use right in the mainland China, for which the Group has obtained the land use right certificates.

The Group regularly entered into short-term leases for dormitory and certain retail stores. As at December 31, 2022, 2023 and 2024, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses are disclosed above.

Variable lease payments

Leases of retail stores contain variable lease payment that are based on 20%, 8% to 20% and 8% to 12% of sales along with minimum annual lease payment that are fixed over the lease term during the years ended December 31, 2022, 2023 and 2024. Certain variable payment terms include cap clauses. These types of lease terms are common in retail stores in the PRC where the Group operates. The fixed and variable lease payments paid/payable to relevant lessors during the Track Record Period:

	Number of stores	Fixed payments	Variable payments	Total payments
		RMB'000	RMB'000	RMB'000
For the year ended December 31, 2022				
Retail stores with variable lease payments	1	–	117	117
For the year ended December 31, 2023				
Retail stores with variable lease payments	2	61	–	61
For the year ended December 31, 2024				
Retail stores with variable lease payments	8	1,684	48	1,731

The overall financial effect of using variable payment terms is that higher rental costs are incurred by stores with higher sales. It is expected that variable rent expenses will continue to account for a similar proportion of store sales in future years.

Restrictions or covenants on leases

As at December 31, 2022, 2023 and 2024, lease liabilities of nil, RMB797,000 and RMB2,355,000 are recognized along with related right-of-use assets of nil, RMB795,000 and RMB2,446,000, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Except for the land use right with carrying amount of RMB5,957,000, RMB5,786,000 and nil are pledged for banking facilities by the Group for the years ended December 31, 2022, 2023 and 2024, respectively, leased assets are not permitted to be used as security for borrowing purposes.

The Company as lessee

	Leased properties
	RMB'000
As at December 31, 2022	
Carrying amount	–
As at December 31, 2023	
Carrying amount	795
As at December 31, 2024	
Carrying amount	2,446
For the year ended December 31, 2022	
Depreciation charge	353
For the year ended December 31, 2023	
Depreciation charge	59
For the year ended December 31, 2024	
Depreciation charge	1,493

Information pertaining to this leased properties are provided above.

15. INTANGIBLE ASSETS

The Group and the Company

	Intellectual property right
	RMB'000
COST	
As at January 1, 2022	920
Additions	3,320
Expiry	(637)
As at December 31, 2022	3,603
Additions	1,375
Expiry	(1,368)
As at December 31, 2023	3,610
Additions	5,946
Expiry	(3,216)
As at December 31, 2024	6,340
AMORTIZATION	
As at January 1, 2022	539
Charge for the year	931
Eliminated on expiry	(637)
As at December 31, 2022	833
Charge for the year	2,476
Eliminated on expiry	(1,368)
As at December 31, 2023	1,941
Charge for the year	2,327
Eliminated on expiry	(3,216)
As at December 31, 2024	1,052
CARRYING VALUES	
As at December 31, 2022	2,770
As at December 31, 2023	1,669
As at December 31, 2024	5,288

Intellectual property right is amortized on a straight-line basis over the estimated useful life of 2 years to 5 years which represent the contract term.

16. INTEREST IN AN ASSOCIATE

The Group and the Company

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Cost of investment in an associate	3,000	3,000	–
Share of post-acquisition results	(777)	(777)	–
	2,223	2,223	–
Less: Accumulated impairment loss recognized	(2,223)	(2,223)	–
	–	–	–

On March 19, 2019, the Group acquired 30% equity interest in Yiyou Technology (Beijing) Co., Ltd. ("Yiyou Technology") for a total consideration of RMB3,000,000. According to the articles of association of Yiyou Technology, all significant decision regarding relevant activities require the approval of shareholders representing more than two-thirds of total votes, with voting rights allocated in proportion to each shareholder's equity interest. As a result, the Group accounted for this investment as an associate using the equity method.

As at December 31, 2022 and 2023, Yiyou Technology has been fully impaired due to its poor performance and the directors of the Company estimated the recoverable amount of Yiyou Technology to be less than its carrying amount.

During the year ended December 31, 2024, the Group disposed of its entire equity interest in Yiyou Technology to an independent third party for a total cash consideration of RMB5,000, resulting a recognition of a gain on disposal of interest in an associate amounting to RMB5,000.

17. DEFERRED TAXATION

The Group and the Company

The following is a summary of the deferred tax balances for financial reporting purposes:

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	316	230	443

The following are the major deferred tax assets and liabilities recognized and movements thereon before offsetting during the reporting periods:

	Allowance on inventories and credit losses	Lease liabilities	Right-of-use assets	Deferred income	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022	371	–	–	169	–	540
Credited (charged) to profit or loss	134	–	–	(26)	(332)	(224)
As at December 31, 2022	505	–	–	143	(332)	316
(Charged) credited to profit or loss	(140)	120	(119)	(23)	76	(86)
As at December 31, 2023	365	120	(119)	120	(256)	230
Credited (charged) to profit or loss	152	234	(248)	(22)	97	213
As at December 31, 2024	517	354	(367)	98	(159)	443

As at December 31, 2022, 2023 and 2024, the Group had unused tax losses of RMB1,972,000, RMB857,000 and RMB1,057,000, respectively, available to offset against future profits. No deferred tax asset has been recognized in respect of these unused tax losses arising from the subsidiaries due to the unpredictability of future profit streams sufficient to utilize the losses.

The unrecognized tax losses will be carried forward and expire in years as follows:

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
2026	1,736	620	510
2027	236	151	151
2028	–	87	87
2029	–	–	309
	1,972	857	1,057

18. INVENTORIES

The Group and the Company

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Raw materials and consumables	20,883	22,345	22,354
Work in progress	18,517	30,360	26,456
Finished goods	71,476	47,951	76,574
Goods in transit	4,805	6,505	6,921
	115,681	107,161	132,305

Inventories are stated at net of write-down of approximately RMB2,422,000, RMB2,237,000 and RMB3,061,000 for the years ended December 31, 2022, 2023 and 2024, respectively.

The aging of inventories (not including goods in transit), net of allowance for inventories, is presented as follows:

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
0 to 90 days	63,870	61,786	71,157
91 to 180 days	23,413	7,936	16,368
181 to 365 days	18,197	14,433	13,377
Above one year to two years	4,037	14,011	13,231
Above two years	1,359	2,490	11,251
	110,876	100,656	125,384

19. TRADE AND OTHER RECEIVABLES

The Group

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	6,752	2,884	9,421
Less: allowance for credit losses	(944)	(169)	(359)
	5,808	2,715	9,062
Other receivables	1,965	1,579	2,394
Less: allowance for credit losses	–	(28)	(28)
	1,965	1,551	2,366
Advances to suppliers	1,811	2,455	4,942
Prepaid expenses	978	2,164	858
Value added tax recoverable	410	584	1,403
	3,199	5,203	7,203
Total trade and other receivables	10,972	9,469	18,631

As at January 1, 2022, trade receivables from contracts with customers amounted to RMB6,609,000 (net of allowances for credit losses of RMB188,000).

The Group allows a credit period ranging from 30 to 60 days to its certain customers. An aged analysis of trade receivables (net of allowance for credit losses), based on invoice dates, is presented as follows:

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
0-30 days not past due	4,766	2,715	8,465
31-60 days not past due	1,042	–	597
	5,808	2,715	9,062

Details of the impairment assessment of trade receivables and other receivables are set out in Note 29b.

Trade and other receivables denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
United States dollar ("US$")	1,719	678	1,197

The Company

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables			
– Subsidiaries	3,361	4,799	1,673
– Third parties	6,752	2,884	9,421
	10,113	7,683	11,094
Less: allowance for credit losses	(944)	(169)	(359)
	9,169	7,514	10,735

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Other receivables			
– Subsidiaries	123,613	116,330	106,997
– Third parties	1,737	1,023	2,049
	125,350	117,353	109,046
Less: allowance for credit losses	–	(28)	(28)
	125,350	117,325	109,018
Advances to suppliers			
– Subsidiaries	–	219	–
– Third parties	1,666	2,455	4,851
	1,666	2,674	4,851
Prepaid expenses	978	2,164	775
Value added tax recoverable	100	285	1,077
	2,744	5,123	6,703
Total trade and other receivables	137,263	129,962	126,456

An aged analysis of trade receivables (net of allowance for credit losses), based on invoice dates, is presented as follows:

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
0-30 days not past due	8,127	7,514	10,138
31-60 days not past due	1,042	–	597
	9,169	7,514	10,735

Trade and other receivables denominated in currencies other than the functional currency of the respective group entities are set out below:

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
US$	1,719	678	1,197

20. FINANCIAL ASSET AT FVTPL

The Group and the Company

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Structured deposits	–	–	30,097

During the year ended December 31, 2024, the Group entered into structured deposits with banks, which have maturity terms of 90 days or less. The return on these deposits is linked to foreign currency market. Accordingly, they are recognized as financial assets at FVTPL. For the year ended December 31, 2024, the expected annualised yield rate was 2.5%.

Further details regarding the fair value measurement of these financial assets at FVTPL are disclosed in Note 29.

21. BANK BALANCES AND CASH/RESTRICTED BANK DEPOSIT/TIME DEPOSITS

The Group

Bank balances and cash of the Group comprised of cash and short-term bank deposits with original maturities of three months or less. These short-term bank deposits bear interests at market rates, ranging from 0.05% to 0.9%, 0.05% to 0.7% and 0.1% to 1.3% per annum as at December 31, 2022, 2023 and 2024, respectively.

As at December 31, 2024, time deposits with original maturity of over three months were held at carried fixed interest rates ranging from 1.7% to 2.6% per annum.

As at December 31, 2022, margin deposit held by the Group for derivative trading purpose were subject to restriction and, therefore, not classified as cash and cash equivalents.

The Company

Bank balances and cash of the Company comprised of cash and short-term bank deposits with original maturities of three months or less. These short-term bank deposits bear interests at market rates, ranging from 0.05% to 0.9%, 0.05% to 0.7% and 0.1% to 1.3% per annum as at December 31, 2022, 2023 and 2024, respectively.

As at December 31, 2024, time deposits with original maturity of over three months were held at carried fixed interest rates ranging from 1.7% to 2.6% per annum.

Bank balances and cash denominated in currencies other than the functional currency of the respective group entities are presented below:

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
US$	6,753	494	–
EUR	*	*	*

* Amount below RMB1,000.

22. TRADE AND OTHER PAYABLES

The Group

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	31,077	34,525	32,554
Other payables and accruals	7,779	6,825	7,222
Payables for purchase of property, plant and equipment	5,088	4,459	2,607
Distributor guarantee deposits	5,281	5,346	3,740
Salary and bonus payables	12,353	17,380	15,513
Other taxes payables	5,089	4,500	6,948
Total trade and other payables	66,667	73,035	68,584

Payment terms with suppliers are mainly on credit within 60 days from the time when the goods are received. An aged analysis of trade payables, based on invoice date at the end of the reporting period, is presented as follows:

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
0-30 days	21,763	29,965	29,216
31-60 days	9,314	4,560	3,338
	31,077	34,525	32,554

The Company

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	31,058	34,525	32,554
Other payables and accruals			
– Subsidiaries	549	205	–
– Third parties	7,179	6,797	7,222
	7,728	7,002	7,222
Payables for purchase of property, plant and equipment	3,959	4,199	2,289
Distributor guarantee deposits	5,281	5,346	3,740
Salary and bonus payables	12,353	17,380	15,513
Other taxes payables	3,113	1,797	4,216
Total trade and other payables	63,492	70,249	65,534

An aged analysis of trade payables, based on invoice date at the end of the reporting period, is presented as follows:

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
0-30 days	21,744	29,965	29,216
31-60 days	9,314	4,560	3,338
	31,058	34,525	32,554

23. CONTRACT LIABILITIES

The Group

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities:			
– Advance payments from distributors	5,343	11,288	4,903
– Points accumulation program	319	350	381
	5,662	11,638	5,284

As at January 1, 2022, contract liabilities of the Group amounted to RMB14,053,000.

All contract liabilities outstanding at the end of each reporting period are expected to be recognized as revenue within the following year.

The typical payment terms that impact on the contract liabilities are as follows:

– **Advance payments from distributors**

The Group usually receives 100% advance payments from distributors prior to the delivery of goods. These advance receipts are recorded as contract liabilities and are recognized as revenue when the control of the goods is transferred to the customers.

– **Points accumulation program**

Customers earn points through purchases of goods made on online direct sales. These points can be redeemed for discounts on future purchases. As a result, the Group recognized a contract liability for the value of unredeemed points, which will be subsequently recognized as revenue upon redemption.

The Company

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities:			
– Advance payments from distributors	5,343	11,288	4,903
– Advance payments from subsidiaries	145	9	1,245
– Points accumulation program	319	350	381
	5,807	11,647	6,529

As at January 1, 2022, contract liabilities of the Company amounted to RMB13,053,000.

24. RIGHT TO RETURNED GOODS ASSET/REFUND LIABILITIES

The right to returned goods asset represents the Group's and the Company's contractual right to recover products from customers who exercise their right of return under the 7-day return policy. The Group estimates expected returns at the portfolio level using the expected value method, based on historical experience.

Refund liabilities arise from customers' right to return products within 7 days of purchase. At the time of sale, the Group recognizes a refund liability and a corresponding adjustment to revenue for products expected to be returned. These estimates are also determined on a portfolio level using the expected value method, reflecting the Group's historic return patterns.

25. LEASE LIABILITIES

The Group and the Company

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable:			
Within one year	–	403	2,016
Within a period of more than one year but not exceeding two years	–	394	339
	–	797	2,355
Less: amounts due within one year shown under current liabilities	–	403	2,016
Amounts shown under non-current liabilities	–	394	339

For the years ended December 31, 2023 and 2024, the weighted average incremental borrowing rate applied to lease liabilities were 4.20% and 4.01%, respectively.

26. DEFERRED INCOME

The Group and the Company

	Asset related government grant
	RMB'000
As at January 1, 2022	1,131
Credited to profit or loss *(Note 5)*	(175)
As at December 31, 2022	956
Credited to profit or loss *(Note 5)*	(153)
As at December 31, 2023	803
Credited to profit or loss *(Note 5)*	(146)
As at December 31, 2024	657

The government grants were recognized in profit or loss over the useful lives of the relevant assets.

27. SHARE CAPITAL OF THE COMPANY

Authorized, issued and fully paid:

	Number of shares	Par value	Share capital
		RMB	*RMB'000*
As at January 1, 2022, December 31, 2022, December 31, 2023 and December 31, 2024	57,000	1	57,000

28. CAPITAL RISK MANAGEMENT

The Group manages its capital with the objective of ensuring the Group entities will be able to continue as a going concern, while maximizing the return to shareholders through the efficient management of debt-to-equity ratio. The Group's overall capital management strategy remained consistent throughout the Track Record Period.

The Group's capital structure comprises net debt, which includes lease liabilities as disclosed in Note 25, net of cash and cash equivalents and equity attributable to owners of the Company, which includes share capital and reserves.

The Company's directors review the Group's capital structure regularly, taking into account the cost of capital and the risk associated with each class of capital. Based on these assessments and recommendation of the directors, the Group seeks to maintain an optimal capital structure through the combination of dividend distribution, share issuances, and share repurchases as well as the issue of new debt, as appropriate.

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortized cost	65,116	121,035	136,613
Financial assets at FVTPL	–	–	30,097
Financial liabilities			
Financial liabilities at amortized cost	57,052	63,406	55,403

b. Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, financial assets at FVTPL, time deposits, bank balances and cash, trade and other payables and refund liabilities. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's operations expose it primarily to currency risk and interest rate risk. There were no significant change in the Group's exposure to these risks, nor the manner in which it managed and measured these risks during the Track Record Period.

(i) Currency risk

Certain entities of the Group engage in foreign currency transactions, including sales, which give rise to foreign currency risk. In addition, some of the Group's bank balances and cash, as well as trade and other receivables, are denominated in currencies other than the respective entities' functional currencies, thereby exposing the Group to foreign currency risk. The carrying amounts of monetary assets and liabilities denominated in foreign currencies, other than the functional currency of the respective entities, are disclosed in the relevant notes.

The Group is mainly exposed to foreign currency of US$, the carrying amounts of the Group's foreign currency denominated monetary assets (trade and other receivables and bank balances and cash):

	As at December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Assets			
US$	8,472	1,172	1,197

Sensitivity analysis

The following table presents the Group's sensitivity to a 5% increase and decrease in RMB against US$, a foreign currency to which the Group may have a material exposure. The analysis is based on the Group's foreign currency denominated monetary items outstanding at the end of the reporting period, with their translation adjusted to reflect a 5% change in foreign currency rate. A positive number below indicates a increase in post-tax profit where RMB weakens 5% against US$, there would be an equal and opposite impact on the profit and other comprehensive income and the amounts below would be negative.

	For the year December 31		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Impact on profit or loss			
US$	360	50	51

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk primarily in relation to fixed-rates bank balances and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances.

As the management considers that the exposure of fair value interest rate risk and cash flow interest rate risk are insignificant, therefore no sensitivity analysis on such risk has been prepared.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk, which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognized financial assets, as disclosed in the consolidated statements of the financial position.

In order to minimize credit risk, the Group continuously monitors its exposure to counterparties and reviews their historical repayment records for its major customers and other debtors at the end of the reporting period to ensure that adequate impairment losses, if any, are made for irrecoverable amount.

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL	2022 Gross carrying amount	2023 Gross carrying amount	2024 Gross carrying amount
			RMB'000	*RMB'000*	*RMB'000*
Financial assets at amortized cost					
Bank balances *(note i)*	Low risk	12-month ECL	55,677	114,094	88,044
Time deposits	Low risk	12-month ECL	–	–	32,292
Other receivables *(note ii)*	Low risk	12-month ECL	1,965	1,579	2,394
Trade receivables *(note iii)*	Not applicable	Lifetime ECL (collective assessment)	5,962	2,777	9,314
		Lifetime ECL (individual assessment)	790	107	107

Notes:

(i) The Group performed impairment assessment on bank balances and time deposits and concluded that the associated credit risk is limited, as the counterparties are reputable banks with high credit ratings.

(ii) For other receivables, the directors of the Company consider that there have been no significant increase in credit risk since initial recognition. Accordingly, the Group provided impairment based on 12m ECL. For the years ended December 31, 2022, 2023 and 2024, the Group assessed the ECL for other receivables, and recognized loss allowance of nil, RMB28,000 and nil, respectively.

(iii) Trade receivables are grouped based on the shared credit risk characteristics, in which the trade receivables are grouped into (i) Group A: trade receivables arising from online direct sales, and (ii) Group B: remaining trade receivables arising from other than online direct sales. The directors of the Company consider that the Group A receivables carried low credit risk and therefore no loss allowance is recognized for this group. On other hand, trade receivables with credit impaired are assessed individually by the Group.

Trade receivables

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis by using provision matrix within lifetime ECL (not credit-impaired).

Gross carrying amount

	December 31, 2022		
	Average loss rate	Gross amount of trade receivables	ECL amount
		RMB'000	*RMB'000*
Group A: Current (not past due)	–	835	–
Group B: Current (not past due)	3%	5,127	154
		5,962	154

	December 31, 2023		
	Average loss rate	Gross amount of trade receivables	ECL Amount
		RMB'000	*RMB'000*
Group A: Current (not past due)	–	700	–
Group B: Current (not past due)	3%	2,077	62
		2,777	62

	December 31, 2024		
	Average loss rate	Gross amount of trade receivables	ECL amount
		RMB'000	*RMB'000*
Group A: Current (not past due)	–	693	–
Group B: Current (not past due)	3%	8,621	252
		9,314	252

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

During the years ended December 31, 2022, 2023 and 2024, the Group provided impairment loss of RMB154,000, RMB62,000 and RMB252,000 for trade receivables respectively, based on collective assessment. The Group provided impairment allowances of RMB790,000, RMB107,000 and RMB107,000 on trade receivables with gross carrying amounts of RMB790,000, RMB107,000 and RMB107,000, respectively for the Track Record Period was assessed individually.

The following table shows the movement in lifetime ECL that has been recognized for trade receivables under the simplified approach using provision matrix.

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Beginning balance	139	154	62
Loss allowances recognised (reversed), net	15	(92)	190
Closing balance	154	62	252

For the purposes of impairment assessment, the Group considers its other financial assets to be of low credit risk. As such, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL for these financial assets at amortized cost, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate. The directors of the Company considered that the 12-month ECL allowance is insignificant at the end of each reporting period.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or less than one year	One to five years	Total un-discounted cash flows	Total carrying amounts
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As December 31, 2022					
Trade and other payables.		57,053	–	57,053	57,053
As December 31, 2023					
Trade and other payables.		63,407	–	63,407	63,407
Lease liabilities	4.20%	429	401	830	797
		63,836	401	64,237	64,204
As December 31, 2024					
Trade and other payables.		55,403	–	55,403	55,403
Lease liabilities	4.01%	2,073	342	2,415	2,355
		57,476	342	57,818	57,758

c. Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available.

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at December 31, 2024	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Financial assets at FVTPL	Structured deposits: RMB30,097,000	Level 2	Discounted cash flows method, estimated based on expected return and market foreign exchange rate	N/A

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated statements of financial position approximate their fair value.

The fair values of these financial assets and financial liabilities at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

30. CAPITAL COMMITMENT

The Group had capital commitments for purchase of equipment and building construction under non-cancellable contracts as follows:

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Contracted but not provided for			
– Property, plant and equipment	109	265	354

31. RETIREMENT BENEFIT PLANS

The employees of the Company's and the Group's subsidiaries are members of the state-managed retirement benefits schemes operated by government. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB736,000, RMB1,496,000 and RMB844,000 for the years ended December 31, 2022, 2023 and 2024.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	Borrowing	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2022	–	67,581	67,581
Financing cash flows	–	(68,477)	(68,477)
Interest expenses	–	896	896
As at December 31, 2022	–	–	–
Financing cash flows	(62)	–	(62)
Interest expenses	5	–	5
New lease entered	854	–	854
As at December 31, 2023	797	–	797
Financing cash flows	(1,682)	(1)	(1,683)
Interest expenses	96	1	97
New lease entered	3,143	–	3,143
As at December 31, 2024	2,354	–	2,354

33. RELATED PARTY TRANSACTIONS AND BALANCES

The related parties and the relationship with the Group are as follows:

Name of related party	Relationship
Hangzhou Tongmu Zhuyi Furniture Co., Ltd.* (杭州銅木主義傢具股份有限公司) ("Tongmu Zhuyi")	Controlled by Mr. Yu, who is controlling shareholder and chief executive officer of the Company.
Hebei Zhe Yi Jian Construction Engineering Co., Ltd.* (河北浙一建建築工程有限公司) ("Hebei Zhe Yi Jian")	Xiao Feng, an executive director of the Company, serves as the legal representative of the entity.
Mr. Yu Guang	Single largest shareholder

* English names are for identification purpose only.

The Group had the following significant transactions and balances with related parties:

(a) Related party transactions

(i) Revenue from sales of goods (included in revenue)

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Tongmu Zhuyi	208	58	28
Hebei Zhe Yi Jian	–	46	39
	208	104	67

(ii) Rental income (included in other income)

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Tongmu Zhuyi	5,143	5,143	3,656

(iii) Purchases of raw materials (included in cost of sales)

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Tongmu Zhuyi	196	3	982

(b) Guarantees provided by related party

During the year ended December 31, 2022, guarantees of RMB128,500,000 for borrowings were provided by Mr. Yu, the controlling shareholder of the Group. The guarantees were fully released in the year ended December 31, 2022.

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the Track Record Period was as follows:

	Year ended December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Directors' fees	180	90	150
Salaries and other benefits	2,154	2,428	2,828
Performance-based bonus	184	341	903
Retirement benefits scheme contribution	101	169	120
	2,619	3,028	4,001

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

34. RESERVES MOVEMENT OF THE COMPANY

	Capital reserve	Statutory reserve	Retained earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2022	128,640	4,450	40,049	173,139
Capital contribution from shareholder	162	–	–	162
Profit and total comprehensive income for the year	–	–	52,413	52,413
Transfer to statutory reserve	–	5,241	(5,241)	–
As at December 31, 2022	128,802	9,691	87,221	225,714
Profit and total comprehensive income for the year	–	–	40,976	40,976
Transfer to statutory reserve	–	4,098	(4,098)	–
As at December 31, 2023	128,802	13,789	124,099	266,690
Profit and total comprehensive income for the year	–	–	76,299	76,299
Transfer to statutory reserve	–	7,630	(7,630)	–
As at December 31, 2024	128,802	21,419	192,768	342,989

35. DETAILS OF SUBSIDIARIES

The Company

	As at December 31,		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Unlisted shares, at cost	3,974	3,974	5,774

The direct and indirect interests in the following subsidiaries held by the Company during the years ended December 31, 2022, 2023 and 2024 are as follows:

Name of subsidiaries	Place of establishment	Date of incorporation/ establishment	Registered capital/issued and fully paid capital (RMB'000)	Attributable equity interests held by the Company as at				Principal activities	Notes
				December 31,			the date of this report		
				2022	2023	2024			
Hangzhou Zhibo SanitaryWare Co., Ltd.	PRC	June 1, 2012	2,000	100%	100%	100%	[100%]	Production and sale of cultural and creative products	Note
Hangzhou Weitan Artwork Co., Ltd.	PRC	March 29, 2021	1,000	100%	100%	100%	[100%]	Production and sale of cultural and creative products	Note
Hangzhou Xijiang Art Painting Co., Ltd.	PRC	October 11, 2021	1,000	100%	100%	100%	[100%]	Production and sale of cultural and creative products	Note
Huanxi Xiaojiang (Hangzhou) Cultural and Creative Co., Ltd.	PRC	November 2, 2021	1,000	100%	100%	100%	[100%]	Production and sale of cultural and creative products	Note
Yue Yin (Hangzhou) Cultural and Creative Co., Ltd.	PRC	June 27, 2022	1,000	100%	100%	100%	[100%]	Production and sale of cultural and creative products	Note

Name of subsidiaries	Place of establishment	Date of incorporation/ establishment	Registered capital/issued and fully paid capital (RMB'000)	Attributable equity interests held by the Company as at				Principal activities	Notes
				December 31,			the date of this report		
				2022	2023	2024			
Tongshifu (Hangzhou) Cultural and Creative Co., Ltd.	PRC	April 17, 2023	1,000	–	100%	100%	[100%]	Production and sale of cultural and creative products	Note
Xijiang Gold Shop (Hangzhou) Culture Co., Ltd.	PRC	July 17, 2024	1,000	–	–	100%	[100%]	Production and sale of cultural and creative products	Note

None of the subsidiaries had issued any debt securities at the end of the years ended December 31, 2022, 2023 and 2024.

Note: No audited financial statements of these entities for the years ended December 31, 2022, 2023 and 2024, if applicable, have been prepared as of the date of this report.

36. SUBSEQUENT FINANCIAL STATEMENTS

[No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to December 31, 2024.]

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the three years ended December 31, 2024 (the "Accountants' Report") prepared by [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this document, and is included herein for information 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.*

A. UNAUDITED [REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP ATTRIBUTABLE TO OWNERS OF THE COMPANY

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company which has been prepared in accordance with paragraph 4.29 of the Listing Rules is for illustration only, and is set out to illustrate the effect of the proposed [**REDACTED**] (as defined in this document) on the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2024, as if the [**REDACTED**] had taken place on that date.

The unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2024 or as at any subsequent dates following the [**REDACTED**].

The following unaudited [**REDACTED**] statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2024 as derived from the Accountants' Report set out in Appendix I to this document, and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2024	**Estimated [REDACTED] from the [REDACTED]**	**Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2024**	**Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at December 31, 2024**	
	Renminbi ("RMB") '000	*RMB'000*	*RMB'000*	*RMB*	*Hong Kong dollars ("HK$")*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	403,853	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	403,853	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2024 is arrived at after deducting intangible assets attributable to owners of the Company of RMB5,288,000 from the audited consolidated net assets attributable to owners of the Company of RMB[409,141,000] as at December 31, 2024 as extracted from the Accountants' Report set out in Appendix I to this document.

2. The estimated [**REDACTED**] from the issue of [**REDACTED**] pursuant to the [**REDACTED**] are based on [**REDACTED**] Shares at the [**REDACTED**] of HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) and HK$[**REDACTED**] (equivalent to RMB[**REDACTED**]) per [**REDACTED**], being the high-end and low-end of the stated [**REDACTED**] range, after deduction of the estimated [**REDACTED**] and [**REDACTED**] and other [**REDACTED**] related expenses not yet recognized in profit or loss up to December 31, 2024. It does not take into account of any shares which may be allotted and issued (i) upon the exercise of the [**REDACTED**]; or (ii) under restricted shares scheme.

   For the purpose of this unaudited [**REDACTED**] financial information, the estimated [**REDACTED**] from the [**REDACTED**] are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.00 to RMB[0.9376], which was the exchange rate prevailing on May 2, 2025 with reference to the rate published by The Hong Kong Association of Banks. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at all.

3. The unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at December 31, 2024 is arrived on the basis that [**REDACTED**] shares including [**REDACTED**] existing ordinary shares in issue and [**REDACTED**] were in issue assuming that the [**REDACTED**] had been completed on December 31, 2024 and it does not take into account of any shares which may be allotted and issued upon the exercise of the [**REDACTED**].

4. The unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at December 31, 2024 is converted from Renminbi to Hong Kong dollars at an exchange rate of RMB1.00 to HK$[1.0665], which was the exchange rate prevailing on May 2, 2025 with reference to the rate published by The Hong Kong Association of Banks. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

5. No adjustment has been made to the unaudited [**REDACTED**] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at December 31, 2024 to reflect any trading result or other transaction of the Group entered into subsequent to December 31, 2024.

[REDACTED]

[**REDACTED**]

[REDACTED]

The following is the text of a letter and valuation report prepared for the purpose of incorporation in this document received from Cushman & Wakefield Limited, an independent property valuer, in connection with its opinion of value of the property interests held by the Group in the PRC as at March 31, 2025.

27/F
One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

April 9, 2025

The Directors
杭州銅師傅文創(集團)股份有限公司
No. 777 Yading Road,
Yang Xi Street,
Jiande City,
Zhejiang Province,
The PRC

Dear Sirs/Madams,

INSTRUCTIONS, PURPOSE & VALUATION DATE

We refer to the instruction of 杭州銅師傅文創(集團)股份有限公司 (the "Company") for Cushman & Wakefield Limited ("C&W") to prepare market valuation of the property in which the Company and/or its subsidiaries (together referred to as the "Group") have interests in the People's Republic of China (the "PRC"). We confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Company with our opinion of the value of the property as at March 31, 2025 (the 'valuation date').

VALUATION BASIS

Our valuation of the property represents its market value which in accordance with The **HKIS** Valuation Standards 2024 Edition issued by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We confirm that the valuations are undertaken in accordance with The HKIS Valuation Standards, the RICS Global Valuation Standards and the International Valuation Standards.

In valuing the property, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules governing the Listing of Securities published by the Stock Exchange of the Hong Kong Limited.

Our valuation of the property is on an entirety interest basis.

VALUATION ASSUMPTIONS

Our valuation of the property excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of value available only to a specific owner or purchaser.

In the course of our valuation of the property, we have relied on the information and advice given by the Company's legal adviser, JunHe LLP, regarding the titles to the property and the interests of the Company in the property in the PRC. Unless otherwise stated in the respective legal opinion, in valuing the property, we have assumed that the Group has an enforceable title to the property and has free and uninterrupted rights to use, occupy or assign the property for the whole of the respective unexpired land use term as granted and that any premium payable has already been fully paid.

In respect of the property situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Company are set out in the notes of the respective valuation report. We have assumed that all consents, approvals and licences from relevant government authorities for the developments have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the property is in compliance with the local planning regulations and have been approved by the relevant authorities.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the property nor any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

METHOD OF VALUATION

In valuing property, we have used Market Comparison Method by making reference to comparable sales evidence as available in the relevant market subject to appropriate adjustments including but not limited to floor level, size, time, view and other relevant factors. Given that the property is industrial development, comparable sales transactions are frequent or information about such sales is readily available. We have therefore used Market Comparison Method which is in line with the market practice.

SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information given to us by the Group and its legal adviser, JunHe LLP, regarding the title to the property and the interests of the Group in the property. We have accepted advice given by the Group on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas are based on the copies of documents or other information provided to us by the Company and are therefore only approximations. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided by the Company which is material to the valuation. We were also advised that no material facts have been omitted from the information provided to us.

TITLE INVESTIGATION

We have been provided with copies of the title documents relating to the property but have not carried out any land title searches. Moreover, we have not inspected the original documents to verify ownership or to ascertain any amendments which may not appear on the copies handed to us. We are also unable to ascertain the title of the property in the PRC and we have therefore relied on the advice given by the Company regarding its interests in the property.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal adviser, JunHe LLP, in respect of the title to the property in the PRC.

SITE INSPECTION

Ms. Sammie Tse of our Hangzhou Office who is Registered China Real Estate Appraiser, inspected the exterior and, where possible, the interior of the property on March 20, 2025. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. Moreover, we have not carried out investigation on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We are, however, not able to report that the property is free of rot, infestation or other structural defects. No test was carried out on any of the services. Our valuations are prepared on the assumption that these aspects are satisfactory.

Unless otherwise stated, we have not carried out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the documents handed to us are correct.

CONFIRMATION OF INDEPENDENCE

We hereby confirm that C&W and the undersigned have no pecuniary or other interests that could conflict with the proper valuation of the property or could reasonably be regarded as being capable of affecting our ability to give an unbiased opinion.

We also confirm that we are an independent qualified valuer, as referred to Rule 5.08 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

This valuation report is issued only for the use of the Company for incorporation into this document.

CURRENCY

Unless otherwise stated, all monetary amounts stated in our valuation report are in Renminbi ("RMB"), the official currency of the PRC.

We enclose herewith a summary of valuations and our valuation report for your attention.

Yours faithfully,
For and on behalf of
Cushman & Wakefield Limited
Grace S. M. Lam
MRICS, MHKIS, R.P.S. (GP)
Senior Director
Valuation & Advisory Services, Greater China

Note: Grace S.M Lam is a member of the Royal Institution of Chartered Surveyors, a Member of the Hong Kong Institute of Surveyor and Registered Professional Surveyor (General Practice). Ms. Lam has over 30 years of experience in the professional property valuation and advisory services in the Greater China region and various overseas countries. Ms. Lam has sufficient current national knowledge of the market, and the skills and understanding to undertake the valuation competently.

VALUATION REPORT

Property held by the Group for owner occupation in the PRC

Property	Description and tenure	Particulars of occupancy	Market value in existing state as at March 31, 2025
An industrial development, No.777 Yading Road, Yang Xi Street, Jiande City, Zhejiang Province, the PRC.	The property comprises an industrial development erected upon a parcel of land with a site area of approximately 117,987.00 sq.m. The property comprises 15 buildings and was completed in between 2008 and 2019. The property has a total gross floor area of approximately 155,625.66 sq.m. The property is located in Yang Xi Street. Developments nearby are mainly industrial in nature. According to the information provided by the Group, the property is for industrial uses. The land use rights of the property have been granted for terms due to expire on October 7, 2056 and January 18, 2075 respectively for industrial use.	As at the date of valuation, the property was owner occupied.	RMB238,000,000 (RENMINBI TWO HUNDRED AND THIRTY EIGHT MILLION)

Notes:–

(1) According to the Certificate of Real Estate Ownership No. (2023), the land use rights of the property comprising a site area of 113,961.00 sq.m. and a gross floor area of 155,625.66 sq.m. have been vested in 杭州至鉑衛浴有限公司 for a term due to expire on October 7, 2056 for industrial use.

According to the Certificate of Real Estate Ownership No. (2025) 0190388, the land use rights of the property comprising a site area of 4,026.00 sq.m. have been vested in 杭州至鉑衛浴有限公司 for a term due to expire on January 18, 2075 for industrial use.

(2) We have been provided with a legal opinion on the property prepared by the Company's PRC legal adviser, which contains, inter alia, the following information:

(a) 杭州至鉑衛浴有限公司 is the sole legal land user of the property and has obtained the relevant rights certificates and entity approval from the government; and

(b) 杭州至鉑衛浴有限公司 has the right to freely transfer, lease or dispose of the property.

TAXATION OF SECURITY HOLDERS

The taxation of income and capital gains of holders of H Shares is subject to the laws and practices of the PRC and of jurisdictions in which holders of H Shares are residents or otherwise subject to tax. The following summary of certain relevant taxation provisions is based on current effective laws and practices, and all of which are subject to change (possibly with retroactive effect) and do not constitute legal or tax advice. The discussion has no intention to cover all possible tax consequences resulting from the investment in H Shares, nor does it take the specific circumstances of any particular investor into account, some of which may be subject to special regulations. Accordingly, you should consult your own tax adviser regarding the tax consequences of an investment in H Shares. No issues on PRC or Hong Kong taxation other than income tax, capital appreciation and profit tax, business tax/appreciation tax, stamp duty and estate duty were referred in the discussion. Prospective [**REDACTED**] are urged to consult their financial advisers regarding the PRC, Hong Kong and other tax consequences of owning and disposing of H Shares.

The PRC Taxation

Taxation on Dividends

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), which was most recently amended on August 31, 2018 and the Implementation Provisions of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), which was most recently amended on December 18, 2018 (hereinafter collectively referred to as the "**IIT Laws**"), dividends distributed by PRC enterprises are subject to an individual income tax levied at a flat rate of 20%. For a foreign individual who is not a resident of the PRC, the receipt of dividends from an enterprise in the PRC is normally subject to individual income tax of 20% unless specifically exempted by the tax authority of the State Council or reduced by a relevant tax treaty.

Pursuant to the Circular on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) issued by the SAT on June 28, 2011, for a domestic non-foreign invested enterprise who has been issuing shares in Hong Kong, its foreign individual shareholders may enjoy the relevant preferential tax treatment according to the taxation agreement between the PRC and the country where they reside and the taxation arrangement between the PRC and Hong Kong (or Macau). Domestic non-foreign-invested enterprises that issue shares in Hong Kong generally may withhold individual income tax at the preferential rate of 10% when paying dividends to overseas resident individual shareholders. Where the individuals who receive the dividends are residents of countries where the agreed tax rate is lower than 10%, the withholding agent shall, according to regulations provisions, handle the applications for relevant preferential treatments and refund the extra tax upon the approval of competent tax authorities. Where the individuals are residents of countries where the agreed tax rate is higher than 10% but lower than 20%, the withholding agent shall withhold the individual income tax according to the agreed actual tax rate when paying the dividends and bonuses and no applications are needed in such cases. Where the dividend receiving individuals are residents of countries which have not established tax treaties with the PRC or other circumstances exist, the withholding agent shall withhold the individual income tax based on the rate of 20% when paying dividends and bonuses.

In accordance with the EIT Laws, a non-resident enterprise is generally subject to a 10% enterprise income tax on PRC-sourced income (including dividends received from a PRC resident enterprise), if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. The aforesaid income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise.

The Circular on Issues Relating to the Withholding and Remitting of Enterprise Income Tax on Dividends Distributed by PRC Resident Enterprises to Overseas Non-Resident Enterprise Shareholders of H Shares (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》), which was issued and implemented by the SAT on November 6, 2008, further clarified that, when PRC-resident enterprises pay dividends of 2008 and thereafter, such PRC-resident enterprise must withhold enterprise income tax at a rate of 10% in respect of dividends paid to overseas non-resident enterprise shareholders which hold H Shares.

Pursuant to the Arrangement between the Mainland and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Tax Arrangement**"), which was signed on August 21, 2006, the PRC government may levy taxes on the dividends paid by a PRC-resident enterprise to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the PRC-resident enterprise unless a Hong Kong resident directly holds 25% or more of the equity interest in a PRC-resident enterprise, then such tax shall not exceed 5% of the total dividends payable by such PRC-resident enterprise.

The Fifth Protocol of the Arrangement between Mainland China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion (《<內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排>第五議定書》), which came into effect on December 6, 2019, adds a criterion for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Tax Arrangement, the treaty benefits under the criterion shall not be granted in the circumstance where relevant gains, after taking into account all relevant facts and conditions, are reasonably deemed to be one of the main purposes for the arrangement or transactions which will bring any direct or indirect benefits under the Tax Arrangement, except when the grant of benefits under such a circumstance is consistent with relevant objective and goal under the Tax Arrangement. The application of the dividend clause of tax agreements is subject to the requirements of PRC tax laws and regulations, such as the Circular on the Issues Concerning the Application of the Dividend Clauses of Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》).

Tax Treaties

Non-resident investors residing in jurisdictions which have entered into treaties or adjustments for the avoidance of double taxation with the PRC might be entitled to a reduction of the PRC enterprise income tax imposed on the dividends received from PRC resident companies. The PRC currently has entered into avoidance of double taxation treaties or arrangements with a number of countries and regions including Hong Kong Special Administrative Region, Macau Special Administrative Region, Australia, Canada, France, Germany, Japan, Malaysia, the

Netherlands, Singapore, the United Kingdom, the United States and etc. Non-PRC resident enterprises entitled to preferential tax rates in accordance with the relevant taxation treaties or arrangements are required to apply to the relevant PRC tax authorities for a refund of the enterprise income tax in excess of the agreed tax rate, and the refund application is subject to approval by the relevant PRC tax authorities.

Taxation on Share Transfer

According to the IIT Laws, the gains realized from the disposal of equity interests in PRC resident enterprise is subject to individual income tax rate of 20%.

Pursuant to the Circular on Fully Implementing the Pilot Reform for the Transition from Business Tax to Value-added Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (the "**Circular 36**"), which was implemented on May 1, 2016, entities and individuals engaged in the services sale in the PRC are subject to value-added tax ("**VAT**") and "engaged in the services sale in the PRC" means that the seller or buyer of the taxable services is located in the PRC. Circular 36 also provides that transfer of financial products, including transfer of the ownership of marketable securities, shall be subject to VAT at 6% on the taxable revenue (which is the balance of sales price upon deduction of purchase price), for a general or a foreign VAT taxpayer. However, individuals who transfer financial products are exempt from VAT, which is also provided in the Circular on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《財政部、國家稅務總局關於個人金融商品買賣等營業稅若干免稅政策的通知》) issued by the Ministry of Finance of the PRC and the SAT and effective on January 1, 2009. According to these regulations, if the holder is a non-resident individual, the PRC VAT is exempted from the sale or disposal of H shares; if the holder is a non-resident enterprise and the H-share buyer is an individual or entity located outside of the PRC, the holder is not necessarily required to pay the PRC VAT, but if the H-share buyer is an individual or entity located in the PRC, the holder may be required to pay the PRC VAT. However, it is still uncertain whether the non-PRC resident enterprises are required to pay the PRC VAT for the disposal of H shares in practice.

At the same time, VAT payers are also required to pay urban maintenance and construction tax, education surtax and local education surcharge (hereinafter collectively referred to as "**Local Additional Tax**"), which shall be usually subject to 12% of the VAT, business tax and consumption tax actually paid (if any).

Enterprise Income Tax

In accordance with the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) promulgated by the NPC on March 16, 2007 and most recently amended on December 29, 2018 and the Implementation Regulations for the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on December 6, 2007, and most recently amended on December 6, 2024 and became effective on January 20, 2025 (hereinafter collectively referred to as the "**EIT Laws**"), resident enterprise which is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual management organization is inside the PRC shall pay enterprise income tax for their income derived from both inside and outside the PRC, calculated at enterprise income tax rate of 25%.

Value-added Tax

According to Circular on Adjusting Value-added Tax Rates (Cai Shui [2018] No. 32) (《財政部、國家稅務總局關於調整增值稅稅率的通知》(財稅[2018]32號)), which was jointly issued by the Ministry of Finance of the PRC and the SAT on April 4, 2018 and effective since May 1, 2018, the VAT rates, deduction rate, export rebate rate were adjusted as follows:

(1) Where a taxpayer engages in a taxable sales activity for the VAT purpose or imports goods, the previous applicable tax rates of 17% and 11% are adjusted to 16% and 10% respectively;

(2) Where a taxpayer purchases agricultural products, the previous applicable deduction rate of 11% is adjusted to 10%;

(3) Where a taxpayer purchases agricultural products for production, sales, or consignment processing, to which the tax rate of 16% is applicable, the input tax amount shall be calculated at the deduction rate of 12%;

(4) For the export goods to which a tax rate of 17% was originally applicable and the export rebate rate was 17%, the export rebate rate is adjusted to 16%. For the export goods and cross-border taxable activities to which a tax rate of 11% was originally applicable and the export rebate rate was 11%, the export rebate rate is adjusted to 10%;

(5) For the goods or cross-border taxable activities specified in item (4) hereof that are exported or sold by foreign trade enterprises before July 31, 2018, if VAT has been levied at the rate not adjusted at the time of purchase, the export rebate rate not adjusted shall be applicable; if the VAT has been levied at the adjusted tax rate at the time of purchase, the adjusted export tax rebate rate shall be applicable. For the goods or cross-border taxable activities specified in item (4) hereof that are exported or sold by production enterprises before July 31, 2018, the export rebate rate not adjusted shall be applicable. The execution time to adjust the tax rebates rate of export goods and the time to export goods is made based on the date specified on export goods custom declaration, the execution time to adjust the tax rebates rate of cross-border taxable activities and the time to sell cross-border taxable activities is made based on the date specified on the export invoice.

According to the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Cai Shui Bu Shui Wu Zong Ju Hai Guan Zong Shu [2019] No. 39) (《關於深化增值稅改革有關政策的公告》(財政部、稅務總局、海關總署公告2019年第39號)) issued by the Ministry of Finance of the PRC, the STA and General Administration of Customs of the PRC on March 20, 2019 and became effective on April 1, 2019, the VAT rates of 16% and 10% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 13% and 9%, respectively.

The SCNPC promulgated PRC Value-added Tax Law (《中華人民共和國增值稅法》) on December 25, 2024, which will came into effect on January 1, 2026. According to the PRC Value-added Tax Law, the VAT rate for general VAT taxpayers engaging in sale of goods, provision of processing, repair and replacement services, lease of tangible and movable goods or importation of goods was adjusted to 13%, the VAT rate for general VAT taxpayers engaging in, among others, the sale of transportation services, postal services, basic telecommunications services, construction services, the lease and sale of real properties, the transfer of land use rights, and the sale or importation of certain goods as specified in the PRC Value-added Tax Law, was adjusted to 9%.

Income tax

According to the IIT Laws, gains on the transfer of equity interests in the PRC resident enterprises are subject to individual income tax at a rate of 20%. Pursuant to the Circular on Declaring that Individual Income Tax Continues to be Exempted over Income of Individuals from the Transfer of Shares (《關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) issued by the SAT on March 20, 1998, from January 1, 1997, income of individuals from transfer of the shares of listed enterprises continues to be exempted from individual income tax. The SAT has not expressly stated whether it will continue to exempt tax on income of individuals from transfer of the shares of listed enterprises in the most recently amended PRC Individual Income Tax Law.

On December 31, 2009, the Ministry of Finance of the PRC, the SAT and CSRC jointly issued the Circular on Related Issues on Levying Individual Income Tax over the Income Received by Individuals from the Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》), which came into effect on December 31, 2009, which states that individuals' income from the transfer of listed shares obtained from the [**REDACTED**] of listed companies and transfer market on the Shanghai Stock Exchange and the Shenzhen Stock Exchange shall continue to be exempted from individual income tax, except for the relevant shares which are subject to sales restriction (as defined in the Supplementary Circular on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) jointly issued and implemented by such departments on November 10, 2010). As of the Latest Practicable Date, no aforesaid provisions have expressly provided that individual income tax shall be levied from non-PRC resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

In accordance with the EIT Laws, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of a 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-PRC resident enterprise. Such tax may be reduced or exempted pursuant to relevant tax treaties or agreements on avoidance of double taxation.

Stamp Duty

Pursuant to the PRC Stamp Duty Law (《中華人民共和國印花稅法》), which was promulgated by the SCNPC on June 10, 2021 and came into effect on July 1, 2022, PRC stamp duty is applicable to the entities and individuals that conclude taxable vouchers or conduct securities trading within the territory of the PRC, and the entities and individuals outside the territory of the PRC that conclude taxable vouchers that are used inside the PRC. Therefore, the requirements of the stamp duty imposed on the transfer of shares of PRC listed companies shall not apply to the acquisition and disposal of H Shares by non-PRC investors outside of the PRC.

Estate Duty

As of the date of this document, no estate duty has been levied in the PRC under the PRC laws.

Shanghai-Hong Kong Stock Connect Taxation Policy and Shenzhen-Hong Kong Stock Connect Taxation Policy

On October 31, 2014 and November 5, 2016, the Ministry of Finance of the PRC, the SAT and the CSRC jointly issued the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shanghai Stock Market and the Hong Kong Stock Market (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) and the Circular on the Relevant Taxation Policy regarding the Pilot Inter-connected Mechanism for Trading on the Shenzhen Stock Market and the Hong Kong Stock Market (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》), pursuant to which, the income from transfer differences and dividend and bonus income derived by PRC enterprise investors from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong stock connect mechanism or Shenzhen-Hong Kong stock connect mechanism shall be included in their total income and subject to enterprise income tax in accordance with the law. In particular, the dividend and bonus income derived by PRC resident enterprises which hold H shares for at least 12 consecutive months shall be exempted from enterprise income tax according to law. The H-share companies do not need to withhold tax on the income from dividends and bonus obtained by PRC enterprise investors. The tax payable shall be declared and paid by the enterprises themselves.

For dividends and bonuses received by PRC individual investors investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong stock connect mechanism and Shenzhen-Hong Kong stock connect mechanism, H-share companies shall submit an application to CSDCC, which shall provide H-share companies with a register of PRC individual investors. H-share companies shall withhold individual income tax at a rate of 20%. Individual investors who have paid withholding tax outside the PRC may apply for tax credits at the competent tax authorities of the CSDCC with valid tax deduction certificates. Individual income taxis levied on dividend and bonus income derived by PRC security investment funds from investing in stocks listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong stock connect mechanism or Shenzhen-Hong Kong stock connect mechanism in accordance with the above provisions.

PRINCIPAL TAXATION OF OUR COMPANY IN THE PRC

Please see the section headed "Regulatory Overview" in this document.

FOREIGN EXCHANGE

The lawful currency of the PRC is Renminbi, which is currently subject to foreign exchange control and cannot be freely converted into foreign currency. The SAFE, with the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

The Regulations on Foreign Exchange Control of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations"), which was implemented on April 1, 1996 and most recently amended on August 5, 2008, classifies all international payments and transfers into current items and capital items. Most of the current items are not subject to the approval of foreign exchange administration agencies, while capital items are subject to the approval of foreign exchange administration agencies, and pursuant to the latest amendment to the Foreign Exchange Control Regulations, the PRC will not impose any restriction on international current payments and transfers.

The Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), which was implemented on July 1, 1996, abolished all other restrictions on convertibility of foreign exchange under current account items, while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on July 21, 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since July 21, 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to relevant PRC laws, PRC enterprises (including foreign-invested enterprises) which need foreign exchange for transactions relating to current account items may, without the approval of SAFE, effect payment for their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange (such as the Company) may, on the strength of resolutions of the board of directors or the shareholders' meeting approving the distribution of profits, effect payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

According to the Decisions on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) which was promulgated by the State Council on October 23, 2014, it canceled the approval requirement by the SAFE and its branches for the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing.

According to the Circular 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》) issued by the SAFE and implemented on December 26, 2014, a domestic company shall, within 15 business days from the date of the end of its overseas listing issuance, register the overseas listing with the local branch office of state administration of foreign exchange at the place of its establishment; the proceeds from an overseas listing of a domestic company may be remitted to the domestic account or deposited in an overseas account, but the use of the proceeds shall be consistent with the content of the document and other disclosure documents. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a special account at a local bank for its initial public offering (or follow-on offering) and repurchase business to handle the exchange, remittance and transfer of funds for the business concerned.

According to the Circular on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》), which was issued by the SAFE and came into effect on June 1, 2015 and partially repealed on December 30, 2019, the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment via the banks.

The Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "SAFE Circular No. 21"), which was effect from May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019, specifies that the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment shall be directly examined and handled by banks. SAFE and its branch offices shall indirectly regulate the foreign exchange registration of direct investment through banks.

According to the Circular of the State Administration of Foreign Exchange of the PRC on Revolutionizing and Regulating Capital Account Settlement Management Policies (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) which was issued by the SAFE and implemented on June 9, 2016, foreign currency earnings in capital account that relevant policies of willingness exchange settlement have been clearly implemented on (including the recalling of raised capital by overseas listing) may undertake foreign exchange settlement in the banks according to actual business needs of the domestic institutions. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjust of the SAFE in due time in accordance with international revenue and expenditure situations.

According to the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》) which was issued by SAFE on October 23, 2019, foreign-invested enterprises engaged in non-investment business are permitted to settle foreign exchange capital in RMB and make domestic equity investments with such RMB funds according to law on the condition that the then effective Special Administrative Measures (Negative List) for Access of Foreign Investment are not violated and the relevant domestic investment projects are genuine and in compliance with laws.

This Appendix contains a summary of laws and regulations on companies and securities in the PRC, certain major differences between the PRC Company Law and Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to the Company. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see the section headed "Regulatory Overview" in this document.

PRC LEGAL SYSTEM

The PRC legal system is based on the PRC Constitution (《中華人民共和國憲法》) and is made up of laws, administrative regulations, local regulations, separate regulations, autonomous regulations, departmental regulations, local government regulations, international treaties of which the PRC government is a signatory, and other regulatory documents. Court judgments and verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the PRC Legislation Law (《中華人民共和國立法法》), the NPC and the SCNPC are empowered to exercise the legislative power of the state. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The SCNPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions of the State Council, PBOC, the State Audit Administration as well as the other organs endowed with administrative functions directly under the State Council may, in accordance with the laws as well as the administrative regulations, decisions and orders of the State Council and within the limits of their power, formulate rules.

The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations in terms of urban and rural development and management, environmental protection, and historical and cultural protection based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the cities divided into districts or autonomous prefectures may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the city divided into districts or autonomous prefecture within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The SCNPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the SCNPC. According to the Decision of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court of the PRC (the "**Supreme People's Court**") has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Court Organization Law (2018 revision) (《中華人民共和國人民法院組織法(2018年修訂)》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts and special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels and special people's courts.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment or an order which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (2023 revision) (《中華人民共和國民事訴訟法(2023年修訂)》), which was promulgated in 1991 and amended in 2007, 2012, 2017 and 2023, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's domicile, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

Where a party applies for enforcement of judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into or acceded to an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security or against social and public interest.

THE COMPANY LAW AND ADMINISTRATIVE MEASURES

A joint stock limited company which was incorporated in the PRC and seeking a [**REDACTED**] on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in the PRC:

- The PRC Company Law, which was promulgated by the SCNPC on December 29, 1993, came into effect on July 1, 1994, amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013, October 26, 2018 and December 29, 2023 respectively and the latest amendment of which was implemented on July 1, 2024;

- Overseas Listing Trial Measures, which were promulgated by the CSRC on February 17, 2023, came into effect on March 31, 2023, and its supporting guidelines promulgated by the CSRC from time to time;

- The Guidelines on Articles of Association of Listed Companies (《上市公司章程指引》) (the "Guidelines on Articles of Association") which was latest amended and came into effect on March 28, 2025 by the CSRC.

Set out below is a summary of the major provisions of the Company Law and the Trial Measures applicable to the Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A joint stock limited company shall conduct its business in accordance with laws and administrative regulations. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Where any laws stipulate that a joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies, such requirements shall prevail.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of one but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. The promoters shall pay the subscription monies in full for the shares they have subscribed for before the company is incorporated.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must authorize a representative to apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority.

Share Capital

The promoters of a company can make capital contributions in cash or in kind, which can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares.

A company shall issue registered share.

Under the Trial Measures, if a domestic enterprise issues shares overseas, it may raise funds and dividend distributions in foreign currency or Renminbi.

The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of shares by a shareholder must be made by means of an endorsement or by other means stipulated by laws or administrative regulations.

Shares issued by a company prior to the [**REDACTED**] of its shares shall not be transferred within one year from the date of [**REDACTED**] of the shares of the company on a stock exchange. Where laws, administrative regulations or the securities regulatory authority of the State Council have other provisions on the transfer of shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail. Directors, supervisors and senior management of a company shall not transfer over 25% of the shares held by each of them in the company each year during their term of office and shall not transfer any share of the company held by each of them within one year after the [**REDACTED**]. There is no restriction under the Company Law as to the percentage of shareholding a single shareholder may hold in a company.

Transfers of shares may not be entered in the register of shareholders within 20 days before the date of a shareholders' meeting or within five days before the record date set for the purpose of distribution of dividends.

Allotment and Issue of Shares

All issuing of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company may, according to the articles of association, issue classified shares, which have different rights from those of the common shares.

To issue shares overseas, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Registered Shares

Under the Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary terms and may be transferred in accordance with the law.

Under the Company Law, a company may, according to the articles of association, issue the classified shares, which have different rights from those of the common shares stating the following matters:

- the name and domicile of each shareholder;
- the class and number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder if the shares are issued in paper form; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. Where a company raises shares from the public, it shall register with the security regulatory organization under the State Council and announce the document. After the new share issuance has been paid up, an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper or on the National Enterprise Credit Information Publicity System within 30 days after the resolution approving the reduction has been passed;
- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant administration of registration for the registration of the reduction in registered capital.

Repurchase of Shares

According to the Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares for carrying out an employee stock ownership plan or equity incentive plan; (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' meeting; (v) use of shares for conversion of convertible corporate bonds issued by a listed company; and (vi) the share buyback is necessary for a listed company to maintain its company value and protect its shareholders' equity.

The purchase of shares on the grounds set out in (i) and (ii) above shall require the approval by way of a resolution passed by the shareholders' meeting. For a company's share buyback under any of the circumstances stipulated in (iii), (v) or (vi) above, a resolution of the company's board of directors shall be made by a two-third majority of directors attending the meeting according to the provisions of the company's articles of association or as authorized by the shareholders' meeting.

Following the purchase of shares in accordance with (i), such shares shall be canceled within 10 days from the date of purchase. The shares shall be assigned or deregistered within six months if the share buyback is made under the circumstances stipulated in either (ii) or (iv). The shares held in total by a company after a share buyback under any of the circumstances stipulated in (iii), (v) or (vi) shall not exceed 10% of the company's total outstanding shares, and shall be assigned or deregistered within three years.

Listed companies making a share buyback shall perform their obligation of information disclosure according to the provisions of the Securities Law. If the share buyback is made under any of the circumstances stipulated in (iii), (v) or (vi) hereof, centralized trading shall be adopted publicly.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail.

Under the Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Where laws, administrative regulations or the securities regulatory authority of the State Council have other provisions on the transfer of shares held by shareholders or de facto controllers of listed companies, such provisions shall prevail. Directors, supervisors and the senior management shall declare to the company their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the Company Law, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect and copy the company's articles of association, share register, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquiries on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and

- other rights granted bylaws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the Company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' Meetings

The shareholders' meeting is the organ of authority of the company, which exercises its powers in accordance with the Company Law.

Under the Company Law, the shareholders' meeting exercises the following principal powers:

- to elect or remove the directors and supervisors and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposals for profit distribution plans and loss recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the Company Law, an extraordinary shareholders' meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;

- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the Company Law, shareholders' meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for more than 90 days consecutively may unilaterally convene and preside over such meeting.

Under the Company Law, notice of shareholders' meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting.

There is no specific provision in the Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Under the Company Law, shareholders present at shareholders' meeting have one vote for each share they hold, except for class shareholders. Shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' meeting. Under the accumulative voting system, each share shall be entitled to vote equivalent to the number of directors or supervisors to be elected at the shareholders' meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the Company Law, resolutions of the shareholders' meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' meeting regarding the following matters shall be adopted by more than two-thirds of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the merger, division, dissolution, liquidation or change in the form of the company; and (iv) other matters considered by the shareholders' meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board of Directors

Under the Company Law, a joint stock limited company shall have a board of directors. If the board of directors has more than three members, it may include an employees' representative of the company. Where a company has 300 or more employees, the board of directors shall include the employees' representatives of the company unless the board of supervisors has been established and includes employees' representatives of the company according to law. The employees' representatives in the board of directors shall be democratically elected by the employees through the employees' representative congress, employees' congress or by other means. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of a director during his term of office results in the number of directors being less than the quorum. If a director resigns, he shall notify the company in writing and the resignation shall take effect on the date of receipt of the notification by the company; however, if the circumstances stipulated in the preceding paragraph exist, the director shall continue to perform his duties.

Under the Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' meetings and report on its work to the shareholders' meetings;
- to implement the resolutions passed in shareholders' meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association or authorized by the shareholders' meeting.

Board Meetings

Under the Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of the meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the board of supervisors. The chairman of the board of directors shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the Company Law, the board of directors shall appoint a chairman and may appoint the vice chairman. The chairman and the vice chairman are elected with the approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;

- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence, and in case of a suspended sentence, not more than two years have elapsed since the date of expiry of the probationary period;

- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;

- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation or the order for closure; or

- a person who is liable for a relatively large amount of debts that are overdue and is listed as a dishonest person subject to enforcement by the people's court.

Board of Supervisors

A joint stock limited company has a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with the approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of a supervisor during his term of office results in the number of supervisors being less than the quorum.

The board of supervisors of a company shall hold at least one meeting every six months. According to the Company Law, a resolution of the board of supervisors shall be passed by more than half of all the supervisors.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' meetings and to convene and preside over shareholders' meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' meeting under this law;
- to initiate proposals for resolutions to shareholders' meeting;
- to initiate proceedings against directors and senior management;
- other powers specified in the articles of association; and
- Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

A joint stock limited company may, under the articles of association, set up an audit committee composed of directors in the board of directors, which shall exercise the functions and powers of the board of supervisors as provided for in this Law. It may not have a board of supervisors or supervisors. The audit committee shall be composed of at least 3 members, and more than half of the members shall not assume any position other than the director in the company and shall not have any relationship with the company that may affect their independent and objective judgments. Among the members of the board of directors of the company, an employees' representative may become a member of the audit committee. A resolution made by the audit committee shall be adopted by more than half of the members thereof. For voting on a resolution of the audit committee, each member shall have one vote. The discussion methods and voting procedures of the audit committee shall be prescribed in the articles of association, unless it is otherwise provided for by this Law.

Manager and Senior Management

Under the Company Law, a company shall have a manager who shall be appointed or dismissed by the board of directors.

The manager shall be responsible to the board of directors and shall exercise his duties and powers in accordance with the provisions of the company's articles of association or the authorization of the board of directors. The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- embezzlement of company properties and misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- utilizing power to accept bribes or other illegal income;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Where a director, supervisor or senior management is required to attend a shareholders' meeting, such director, supervisor or senior management shall attend the meeting and answer the inquiries from shareholders. Directors and senior management shall furnish all true information and data to the supervisory board, without impeding the discharge of duties by the supervisory board or supervisors.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory common reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory common reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory common reserve fund pursuant to the above provisions.

After allocation of the statutory common reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' meeting, allocate discretionary common reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of common reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the Company shall not be entitled to any distribution of profit.

The premium received through the issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The Company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. When utilizing reserve funds to make up for a company's losses, the discretionary reserve fund and statutory reserve fund should be used first; if the losses still cannot be made up, the capital reserve fund may be used in accordance with regulations. Upon the conversion of the statutory common reserve fund into increasing the registered capital, the balance of the statutory common reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The Company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Dismissal of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' meeting, board of directors or board of supervisors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' meeting, board of directors or board of supervisors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Guidelines on Articles of Association provide that the company guarantees to provide true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials to the employed accounting firm, and shall not refuse, conceal or falsely report. And the audit fee of the accounting firm shall be decided by the general meeting of shareholders.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn.

Amendments to Articles of Association

Any amendments to the company's articles of association must be made in accordance with the procedures set out in the company's articles of association. In relation to matters involving the company's registration, its registration with the authority must also be changed.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' meeting has resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be revoked; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardship in its operation and management and the ongoing existence of the company would bring significant losses for shareholders that cannot be resolved through other means.

In the event of (i) or (ii) above and in case that no assets have been distributed to shareholders, it may carry on its existence by amending its articles of association or by a resolution of shareholders' meeting. The amendment of the articles of association or by a resolution of shareholders' meeting in accordance with provisions set out above shall require the approval of more than two thirds of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved in the circumstances described in items (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The liquidation committee shall be composed of directors, unless the company's articles of association provide otherwise or the shareholders' meeting resolves to elect someone else. If the liquidation obligator fails to fulfill its liquidation obligations in a timely manner and causes losses to the company or creditors, it shall be liable for compensation. If a liquidation committee is not established within the stipulated period or if the liquidation is not carried out after the establishment of the liquidation committee, the interested parties may apply with the people's court for setting up a liquidation committee with designated relevant personnel to conduct the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;
- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to distribute the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment and issue public notices in newspapers or on the National Enterprise Credit Information Publicity System within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debts shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance with the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy liquidation.

Following the acceptance of application for bankruptcy by the People's Court, the liquidation committee shall hand over the liquidation affairs to the bankruptcy administrator appointed by the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' meeting or the people's court for verification and the report shall be submitted to the registration authority of the company in order to cancel the company's registration. When performing the duties in relation to the liquidation, members of the liquidation committee shall bear the duties of loyalty and diligence.

If members of the liquidation committee are reluctant to perform their liquidation duties and cause losses to the company, they shall be liable for compensation. A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Trial Measures, the domestic enterprise shall report the application documents for issuance and listing to the CSRC for record-filing within three working days after submission of the application documents for issuance and listing overseas.

Loss of Share Certificates

If a registered share certificate is lost, stolen or destroyed, the relevant shareholder may apply, in accordance with the relevant provisions set out in the Civil Procedure Law, to a people's court to declare such certificate invalid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate.

Suspension and Termination of Listing

The PRC Company Law has deleted provisions governing suspension and termination of listing. The PRC Securities Law revised in 2019 has also deleted provisions regarding suspension of listing. Where listed securities fall under the delisting circumstances stipulated by the stock exchange, the stock exchange shall terminate its listing and trading in accordance with the business rules.

Where the stock exchange decides on the delisting of securities, it shall promptly announce and file records with the securities regulatory authority of the State Council.

Merger and Demerger

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities- related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Interim Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The PRC Securities Law took effect on July 1, 1999 and was revised on August 28, 2004, October 27, 2005, June 29, 2013, August 31, 2014 and December 28, 2019, respectively. This is the first national securities law in the PRC, which is divided into 14 chapters and 226 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The PRC Securities Law comprehensively regulates activities in the PRC securities market. Article 224 of the PRC Securities Law provides that domestic enterprises shall comply with the relevant provisions of the State Council for listing their shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The PRC Arbitration Law (《中華人民共和國仲裁法》) was promulgated by the SCNPC on August 31, 1994, became effective on September 1, 1995, and was most recently amended on September 1, 2017. Under the PRC Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution and one party filed a lawsuit with the people's court, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

Under the PRC Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity in the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award made by the PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**") adopted on June 10, 1958 pursuant to a resolution of the SCNPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the SCNPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland China and Hong Kong (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000 and was amended by the Supplemental Arrangement of the Supreme People's Court for the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (2021) (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排(2021)》). In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in the PRC.

Judicial judgment and its enforcement

The Arrangement on Mutual Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland China and of the Hong Kong Special Administrative Region Pursuant to Agreed Jurisdiction by Parties Concerned (《最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Old Arrangement**") came into effect on August 1, 2008, and ceased to have effect on January 29, 2024. On the same date, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "**New Arrangement**") signed by the Supreme People's Court and the government of Hong Kong replaced the Old Arrangement. Under the Old Arrangement, in the case of final judgment, defined with payment amount and enforcement power, made between the court of China and the court of the Hong Kong Special Administrative Region in a civil and commercial case with written jurisdiction agreement, any party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region for recognition and enforcement based on this arrangement. "Choice of court agreement in written" refers to a written agreement defining the exclusive jurisdiction of either the People's Court of China or the court of the Hong Kong Special Administrative Region in order to resolve disputes with a particular legal relation that occurred or is likely to occur by the party concerned. The New Arrangement removes the requirement for a written choice of court agreement and establishes a mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong and the PRC. Nevertheless, where parties entered into a written jurisdiction agreement as defined under the Old Arrangement prior to January 29, 2024, the Old Arrangement shall still apply.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

Hong Kong company law is primarily set out in the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a [**REDACTED**] of shares on the Hong Kong Stock Exchange, we are governed by the Company Law and all other rules and regulations promulgated pursuant to the Company Law.

Set out below is a summary of certain material differences between Hong Kong company law and the Company Law applicable to a joint stock limited company incorporated and existing under the Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

Share Capital

The Hong Kong company law does not provide for authorized share capital. The share capital of a Hong Kong company would be its issued share capital. The full proceeds of a share issue will be credited to share capital and become a company's share capital. The directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The Company Law does not provide for authorized share capital, either. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' meeting and file with the relevant PRC governmental and regulatory authorities.

Under the Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or undervaluation of the assets. There is no such restriction on a Hong Kong company under Hong Kong Law.

Restrictions on Shareholding and Transfer of Shares

Generally, overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors as allowed under Tentative Regulatory Measures for Qualified Domestic Institutional Investors Investing in Overseas Securities (《合格境內機構投資者境外證券投資管理試行辦法》). If the H shares are eligible securities under the Southbound Trading Link, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our [**REDACTED**] cannot be transferred within one year from the [**REDACTED**] of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the [**REDACTED**] of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the restriction on the Company to issue additional Shares within six months and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by the Company and our controlling shareholder to the Hong Kong Stock Exchange.

Financial Assistance for Acquisition of Shares

The Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares.

Directors, Senior Management and Supervisors

The Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval.

Board of Supervisors

Under the Company Law, a joint stock limited company's directors and managers are subject to the supervision of a supervisors committee. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name.

The Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send a written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure to initiate immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

Minority Shareholder Protection

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition the court to make an appropriate order regulating the affairs of the company. Furthermore, under certain circumstances, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards.

Notice of Shareholders' Meetings

Under the Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. According to the Official Reply of the State Council on Adjusting the Provisions Governing Matters Including the Application of the Notice Period for the Convening of Shareholders' Meetings by Companies Listed Overseas (《國務院關於調整適用在境外上市公司召開股東大會通知期限等事項規定的批覆》) promulgated by the State Council on October 17, 2019, the notice period for a shareholders' meeting, the shareholder proposal right, and the procedures for convening a shareholders' meeting, for those joint stock companies established within the territory of China but listed outside the territory of China, should be governed by the PRC Company Law.

For a company incorporated in Hong Kong, the notice period for an annual general meeting is at least 21 days and in any other case, at least 14 days for a limited company and at least 7 days for an unlimited company. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least 14 days before the meeting.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The Company Law does not specify any quorum requirement for a shareholders' meeting.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP.

Information on Directors and Shareholders

The Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' meetings and financial and accounting reports. Under the Articles of Association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is three years.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Mandatory Deductions

Under the Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after-tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles of association to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the Company Law, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This appendix mainly provides investors with an overview of the Articles of Association. The following information is only a summary and are not exhaustive of information that may be important to investors.

SHARES AND REGISTERED CAPITAL

The issuance of the Company's shares shall follow the principles of openness, fairness and justice, and each share of each class shall have the same rights. Shares of the same class issued at the same time shall be issued on the same terms and at the same price. Any unit or individual subscribed for the shares shall pay the same amount for each share.

The Domestic Unlisted Shares issued by the Company shall be deposited at China Securities Depository and Clearing Corporation Limited in accordance with the relevant regulations in a centralized manner. The registration and settlement arrangements for the oversea-listed shares issued by the Company shall be governed by the regulations of the overseas listing jurisdiction.

Shares issued by the Company, denominated in Renminbi, with a par value of one Renminbi (RMB1.0) per share.

SHARES ADDITIONS, REPURCHASES AND TRANSFERS

Share Increase or Decrease

The Company may, in accordance with the needs of its business development, and in accordance with the provisions of laws and regulations, increase its registered capital in the following methods, upon the resolutions adopted by the shareholders' meeting:

(1) issuance of shares to non-specific investors;

(2) issuance of shares to specific investors;

(3) distribution of bonus shares to existing investors;

(4) conversion of capital reserve into share capital;

(5) other methods stipulated by laws, administrative regulations, and the provisions approved by the CSRC.

The Company may reduce its registered capital. The Company shall reduce its registered capital in accordance with the procedures stipulated in the PRC Company Law and other relevant regulations as well as the Articles of Association.

Share Repurchase

The Company may repurchase its own shares in accordance with laws, administrative regulations, departmental rules, and the Articles of Association under any of the following circumstances:

(1) to reduce the registered capital of the Company;

(2) to merge with another company holding shares of the Company;

(3) to use the shares for employee stock ownership plans or shares incentives;

(4) where shareholders request the Company to repurchase their shares due to their dissent against resolutions of the shareholders' meeting on the Company's merger or division;

(5) to use the shares for the conversion of corporate bonds convertible into shares issued by the Company;

(6) where necessary for safeguarding the Company's value and shareholders' rights.

The Company may repurchase its own shares through a public centralized transaction or other methods permitted by laws, administrative regulations, the CSRC, or the securities regulatory authority of the stock exchange where the Company's shares are [**REDACTED**].

If the Company repurchases its own shares under items (3), (5), or (6) above, it shall be conducted so through a public centralized transaction.

Where the Company repurchases its own shares under items (1) or (2) above, a resolution of the shareholders' meeting shall be required. Where the Company repurchases its own shares under items (3), (5), or (6) above, a resolution of the directors meeting attended by at least two-thirds of the directors in accordance with the Articles of Association shall suffice.

Where the Company repurchases its own shares under the circumstances set out in item (1) above, the shares shall be canceled within ten (10) days from the repurchase date; where the Company repurchases its own shares under the circumstances set out in item (2) or (4) above, the shares shall be transferred or canceled within six (6) months; where the Company repurchases its own shares under the circumstances set out in item (3), (5), or (6) above, the total number of the Company's repurchased shares shall not exceed ten percent (10%) of the total issued shares of the Company, and such shares shall be transferred or canceled within three (3) years.

Transfer of Shares

The shares of the Company shall be transferred in accordance with applicable laws.

The Company shall not accept its own shares as the subject matter of a pledge.

The shares issued prior to the [**REDACTED**] of the Company's shares shall not be transferable within one (1) year from the date of [**REDACTED**] and [**REDACTED**] of the Company's shares at Hong Kong Stock Exchange. Directors and senior management of the Company shall declare to the Company their shareholdings in the Company and any changes thereto. During their term of office as determined at the time of appointment, they shall not transfer more than twenty-five percent (25%) of the total number of shares of the same class held by them in the Company each year. Such above personnel shall not transfer their shares in the Company within one (1) year from the date of [**REDACTED**] and [**REDACTED**] of the Company's shares. For a period of six (6) months after their resignation, they shall not transfer their shares in the Company.

Where shares are pledged during the restricted transfer period stipulated by laws or administrative regulations, the pledgee shall not exercise its pledge rights during such restricted transfer period.

Where a shareholder (excluding a recognized clearing institution or its nominee under the limited provisions of Hong Kong law in effect from time to time), director, or senior management holding more than five percent (5%) of the Company's shares sells the Company's domestic shares or other equity-type securities within six (6) months after purchase, or repurchases them within six (6) months after sale, any profits derived therefrom shall belong to the Company, and the Company's board of directors shall recover such profits. This provision shall not apply where a securities firm holds more than five percent (5%) of the shares as a result of [**REDACTED**] residual shares, or under other circumstances stipulated by the CSRC.

The shares or other equity-type securities held by directors, senior management, or natural person shareholders as mentioned in the preceding paragraph includes shares or other equity-type securities held by their spouses, parents, children, or through nominee accounts.

Where the Company's board of directors fails to enforce the provisions mentioned above, shareholders shall have the right to request the board of directors to enforce such provisions within thirty (30) days. If the board of directors fails to do so within the said period, shareholders shall have the right to directly initiate legal proceedings in the People's Court in their own names for the benefit of the Company.

Where the Company's board of directors fails to enforce the provisions mentioned above, the responsible directors shall be jointly and severally liable in accordance with the law.

SHAREHOLDERS AND SHAREHOLDERS' MEETINGS

Shareholders

The shareholders of the Company shall enjoy the following rights:

(1) to receive dividends and other forms of distribution of profits in proportion to their respective shareholdings;

(2) to request, convene, preside over, attend, or appoint a shareholder proxy to attend shareholders' meetings in accordance with the law, and to exercise corresponding voting rights;

(3) to supervise the Company's operations and to make suggestions or raise inquiries;

(4) to transfer, gift, or pledge their shares in accordance with laws, administrative regulations, and the Articles of Association;

(5) to inspect and copy the Company's Articles of Association, register of members, minutes of shareholders' meetings, board resolutions, and financial reports. Shareholders who meet the prescribed requirements may inspect the Company's accounting books and vouchers;

(6) to participate in the distribution of the Company's residual assets in proportion to their respective shareholdings upon the Company's termination or liquidation;

(7) to require the Company to repurchase their shares if they dissent from resolutions of the shareholders' meeting on the Company's merger or division;

(8) other rights granted under laws, administrative regulations, departmental rules, the Listing Rules, or the Articles of Association.

Where the content of any resolution of the shareholders' meeting or the board of directors violates laws or administrative regulations, shareholders shall have the right to petition the People's Court to declare such resolution.

Where the convening procedures or voting methods of a shareholders' meeting or board meeting violate laws, administrative regulations, or the Articles of Association, or where the content of a resolution violates the Articles of Association, shareholders may petition the People's Court to rescind such resolution within sixty (60) days from the date the resolution was approved, except for those minor defects in convening or voting procedures without material effect on the resolution. Any shareholder who was not notified to attend a shareholders' meeting may petition the People's Court for rescission within sixty (60) days from the date such shareholder knew or ought to have known of the resolution. The right to rescind shall be extinguished if not exercised within one (1) year from the date the resolution was approved.

Where the validity of a shareholders' meeting resolution is disputed by the board of directors, shareholders, or other relevant parties, such parties shall promptly institute legal proceedings in the People's Court. Pending a court judgment or ruling to rescind the resolution, all parties shall implement such resolution. The Company, its directors, and senior management shall duly perform their duties to ensure the Company's normal operations.

The shareholders of the Company shall assume the following obligations:

(1) to comply with laws, administrative regulations, and the Articles of Association;

(2) to pay the subscription monies in accordance with their subscribed shares and the method of capital contribution;

(3) not to withdraw their capital contributions except as permitted by laws and regulations;

(4) not to abuse shareholder rights to the detriment of the Company or other shareholders; and not to abuse the Company's independent legal personality or their limited liability as shareholders to harm the interests of the Company's creditors;

(5) where a shareholder abuses its rights and causes losses to the Company or other shareholders, it shall be liable for compensation in accordance with the law; where a shareholder abuses the Company's independent legal personality or its limited liability to evade debts, thereby seriously harming the interests of the Company's creditors, such shareholder shall be jointly and severally liable for the debts of the Company; and

(6) other obligations as stipulated by laws, normative documents, and the Articles of Association.

Controlling Shareholder and De Facto Controller

The controlling shareholder and de facto controller of the Company shall comply with the following provisions:

(1) to exercise shareholder rights in accordance with the law, and shall not abuse controlling rights or utilize connected relationships to impair the lawful rights and interests of the Company or other shareholders;

(2) to strictly fulfill all public statements and commitments made, and shall not arbitrarily modify or seek exemption therefrom;

(3) to strictly perform information disclosure obligations in accordance with relevant requirements, actively cooperate with the Company in information disclosure work, and promptly inform the Company of material events that have occurred or are proposed to occur;

(4) not to misappropriate Company's funds in any manner;

(5) not to compel, instruct, or demand that the Company or its relevant personnel provide guarantees in violation of laws or regulations;

(6) not to utilize undisclosed material information of the Company for personal gain, disclose any undisclosed material information relating to the Company in any manner, or engage in illegal activities such as insider trading, short-swing trading, or market manipulation;

(7) not to impair the lawful rights and interests of the Company and other shareholders through non-arm's length connected transactions, profit distributions, asset reorganizations, external investments, or any other means;

(8) to ensure the Company's asset integrity, personnel independence, financial independence, organizational independence, and business independence, and shall not affect the Company's independence in any manner;

(9) other requirements under laws, administrative regulations, CSRC provisions, stock exchange business rules, and the Articles of Association.

Where the Company's controlling shareholder or de facto controller does not serve as directors but de facto manage the Company's affairs, the provisions of the Articles of Association regarding directors' fiduciary duties and duty of care shall apply.

Where the controlling shareholder or de facto controller instructs directors or senior management to engage in conduct detrimental to the Company or shareholders' interests, they shall be jointly and severally liable with such directors or senior management.

General Requirements of Shareholders' Meetings

The shareholders' meeting comprises all shareholders, as the Company's organ of authority and shall exercise the following powers in accordance with the law:

(1) to elect and replace directors, and determine matters relating to their remuneration;

(2) to review and approve reports of the board of directors;

(3) to review and approve the Company's profit distribution plans and loss recovery plans;

(4) to adopt resolutions on increases or decreases to the Company's registered capital;

(5) to adopt resolutions on the issuance of corporate bonds;

(6) to adopt resolutions on the Company's merger, division, dissolution, liquidation, or change of corporate form;

(7) to amend the Articles of Association;

(8) to adopt resolutions on the appointment or dismissal of accounting firms conducting the Company's audit;

(9) to review and approve guarantee matters specified in Article 46 of the Articles of Association;

(10) to review matters where the Company's purchase or sale of material assets within one year exceeds thirty percent (30%) of the Company's most recently audited total assets;

(11) to review and approve changes to the use of the proceeds;

(12) to review equity incentive plans and employee stock ownership plans; and

(13) to review other matters required by laws, administrative regulations, departmental rules, Listing Rules, or the Articles of Association to be decided by the shareholders' meeting.

The following external guarantees provided by the Company shall require approval by the shareholders' meeting:

(1) any single guarantee exceeding ten percent (10%) of the Company's most recently audited net assets;

(2) any guarantee provided after the aggregate external guarantees of the Company and its controlled subsidiaries exceed fifty percent (50%) of the Company's most recently audited net assets;

(3) guarantees provided to entities with a debt-to-asset ratio exceeding seventy percent (70%);

(4) guarantees where the Company's aggregate guarantees to others within one year exceed thirty percent (30%) of its most recently audited total assets;

(5) guarantees provided to shareholders, de facto controllers, or their connected parties; and

(6) other external guarantees required by laws, administrative regulations, the Listing Rules, or the Articles of Association to be submitted to the shareholders' meeting.

Where the Company provides guarantees to controlling shareholders, de facto controllers, or their connected parties, such parties shall provide counter-guarantees.

Resolutions on guarantee matters under item (4) mentioned above shall require approval by shareholders representing at least two-thirds of the voting rights present at the shareholders' meeting.

The requirements under items (1) to (3) mentioned above shall not apply where:

(1) the Company provides guarantees to wholly-owned subsidiaries; or

(2) the Company provides guarantees to controlled subsidiaries and other shareholders of such subsidiaries provide guarantees proportionate to their equity interests, provided the Company's interests are not prejudiced.

Shareholders' meetings shall comprise annual shareholders' meetings and extraordinary shareholders' meetings. An annual shareholders' meeting shall be convened once every year within six months following the end of the preceding fiscal year.

An extraordinary shareholders' meeting shall be convened within two months upon the occurrence of any of the following events:

(1) where the number of directors falls below the quorum required by the PRC Company Law or two-thirds of the number prescribed by the Articles of Association;

(2) where the Company's uncovered losses reach one-third of its total share capital;

(3) upon written request by shareholder(s) holding ten percent (10%) or more of the voting rights (one vote per share, excluding treasury shares);

(4) where the board of directors deems it necessary;

(5) upon proposal by the audit committee;

(6) other circumstances specified by laws, administrative regulations, departmental rules, the Listing Rules, or the Articles of Association.

Convening of Shareholders' Meeting

The board of directors shall convene a shareholders' meeting within the prescribed time limit.

A shareholders' meeting shall be convened by the board of directors and presided over by the chairman of the board. Where the chairman is unable or fails to perform such duties, a director nominated by a majority of the directors shall preside.

Independent non-executive directors may propose to the board of directors to convene an extraordinary shareholders' meeting upon obtaining the consent of a majority of all independent non-executive directors. The board of directors shall, in accordance with laws, administrative regulations, the Listing Rules and the Articles of Association, provide a written response within ten (10) days upon receipt of such proposal, stating whether it agrees or disagrees to convene the meeting.

Where the board of directors agrees to convene the meeting, it shall issue a notice of meeting within five (5) days after adopting the relevant board resolutions. Where the board of directors disagrees, it shall state the reasons and make an announcement.

The audit committee may propose to the board of directors to convene an extraordinary shareholders' meeting by submitting a written request. The board of directors shall provide a written response within ten (10) days upon receipt of the proposal in accordance with applicable laws and the Articles of Association.

Where the board of directors agrees to convene the meeting, it shall issue a notice of meeting within five (5) days after adopting the relevant resolution. Any amendments to the original proposal in the notice shall require the audit committee's consent.

Where the board of directors disagrees to convene the meeting or fails to respond within ten (10) days, the audit committee may convene and preside over the meeting if the board of directors is deemed unable or unwilling to perform its convening duties.

Shareholder(s) holding ten percent (10%) or more of the total voting rights (on a one-vote-per-share basis, excluding treasury shares) may request the board of directors to convene an extraordinary shareholders' meeting and add proposed resolutions to the agenda by submitting a written request. The board of directors shall provide a written response within ten (10) days upon receipt in accordance with applicable laws and the Articles of Association.

Where the board of directors agrees, it shall issue a notice of meeting within five (5) days after adopting the relevant resolution. Any amendments to the original request in the notice shall require the consent of the relevant shareholder(s).

Where the board of directors disagrees or fails to respond within ten (10) days, the shareholder(s) may submit a written request to the audit committee to convene the meeting.

Where the audit committee agrees, it shall issue a notice of meeting within five (5) days upon receipt. Any amendments to the original proposal in the notice shall require the consent of the relevant shareholder(s).

Where the audit committee fails to issue the notice within the specified period, shareholder(s) holding ten percent (10%) or more of the voting rights continuously for ninety (90) days or more may convene and preside over the meeting.

Where the audit committee or shareholder(s) decide to convene a meeting independently, they shall notify the board of directors in writing. The shareholding percentage of the convening party shall not fall below ten percent (10%) prior to the announcement of the meeting resolutions.

The audit committee or convening shareholder(s) shall submit supporting documents (if required) to the relevant authorities and the stock exchange in accordance with applicable laws when issuing the meeting notice and resolution announcements.

Proposals and Notice of Shareholders' Meeting

Proposals submitted to a shareholders' meeting shall fall within the scope of powers of the shareholders' meeting; contain clearly defined topics and specific resolution matters; and comply with applicable laws, administrative regulations, the Listing Rules, and the Articles of Association.

The board of directors, the audit committee, or shareholder(s) holding one percent (1%) or more of the Company's shares (individually or collectively) may submit proposals for consideration at shareholders' meetings.

Shareholder(s) holding one percent (1%) or more of the shares may submit written proposals for additional agenda items to the convenor no later than ten (10) days prior to the meeting. The convenor shall issue a supplementary notice within two (2) days upon receipt, disclosing the proposed resolutions, unless: (a) the proposal violates laws, regulations or the Articles of Association; or (b) the matter falls outside the shareholders' meeting's authority.

Where the securities regulations of the Company's [**REDACTED**] jurisdiction prescribe special requirements for supplementary notices, such requirements shall prevail provided they do not contravene PRC laws including the PRC Company Law. If the regulations require meeting postponement due to supplementary notices, the meeting shall be deferred accordingly.

Except as provided above, the convenor shall not modify published proposals or add new items after issuing the initial meeting notice.

No voting or resolutions shall be conducted on matters: (a) not included in the meeting notice; or (b) failing to meet the requirements under Article 61 of the Articles of Association.

Notices for annual shareholders' meetings shall be issued at least twenty-one (21) days prior, and for extraordinary shareholders' meetings at least fifteen (15) days prior, excluding the meeting date but including the notice date.

Shorter notice periods may apply if permitted by laws, regulations, or the Listing Rules.

Shareholders' meeting notices shall contain:

(1) meeting date, venue and duration;

(2) agenda items and proposed resolutions;

(3) prominent disclosure that: (a) All shareholders may attend; (b) Proxy attendance is permitted (the proxy need not be a shareholder);

(4) record date for voting eligibility;

(5) contact details of the meeting coordinator;

(6) voting procedures for electronic/other channels (if applicable);

(7) other information required by laws, regulations, departmental rules, the Listing Rules and the Articles of Association.

Notices of shareholders' meeting and supplementary notice shall contain full and complete disclosure of all specific details of all proposals and all information or explanations necessary to enable shareholders to make a reasonable judgment on the matters to be discussed. If the matters to be discussed require the opinions of the independent non-executive directors, the opinions of the independent non-executive directors and the reasons thereof will be attached to the notice of shareholders' meeting or supplementary notice at the same time.

Delegations of Shareholders' Meeting

All shareholders or their proxies registered in the register of members as of the record date shall have the right to attend shareholders' meetings and exercise voting rights in accordance with applicable laws, regulations, the Listing Rules, and the Articles of Association.

Shareholders may attend meetings in person or appoint one or more proxies (who need not be shareholders) to attend and vote on their behalf. Attendees (including proxies) shall enjoy the right to information, the right to address the meetings, the right to raise inquiries, the voting right and other rights stipulated by applicable laws. Shareholders shall retain the right to address the meetings and voting right unless required to abstain under the Listing Rules due to material interests in specific transactions.

Any individual shareholder attending a shareholders' meeting in person shall present his/her valid identification document or other valid certificate evidencing his/her identity. Where a shareholder appoints a proxy to attend the meeting, such proxy shall present his/her own valid identification document and a power of attorney executed by the shareholder.

A corporate shareholder shall attend the meeting through its legal representative or authorized representative, or through a proxy appointed by such legal representative or authorized representative. The legal representative or authorized representative attending the meeting shall present his/her valid identification document and valid proof evidencing his/her status as the legal representative or authorized representative. Where a proxy is appointed to attend the meeting, such proxy shall present his/her valid identification document and a written power of attorney duly executed by the legal representative or authorized representative of such corporate shareholder in accordance with the law (except for recognized clearing houses or their nominees as defined under relevant ordinances of Hong Kong from time to time), or a proxy form signed by a duly authorized person. Where a corporate shareholder has appointed a representative to attend any meeting, it shall be deemed to have attended the meeting in person.

A shareholder may appoint a proxy to attend a shareholders' meeting on his/her behalf. The proxy shall submit to the Company a power of attorney executed by the shareholder and shall exercise voting rights strictly within the scope of authorization. The power of attorney for appointing a proxy to attend a shareholders' meeting shall specify the following contents:

(1) the name of the shareholder and the class and quantity of shares held;

(2) the name of the proxy;

(3) specific voting instructions from the shareholder, including directions to vote for, against or abstain on each proposed resolution listed in the meeting agenda;

(4) the date of issuance and validity period of the power of attorney; and

(5) the signature (or seal) of the shareholder, provided that where the shareholder is a domestic corporate entity, the power of attorney shall bear the official seal of such corporate entity.

The power of attorney shall specify whether the proxy may vote at his/her discretion if the shareholder fails to provide specific voting instructions.

Where the appointing party is a corporate entity, its legal representative or a person authorized by board resolutions or other governing body shall attend the Company's shareholders' meeting as its representative.

Voting on the Shareholders' Meeting

Resolutions of shareholders' meetings shall include ordinary resolutions and special resolutions.

An ordinary resolution shall be adopted by a simple majority of the voting rights held by shareholders present at the meeting (excluding voting rights attached to treasury shares). A special resolution shall be adopted by at least two-thirds of the voting rights held by shareholders present at the meeting.

For the purposes of the Article of Associations, the term "shareholders" includes shareholders represented by proxies at the meeting.

The following matters shall be subject to adoption by ordinary resolution:

(1) the election and replacement of directors, and matters relating to their remuneration;

(2) the work report of the board of directors;

(3) the profit distribution plan and loss recovery plan proposed by the board of directors;

(4) the Company's annual report;

(5) the appointment, dismissal and determination of audit fees of the Company's accounting firm; and

(6) other matters not required by laws, administrative regulations, the Listing Rules or the Articles of Association to be adopted by special resolution.

The following matters shall be subject to adoption by special resolution:

(1) increase or decrease of the Company's registered capital;

(2) merger, division, dissolution, change of corporate form or liquidation (including voluntary winding-up) of the Company;

(3) amendments to the Articles of Association;

(4) the Company's purchase or sale of material assets or provision of guarantees to others within one year exceeding thirty percent (30%) of the Company's most recently audited total assets;

(5) equity incentive plans; and

(6) other matters required by laws, administrative regulations, the Listing Rules or the Articles of Association, or which the shareholders' meeting determines by ordinary resolution will have a material impact on the Company and therefore require adoption by special resolution.

Any variation of rights attached to any class of shares (excluding treasury shares) shall be approved by at least two-thirds of the votes cast by the holders of the affected class of shares present and voting at a separate class meeting.

Unless otherwise provided in the Articles of Association, each shareholder (including proxies) shall have one vote for each share held.

When considering material matters affecting the interests of minority investors, the votes of minority investors shall be counted separately. The results of such separate counting shall be disclosed promptly.

The Company's own shares held by the Company shall carry no voting rights and shall not be counted in the total voting shares present at the meeting.

Subject to applicable laws, regulations and the requirements of the securities regulatory authority in the Company's [**REDACTED**] jurisdiction, the board of directors, independent non-executive directors and shareholders' meeting relevant requirements may publicly solicit voting rights from shareholders. Such solicitation shall fully disclose specific voting intentions and other relevant information to the solicited parties. Any form of paid or disguised paid solicitation of voting rights is prohibited. Except as required by law, the Company shall not impose any minimum shareholding requirements for the solicitation of voting rights.

Where any shareholder is required under the Listing Rules to abstain from voting on a resolution or is restricted to voting only for or against a resolution, any votes cast by such shareholder or its proxy in violation of such requirement or restriction shall be disregarded.

When voting, shareholders (including proxies) holding two or more votes need not cast all votes uniformly for or against a resolution.

DIRECTORS AND THE BOARD

Directors

Directors of the Company may include executive directors, non-executive directors and independent non-executive directors. Non-executive directors refer to directors who do not hold operational management positions in the Company. Independent non-executive directors refer to persons who meet the qualifications for office, nomination and election procedures, powers and other relevant matters that must be comply with the relevant regulations of the law, the China Securities Regulatory Commission and the stock exchange where the Company is [**REDACTED**]. Directors should hold the qualifications required by laws, administrative regulations and rules.

Directors are elected or replaced by the shareholders' meeting and may be removed by the shareholders' meeting before the expiry of their terms of office. The term of office of a director shall be three years, and he or she may be re-elected upon expiry of the term of office. Unless there are special provisions in the Articles of Association regarding the nomination of independent non-executive directors.

If not otherwise provided by law, the shareholders shall have the right to remove any director (including the managing director or other executive director) before the expiry of his term of office by an ordinary resolution of the shareholders at a shareholders' meeting, with such removal to take effect on the date of the resolution.

Directors shall have the duty of loyalty to the Company. Directors shall comply with the laws, administrative regulations and the provisions of the Articles of Association, shall take measures to avoid conflicts between their own interests and the interests of the Company, and shall not make use of their powers to gain undue benefits.

Directors shall have the duty of diligence to the Company. Directors shall comply with the laws, administrative regulations and the provisions of the Articles of Association and shall have the duty of diligence to the Company, and shall exercise the reasonable care normally required of a manager in the best interests of the Company in the performance of his duties.

The duties of an independent non-executive director shall include, but not be limited to:

(1) attending board meetings and providing independent judgment on matters concerning strategy, policy, corporate performance, accountability, resources, key appointments, and codes of conduct;

(2) taking a leading role in addressing potential conflicts of interest;

(3) serving as a member of the audit committee, Remuneration and Assessment Committee, and Nomination Committee upon invitation; and

(4) scrutinizing whether the company's performance meets the established corporate objectives and goals, and overseeing matters related to the reporting of corporate performance.

Independent non-executive directors shall regularly attend meetings of The board of directors and the committees of which they are members, actively participating in the proceedings and contributing through their skills, professional expertise, and diverse backgrounds and qualifications. They shall also attend shareholders' meetings to develop a comprehensive and impartial understanding of shareholders' views.

Independent non-executive directors shall make active contributions to the formulation of the company's strategies and policies by providing independent, constructive, and well-founded advice.

Board of Directors

The Company shall establish the board of directors, which shall be accountable to the shareholders' meeting.

The board of directors shall be composed of nine (9) directors, classified into executive directors, non-executive directors, and independent non-executive directors. The number of independent non-executive directors shall constitute at least one-third (1/3) of the total number of board members and in no event be fewer than three (3). The Company shall have one (1) director elected by the employees as their representative through democratic election at an employees' congress, employees' meeting, or by other lawful means.

The board of directors shall exercise the following powers and duties:

(1) convening the shareholders' meeting and reporting its work thereto;

(2) implementing the resolutions of the shareholders' meeting;

(3) determining the Company's business plans and investment schemes;

(4) formulating the Company's profit distribution plans and loss recovery plans;

(5) drafting proposals for the increase or decrease of the Company's registered capital, issuance of bonds or other securities, and [**REDACTED**];

(6) preparing proposals for major acquisitions, repurchase of the Company's shares, mergers, divisions, dissolution, or changes to the Company's corporate form;

(7) deciding on matters such as the Company's external investments, asset acquisitions or disposals, asset mortgages, external guarantees, entrusted wealth management, and connected transactions, within the scope authorized by the shareholders' meeting;

(8) determining the establishment of the Company's internal management structure;

(9) appointing or dismissing the general manager and the Board secretary; based on the nomination of the general manager, appointing or dismissing deputy general managers, the chief financial officer, and other senior management, and determining their remuneration, rewards, and penalties;

(10) formulating the Company's fundamental management systems;

(11) drafting proposals for amendments to the Articles of Association;

(12) proposing to the shareholders' meeting the appointment or replacement of the audit firm engaged by the Company;

(13) reviewing the work reports of the general manager and overseeing their performance;

(14) exercising other powers granted by laws, administrative regulations, departmental rules, the Listing Rules, the Articles of Association, or the shareholders' meeting.

For matters exceeding the scope of authorization by the shareholders' meeting, the board of directors shall submit them to the shareholders' meeting for deliberation.

Board meetings shall be classified as regular meetings and interim meetings. The board shall hold at least four regular meetings each year, approximately quarterly, convened by the chairman. The chairman shall hold at least one meeting annually with independent non-executive directors without the presence of other directors. Notices and documents for regular board meetings shall be delivered to all directors at least fourteen days (excluding the meeting date) prior to the meeting to ensure all directors have adequate opportunity to attend.

The board of directors shall convene interim meetings under any of the following circumstances:

(1) when proposed by shareholders representing more than one-tenth of the voting rights;

(2) when jointly proposed by more than one-third of directors;

(3) when proposed by the audit committee;

(4) when deemed necessary by the chairman;

(5) when proposed by a majority of independent non-executive directors;

(6) in emergency situations, when proposed by the general manager;

(7) when the company's accumulated losses reach one-third of its total share capital; or

(8) other circumstances stipulated in the Articles of Association.

For interim board meetings, written notices shall be delivered to all directors at least five days prior to the meeting. For urgent matters, notification may be made orally by telephone or other means to all directors and relevant personnel, with written confirmation to be provided during the board meeting.

Board meeting notices shall include:

(1) date and venue;

(2) duration;

(3) reasons and agenda items;

(4) date of notice issuance.

Board meetings shall require the attendance of a majority of directors to constitute a quorum. Unless otherwise stipulated in the Articles of Association, the board resolutions shall be adopted by a simple majority of all directors. For external guarantee matters specified in Article 46 of the Articles of Association, resolutions shall require both a simple majority of all directors and consent from at least two-thirds of directors present at the meeting. Each director shall have one vote in board resolutions.

Chairman of the Board

The board of directors shall have one chairman, who shall be elected by a simple majority vote of all the directors.

The chairman shall exercise the following powers and functions:

(1) presiding over shareholders' meetings and convening and presiding over board meetings;

(2) supervising and inspecting the implementation of board resolutions;

(3) signing important board documents or other documents that should be signed by the legal representative of the company;

(4) exercising the powers and functions of the legal representative;

(5) in the event of emergencies caused by force majeure such as severe natural disasters, exercising special handling authority over company affairs in compliance with laws and in the interests of the company, and reporting to the board of directors and shareholders' meeting afterwards;

(6) deciding on transactional matters that may be determined by the chairman as stipulated in the articles of association;

(7) other powers and functions granted by the board of directors or prescribed by laws, administrative regulations or the Listing Rules.

If the chairman is unable or fails to perform his/her duties, a director shall be jointly recommended by a simple majority of the directors to perform such duties.

Special Committees of the Board of Directors

Audit Committee

The board of directors shall establish an audit committee, which shall exercise the powers and functions of a board of supervisors as stipulated by the PRC Company Law.

The audit committee shall consist of three (3) members, all of whom shall be directors not serving as senior management personnel of the Company. Among them, two (2) shall be independent non-executive directors, and the convener shall be an accounting professional from among the independent non-executive directors.

The audit committee shall be responsible for reviewing the Company's financial information and disclosures, supervising and evaluating internal and external audits, and overseeing internal controls. The following matters shall be submitted to The board of directors for deliberation only after obtaining the approval of a simple majority of all audit committee members:

(1) disclosure of financial accounting reports, financial information in periodic reports, and internal control evaluation reports;

(2) appointment or dismissal of the accounting firm engaged for the Company's audit services;

(3) appointment or dismissal of the Company's chief financial officer;

(4) changes in accounting policies or accounting estimates, or corrections of material accounting errors, except those due to changes in accounting standards; and

(5) other matters stipulated by laws, administrative regulations, the China Securities Regulatory Commission, or the Articles of Association.

The audit committee shall meet at least once every quarter. Interim meetings may be convened upon the proposal of two (2) or more members or when the convener deems it necessary. A meeting of the audit committee shall require the attendance of at least two-thirds (2/3) of its members to constitute a quorum.

Resolutions of the audit committee shall be passed by a simple majority of its members. Each member of the audit committee shall have one (1) vote in resolutions.

Minutes of audit committee resolutions shall be duly prepared, and members present at the meeting shall sign the minutes.

The working procedures or detailed rules for the audit committee shall be formulated by the board of directors.

Strategy Committee

The board of directors shall establish a strategy committee, which shall perform their duties in accordance with the Articles of Association and the authorization of the board of directors. Proposals from the strategy committee shall be submitted to the board for deliberation and decision. The working procedures or detailed rules for the strategy committee shall be formulated by the board of directors.

The strategy committee shall consist of three members, including the chairman of the board of directors and at least one independent non-executive director.

The strategy committee shall be primarily responsible for researching the Company's long-term development strategy and major investment decisions, and shall make recommendations to the board of directors on the following matters:

(1) company's long-term strategic development plan as well as technology and product development direction;

(2) major investment and financing proposals that require board approval under the Articles of Association;

(3) major capital operations and asset management projects that require board approval under the Articles of Association;

(4) other matters stipulated by laws, administrative regulations, the China Securities Regulatory Commission or the articles of association.

Nomination Committee

The board of directors shall establish a nomination committee, which shall perform their duties in accordance with the Articles of Association and the authorization of the board of directors. Proposals from the nomination committee shall be submitted to the board of directors for deliberation and decision. The working procedures or detailed rules for the nomination committee shall be formulated by the board of directors.

The nomination committee shall consist of three members, with the convener being an independent non-executive director. Independent non-executive directors shall constitute the majority of the committee.

The nomination committee shall be responsible for formulating the selection criteria and procedures for directors and senior management personnel, evaluating and reviewing candidates for such positions and their qualifications, and shall make recommendations to the board of directors regarding the following matters:

(1) nomination or removal of directors;

(2) appointment or dismissal of senior management personnel; and

(3) other matters stipulated by laws, administrative regulations, the CSRC or the Articles of Association.

Where the board of directors does not adopt or only partially adopts the recommendations of the nomination committee, the board resolutions shall record the opinion of the nomination committee and the specific reasons for non-adoption, and such information shall be disclosed.

Remuneration and Assessment Committee

The board of directors shall establish a remuneration and assessment committee, which shall perform their duties in accordance with the Articles of Association and the authorization of the board of directors. Proposals from the remuneration and assessment committee shall be submitted to the board of directors for deliberation and decision. The working procedures or detailed rules for the remuneration and assessment committee shall be formulated by the board of directors.

The remuneration and assessment committee shall consist of three members, with the convener being an independent non-executive director. Independent non-executive directors shall constitute the majority of the committee.

The remuneration and assessment committee shall be responsible for establishing assessment criteria and conducting evaluations of directors and senior management personnel, formulating and reviewing remuneration policies and schemes including but not limited to remuneration determination mechanisms, decision-making processes, payment arrangements, and shall make recommendations to the board of directors regarding the following matters:

(1) remuneration of directors and senior management;

(2) establishment or modification of equity incentive plans or employee shareholding plans, and the fulfillment of conditions for grant or exercise of rights under such plans;

(3) arrangements for directors and senior management personnel to participate in shareholding plans of subsidiaries intended to be spun off; and

(4) other matters stipulated by laws, administrative regulations, the CSRC or the Articles of Association.

Where the board of directors does not adopt or only partially adopts the recommendations of the remuneration and assessment committee, the board resolutions shall record the opinion of the committee and the specific reasons for non-adoption, and such information shall be disclosed.

Board Secretary

The Company shall have a board secretary who shall be responsible for arranging shareholders' meetings and board meetings, maintaining corporate records and shareholder documentation, handling information disclosure matters, and performing other related duties. The board secretary shall comply with all applicable laws, administrative regulations, departmental rules, and the relevant provisions of the Articles of Association.

SENIOR MANAGEMENT

The Company shall have one general manager and may have several deputy general managers. The general manager and deputy general managers shall be appointed or dismissed by the board of directors.

A director may concurrently serve as the general manager or other senior management personnel, provided that the number of directors holding such concurrent positions shall not exceed half of the total number of directors.

The general manager and deputy general managers shall serve a term of three years and may be reappointed upon expiration of their term.

The general manager shall be accountable to the board of directors and shall exercise the following powers and functions:

(1) presiding over the Company's production, operation, and management activities, implementing board resolutions, and reporting to the board of directors;

(2) implementing the Company's annual business plans and investment schemes;

(3) proposing the establishment plan for the Company's internal management structure;

(4) formulating the Company's fundamental management systems;

(5) establishing the Company's specific rules and regulations;

(6) recommending to the board of directors the appointment or dismissal of deputy general managers and the chief financial officer;

(7) deciding on the appointment or dismissal of management personnel not subject to board approval; and

(8) other powers and functions granted under the Articles of Association, by the board of directors, or under the Listing Rules.

The general manager shall attend board meetings as a non-voting participant unless serving as a director. Deputy general managers shall assist the general manager and report to him/her.

The general manager shall formulate working rules, which shall be implemented upon approval by the board of directors.

The general manager and deputy general managers may resign before the expiration of their term. The specific resignation procedures and measures shall be governed by their employment contracts with the Company.

QUALIFICATIONS AND OBLIGATIONS OF THE DIRECTORS AND SENIOR MANAGEMENT

A person shall not serve as a director or senior executive of the Company under any of the following circumstances:

(1) being legally incapacitated or having limited capacity for civil conduct;

(2) having been sentenced to criminal penalties for corruption, bribery, embezzlement, misappropriation of property, or disruption of the socialist market economic order, where less than five years have elapsed since the completion of the sentence, or having been deprived of political rights due to a criminal offense, where less than five years have elapsed since the completion of the sentence. In the case of a suspended sentence, less than two years shall have elapsed since the expiration of the probation period;

(3) having served as a director, factory director, or manager of a company or enterprise that underwent bankruptcy liquidation, where such person bears personal responsibility for the bankruptcy, and less than three years have elapsed since the completion of the bankruptcy liquidation;

(4) having served as the legal representative of a company or enterprise that had its business license revoked or was ordered to close due to legal violations, where such person bears personal responsibility, and less than three years have elapsed since the revocation or closure;

(5) having been declared a discredited person subject to enforcement by a People's Court due to significant unpaid debts;

(6) being subject to a securities market entry ban imposed by the CSRC, where the ban period has not yet expired;

(7) having been publicly deemed unsuitable by a stock exchange to serve as a director or senior executive, where the disqualification period has not yet expired; or

(8) other circumstances stipulated by laws, administrative regulations, departmental rules, or the Listing Rules.

FINANCIAL AND ACCOUNTING SYSTEM

The Company shall establish its financial and accounting systems in accordance with laws, administrative regulations, and relevant departmental rules. Where the securities regulatory authority in the jurisdiction of the Company's stock [**REDACTED**] prescribes otherwise, such provisions shall prevail.

The Company shall prepare, publish, distribute, submit, disclose, maintain, and announce its annual reports and interim reports in compliance with applicable laws, administrative regulations, and the Listing Rules.

The Company shall prepare annual financial reports at the end of each fiscal year, which shall be audited by a certified public accounting firm in accordance with the law.

Annual financial reports shall be prepared in compliance with laws, administrative regulations, and the provisions of the State Council's finance department. Such reports shall be made available at the Company's premises for shareholder review at least twenty (20) days prior to the annual shareholders' meeting. All shareholders shall have the right to obtain the financial reports mentioned above.

The financial reports referred to above shall include: a board of directors' report; a balance sheet (including all annexures required under PRC laws, administrative regulations, departmental rules, normative documents, or the Listing Rules); an income statement (profit and loss account) or cash flow statement; or (Where not prohibited by applicable PRC laws) a financial summary report approved by the Hong Kong Stock Exchange.

Unless otherwise stipulated in the Articles of Association, the Company shall deliver or mail (postage prepaid) the aforementioned financial reports to each overseas-listed shareholder at least twenty-one (21) days before the annual shareholders' meeting, using the address registered in the shareholder register. Subject to compliance with laws, administrative regulations, departmental rules, and the Listing Rules, the Company may also disclose such reports via public notice (including publication on the Company's website).

The Company shall not maintain separate accounting books beyond those required by law. The Company's funds shall not be deposited in any account under an individual's name.

The Company shall use Renminbi (RMB) as its functional currency. Exchange rates between RMB and other currencies shall be calculated based on the median rate published by the PBOC. The Company's non-RMB transactions shall be handled in accordance with national laws, regulations, and rules on foreign exchange control.

INTERNAL AUDIT

The Company shall implement an internal audit system specifying the governance structure, authorities and responsibilities, staffing, funding, utilization of audit results, and accountability mechanisms. The internal audit system shall be implemented upon approval by the board of directors and publicly disclosed.

The internal audit function shall conduct supervision and inspection of the Company's business operations, risk management, internal controls, and financial information. The internal audit function shall report directly to the board of directors.

In performing its duties, the internal audit function shall accept the oversight and guidance of the audit committee. Upon identifying material issues or leads, the internal audit function shall immediately report directly to the audit committee.

The internal audit function shall be responsible for organizing and implementing the Company's internal control evaluation process. The Company shall prepare its annual internal control evaluation report based on assessment reports and supporting materials issued by the internal audit function and reviewed by the audit committee.

The internal audit function shall provide active cooperation and necessary support to facilitate communications between the audit committee and external auditors including accounting firms and state audit authorities.

The audit committee shall participate in the performance evaluation of the head of the internal audit function.

APPOINTMENT OF ACCOUNTING FIRM

The company shall engage an accounting firm qualified under the PRC Securities Law to conduct financial statement audits, net asset verification and other related consulting services, with the engagement period being one year and renewable.

The appointment or dismissal of an accounting firm shall be decided by the shareholders' meeting. The board of directors shall not appoint any accounting firm prior to the shareholders' meeting's decision.

The company shall ensure providing the engaged accounting firm with true and complete accounting vouchers, accounting books, financial accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The audit fees of the accounting firm shall be determined by a simple majority vote of the shareholders' meeting.

When the company proposes to dismiss or not renew the engagement of an accounting firm, it shall give the accounting firm thirty days' prior notice. The accounting firm shall be allowed to present its views when the shareholders' meeting votes on the dismissal.

If the accounting firm proposes to resign, it shall explain to the shareholders' meeting whether there are any improper circumstances involving the company.

MERGERS, DIVISIONS, CAPITAL INCREASES AND CAPITAL REDUCTIONS OF THE COMPANY

The Company may conduct mergers either by absorption or by new establishment. A merger by absorption occurs when one company absorbs another company, with the absorbed company being dissolved. A merger by new establishment occurs when two or more companies merge to form a new company, with all merging parties being dissolved.

When the Company merges with a company in which it holds more than ninety percent of the shares, the merged company is not required to obtain a resolution from its shareholders' meeting, but shall notify other shareholders, who have the right to request the Company to purchase their equity or shares at a reasonable price. A merger involving payment not exceeding ten percent of the company's net assets may proceed without a shareholders' meeting resolution, unless otherwise stipulated in the Articles of Association, the stock exchange where the Company's shares are [**REDACTED**], or the securities regulatory authority. If a merger under the preceding two paragraphs does not require a shareholders' meeting resolution, it shall be approved by a board resolution.

In a merger, the merging parties shall enter into a merger agreement and prepare a balance sheet and an inventory of assets. The Company shall notify creditors within ten days from the date of the merger resolution and make a public announcement in newspapers or the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統) within thirty days. Creditors may, within thirty days from the date of receiving the notice or within forty-five days from the date of the announcement if no notice is received, demand that the Company repay its debts or provide corresponding guarantees.

In a merger, the claims and debts of the merging parties shall be assumed by the surviving company or the newly established company.

In a division, the Company's assets shall be divided accordingly. The Company shall prepare a balance sheet and an inventory of assets. The Company shall notify creditors within ten days from the date of the division resolution and make a public announcement in newspapers or the National Enterprise Credit Information Publicity System within thirty days.

The pre-division debts of the Company shall be jointly assumed by the post-division companies, unless otherwise agreed in a written agreement between the Company and its creditors prior to the division.

When the Company reduces its registered capital, it shall prepare a balance sheet and an inventory of assets. The Company shall notify creditors within ten days from the date of the shareholders' meeting resolution on capital reduction and make a public announcement in newspapers or the National Enterprise Credit Information Publicity System within thirty days. Creditors may, within thirty days from the date of receiving the notice or within forty-five days from the date of the announcement if no notice is received, demand that the Company repay its debts or provide corresponding guarantees. The reduction of registered capital shall proportionally reduce the capital contributions or shares held by shareholders, unless otherwise stipulated by law or the Articles of Association.

If the Company still has losses after making up for them in accordance with Article 169(2) of the Articles of Association, it may reduce its registered capital to cover the losses. In such case, the Company shall not distribute to shareholders or exempt them from their obligations to make capital contributions or pay for shares. A capital reduction under this paragraph shall not be subject to Article 169(2), but the Company shall make a public announcement in newspapers or the National Enterprise Credit Information Publicity System within thirty days from the date of the shareholders' meeting resolution. After a capital reduction under the preceding two paragraphs, the Company shall not distribute profits until the accumulated statutory reserve and discretionary reserve reach fifty percent of the registered capital.

If the registered capital is reduced in violation of the PRC Company Law or other relevant regulations, shareholders shall return the funds received, and any reduction or exemption of shareholder contributions shall be restored; if the Company suffers losses, the shareholders and responsible directors and senior management personnel shall be liable for compensation.

When the Company issues new shares to increase its registered capital, shareholders shall not have preemptive rights, unless otherwise stipulated in the Articles of Association or resolved by the shareholders' meeting.

In case of a merger or division, if registration matters change, the Company shall complete the change registration with the Company registration authority in accordance with the law; if the Company is dissolved, it shall complete the deregistration in accordance with the law; if a new Company is established, it shall complete the establishment registration in accordance with the law. An increase or decrease in registered capital shall be registered with the Company registration authority in accordance with the law

DISSOLUTION AND LIQUIDATION OF THE COMPANY

The company shall be dissolved for the following reasons:

(1) expiration of the business term specified in the Articles of Association or occurrence of other dissolution events stipulated herein;

(2) dissolution resolved by the shareholders' meeting;

(3) dissolution required due to merger or division of the company;

(4) revocation of business license, compulsory closure or cancelation in accordance with law;

(5) when serious difficulties occur in the company's operation and management, continuing its existence would cause significant harm to shareholders' interests, and such difficulties cannot be resolved through other means, shareholders holding ten percent or more of the voting rights may petition the people's court to dissolve the company. Where any dissolution event specified in the preceding paragraph occurs, the company shall publicize the dissolution cause through the National Enterprise Credit Information Publicity System within ten days.

The Company may continue its existence by amending the Articles of Association or through a resolution of the shareholders' meeting if it falls under items (1) or (2) mentioned above and has not yet distributed assets to shareholders. Any amendment to the Articles of Association or resolution of the shareholders' meeting pursuant to the preceding paragraph shall require approval by at least two-thirds of the voting rights held by shareholders present at the shareholders' meeting.

Where the Company is dissolved under items (1), (2), (4), or (5) mentioned above, it shall undergo liquidation. The directors shall be the liquidation obligors and shall form a liquidation group within fifteen days from the date the dissolution cause arises. The liquidation group shall consist of directors, unless otherwise stipulated in the Articles of Association or resolved by the shareholders' meeting to appoint other persons. Liquidation obligors who fail to perform their liquidation duties in a timely manner and thereby cause losses to the company or creditors shall be liable for compensation.

During the liquidation period, the liquidation group shall exercise the following powers and functions:

(1) liquidating company assets and preparing separate balance sheets and inventories of property;

(2) notifying and announcing to creditors;

(3) handling unfinished business related to the liquidation;

(4) paying outstanding taxes and taxes incurred during the liquidation process;

(5) settling claims and debts;

(6) distributing remaining assets after debt repayment;

(7) representing the company in civil litigation activities.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall amend its Articles of Association under any of the following circumstances:

(1) when provisions of the Articles of Association conflict with amended laws, administrative regulations or the Listing Rules following revisions to the PRC Company Law or other applicable laws and regulations;

(2) when changes in the Company's circumstances become inconsistent with matters recorded in the Articles of Association;

(3) when the shareholders' meeting resolves to amend the Articles of Association.

Where amendments to the Articles of Association adopted by resolution of the shareholders' meeting require approval from competent authorities, such amendments shall be submitted for regulatory approval. Amendments involving Company registration matters shall undergo change registration in accordance with law.

The board of directors shall revise the Articles of Association in accordance with the shareholders' meeting resolution on amendments and the approval opinions of relevant competent authorities.

Amendments to the Articles of Association that constitute information required to be disclosed under laws, regulations or the securities regulatory authority in the jurisdiction of the Company's stock [**REDACTED**] shall be publicly announced as prescribed.

A. FURTHER INFORMATION ABOUT THE COMPANY

1. Incorporation of Our Company

The Company was established as a limited liability company under the laws of the PRC on March 26, 2013 and was converted into a joint stock company with limited liability on November 11, 2014. As at the Latest Practicable Date, the registered share capital of our Company was RMB57,000,000.

The Company has established a place of business in Hong Kong at 46/F, Hopewell Center, 183 Queen's Road East, Wan Chai, Hong Kong. The Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and the Companies (Non-Hong Kong Companies) Regulation (Chapter 622J of the Laws of Hong Kong) on [●], with Ms. Leung Hoi Yan (梁愷欣) appointed as the Hong Kong authorized representative of the Company for acceptance of the service of process and any notices required to be served on the Company in Hong Kong.

As the Company was incorporated in the PRC, its operations are subject to the relevant laws and regulations of the PRC. A summary of the relevant aspects of laws and regulations of the PRC and the Articles of Association is set out in Appendix V and Appendix VI, respectively.

2. Changes in the Share Capital of the Company

Please refer to the section headed "History, Development and Corporate Structure" for changes in the share capital of the Company.

Save as disclosed above, there has been no alteration in the share capital of the Company within two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

Save as disclosed in "6. Our Subsidiaries" below, there has been no changes in the share capital of the Company's subsidiaries during the two years immediately preceding the date of this document.

4. Resolutions Passed by Our Shareholders' General Meeting in Relation to the [**REDACTED**]

At the extraordinary general meeting of the Shareholders held on April 30, 2025, the following resolutions, among other things, were duly passed:

(i) the issue by the Company of H Shares with a nominal value of RMB1.00 each and such H Shares be [**REDACTED**] on the Stock Exchange;

(ii) the number of H shares to be issued shall be no more than [**REDACTED**]% of the total issued share capital upon the [**REDACTED**] (before the exercise of the [**REDACTED**]), and the grant of the [**REDACTED**] in respect of no more than [**REDACTED**]% of the number of H Shares issued pursuant to the [**REDACTED**];

(iii) authorization of the Board or its authorized individual to handle all matters relating to, among other things, the [**REDACTED**], the issue and [**REDACTED**] of H Shares on the Stock Exchange; and

(iv) subject to the completion of the [**REDACTED**], the conditional adoption of the revised Articles of Association, which shall become effective on the [**REDACTED**].

5. Restrictions on Repurchase

Please refer to Appendices IV and V to this document for details.

6. Our Subsidiaries

So far as is known to any Director or chief executive of the Company, as at the Latest Practicable Date, no person is directly or indirectly interested in 10% or more of the issued voting shares of the subsidiary of the Company.

On July 17, 2024, Xijiang Gold Shop was incorporated in the PRC as a limited liability company with a share capital of RMB1 million.

In October 2024, the registered capital of Huanxi Xiaojiang decreased from RMB5 million to RMB1 million.

Save as disclosed above, there has been no alteration in the share capital of our subsidiaries within two years immediately preceding the date of this document.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of Material Contract

The Group has entered into the following contract (not being contract entered into in the ordinary course of business) within the two years immediately preceding the date of this document that is or may be material:

(a) the [**REDACTED**].

2. Intellectual Property

As at the Latest Practicable Date, the following intellectual property rights are material to the Group's business:

(a) Trademarks

As at the Latest Practicable Date, the Group had registered the following trademarks which are material to its business:

No.	Trademark	Class	Registered owner	Place of registration	Registration number	Expiry date (Year/Month/ Date)
1. .	铜师傅	6	Our Company	PRC	62218374	2032-07-20
2. .	TONGSHIFU	6	Our Company	PRC	62230472	2032-07-20
3. .		6	Our Company	PRC	34254242	2030-07-13
4. .	欢喜小将	28	Our Company	PRC	41681075	2030-06-27
5. .	太 铜	6	Our Company	PRC	12458502	2034-09-27
6. .		6	Our Company	PRC	54111387	2031-10-13
7. .		6	Our Company	PRC	33559554	2029-08-20
		14	Our Company	PRC	33552399	2029-06-20
8. .	玺 匠	6	Our Company	PRC	15860442	2026-02-06
9. .	玺匠金铺	14	Our Company	PRC	79108108	2035-02-06
10 .	阅银	14	Our Company	PRC	58089672	2032-01-27
11 .		20	Our Company	PRC	62234601	2032-09-20
12 .		20	Our Company	PRC	62234435	2032-09-20
13 .	TONGSHIFU 铜师傅	6, 16, 35	Our Company	EU	018926127	2033-09-15
14 .	TONGSHIFU 铜师傅	6, 16, 35	Our Company	UK	UK00003957151	2033-09-15

As at the Latest Practicable Date, the Group is in the course of registering the following trademarks which are material to its business:

No.	Trademark	Class	Applicant	Place of application	Application number	Application date (Year/Month/Date)
1. . . .	欢喜小将	6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45	Our Company	Hong Kong	306774724	2025-01-06
2. . . .	玺匠	6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45	Our Company	Hong Kong	306774733	2025-01-06
3. . . .	铜师傅	6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45	Our Company	Hong Kong	306774742	2025-01-06
4. . . .	TONGSHIFU	6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45	Our Company	Hong Kong	306774751	2025-01-06
5. . . .	铜师傅	6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45	Our Company	Hong Kong	306774760	2025-01-06
6. . . .		6, 9, 11, 14, 16, 19, 20, 21, 28, 35, 36, 40, 41, 42, 45	Our Company	Hong Kong	306823729	2025-02-28

(b) Domain Names

As at the Latest Practicable Date, the Group had registered the following domain names which are material to its business:

No.	Domain Name	Registered owner	Expiry date (Year/Month/Date)
1. . . .	brassmaster.cn	Our Company	2025-07-24
2. . . .	brassmaster.com.cn	Our Company	2025-07-24
3. . . .	brassmaster.mobi	Our Company	2025-07-16
4. . . .	tongshifu.com.cn	Our Company	2026-04-08
5. . . .	tongshifu.com	Our Company	2026-06-17

(c) Patents

As at the Latest Practicable Date, the Group had registered the following patents which are material to its business:

No.	Patent	Type	Patent holder	Jurisdiction of registration	Patent number	Application date (Year/ Month/Date)	Duration of patent right
1.	Handicraft having relief effect and manufacture method thereof (一種具有浮雕效果的工藝品及其製作方法)	Invention	Our Company	PRC	2010101119185	2010-02-23	20 years from the application date
2.	Multi-working-procedure clamp (一種多工序夾具)	Invention	Our Company	PRC	2020100244533	2020-01-10	20 years from the application date
3.	Manufacturing process of blue and white porcelain copper handicrafts (一種青花瓷銅工藝品的製作工藝)	Invention	Our Company	PRC	2021110534310	2021-09-09	20 years from the application date
4.	Fragrance bottle (一種香薰瓶)	Utility Model	Our Company	PRC	2021221706570	2021-09-09	10 years from the application date
5.	Damp-proof picture frame (防潮畫框)	Utility Model	Our Company	PRC	2020223532278	2020-10-21	10 years from the application date
6.	Structure that copper and wood combine (一種銅與實木結合的筆結構)	Utility Model	Our Company	PRC	2016209245969	2016-08-24	10 years from the application date
7.	Damp-proof red copper tea caddy (一種防潮紫銅茶葉罐)	Utility Model	Our Company	PRC	2024206162028	2024-03-28	10 years from the application date
8.	Ornament (Serene Guanyin 1020063) (擺件(自在觀音1020063))	Design	Our Company	PRC	2022302077785	2022-04-13	15 years from the application date
9.	Ornament (Great Sage Equal to Heaven) (擺件(齊天大聖))	Design	Our Company	PRC	2023306677044	2023-10-16	15 years from the application date
10.	Ornament (5010132 Floral Silk Gourd) (擺件(5010132花絲葫蘆))	Design	Our Company	PRC	2024302058641	2024-04-12	15 years from the application date
11.	Ornament (Floral Blossoms Bring Prosperity 5060016) (擺件(花開富貴5060016))	Design	Our Company	PRC	2022306393404	2022-09-27	15 years from the application date
12.	Ornament (Manjusri Bodhisattva) (擺件(文殊菩薩))	Design	Our Company	PRC	2021305146142	2021-08-10	15 years from the application date
13.	Craft (Wang Xizhi) (工藝品(王羲之))	Design	Our Company	PRC	202130497053X	2021-08-03	15 years from the application date
14.	Ornament (Li Bai) (擺件(李白))	Design	Our Company	PRC	2021305484153	2021-08-23	15 years from the application date

No.	Patent	Type	Patent holder	Jurisdiction of registration	Patent number	Application date (Year/ Month/Date)	Duration of patent right
15. .	Ornament (Little God of Wealth) (擺件(小財神))	Design	Our Company	PRC	2021305145972	2021-08-10	15 years from the application date
16. .	Ornament (Auspicious Blessings Persimmon 3030057) (擺件(事事如意 3030057))	Design	Our Company	PRC	2022304397059	2022-07-12	15 years from the application date
17. .	Ornament (Five Tiger Generals: Zhao Yun) (擺件(五虎上將之趙雲))	Design	Our Company	PRC	2022305254052	2022-08-12	15 years from the application date
18. .	Ornament (Dragon King) (擺件(龍王))	Design	Our Company	PRC	202230035186X	2022-01-19	15 years from the application date
19. .	Ornament (Double Joy of Fortune) (擺件(喜事連連))	Design	Our Company	PRC	2021308797412	2021-12-31	15 years from the application date
20. .	Tea Caddy (Auspicious Persimmon) (茶葉罐(柿柿如意))	Design	Our Company	PRC	2021308797592	2021-12-31	15 years from the application date
21. .	Ornament (Golden Toad) (擺件(金蟾))	Design	Our Company	PRC	2022300862189	2022-02-22	15 years from the application date
22. .	Craft (Guan Yu with Nine Dragons) (工藝品(九龍關公))	Design	Our Company	PRC	2021304264353	2021-07-07	15 years from the application date
23. .	Craft (Bull Market) (工藝品(牛市))	Design	Our Company	PRC	2021302716233	2021-05-08	10 years from the application date
24. .	Ornament (Sublime Peaks and Flowing Streams 3010918) (擺件(高山流水 3010918))	Design	Our Company	PRC	2022306393419	2022-09-27	15 years from the application date
25. .	Ornament (Big Mouth Pixiu) (擺件(大嘴貔貅))	Design	Our Company	PRC	2021308774105	2021-12-31	15 years from the application date
26. .	Ornament (Wealth on a Horse) (擺件(馬上有錢))	Design	Our Company	PRC	2021306706480	2021-10-13	15 years from the application date
27. .	Ornament (Huanhuan) (擺件(歡歡))	Design	Our Company	PRC	2021308410556	2021-12-20	15 years from the application date
28. .	Ornament (Vassal Title Granting) (擺件(封侯拜相))	Design	Our Company	PRC	2021308216503	2021-12-13	15 years from the application date
29. .	Ornament (2020038 Five Jambhalas) (擺件(2020038五路財神))	Design	Our Company	PRC	2023300847662	2023-03-01	15 years from the application date
30. .	Ornament (Zhao Gongming, the God of Wealth) (擺件(財神趙公明))	Design	Our Company	PRC	202130514578X	2021-08-10	15 years from the application date

(d) Copyrights

As at the Latest Practicable Date, the Group had registered the following copyrights which are material to its business:

No.	Title of work	Copyrighter	Registration number	Registration date (Year/Month/ Date)
1. . .	A Thousand Miles of Rivers and Mountains (千里江山)	Our Company	Guo Zuo Deng Zi-2020-F-01031078	2020-05-07
2. . .	Time Refines Excellence, the Universe Captured in Copper (醇厚千年 萬象入銅)	Our Company	Guo Zuo Deng Zi-2021-F-00144484	2021-06-29
3. . .	Original Character Design Drawing for Huanxi Xiaojiang (歡喜小將文字獨創設計圖)	Our Company	Guo Zuo Deng Zi-2020-F-01192360	2020-12-10
4. . .	Tai Tong Vermilion Bird Emblem (太銅朱雀標誌)	Our Company	Guo Zuo Deng Zi-2021-F-00091681	2021-04-23
5. . .	Tongshifu (銅師傅)	Our Company	Guo Zuo Deng Zi-2019-F-00816561	2019-11-28
6. . .	"Thousand-Hand Guanyin" Painting (《千手觀音》美術畫)	Our Company	Zhe Zuo Deng Zi 11-2023-F-7587	2023-03-31
7. . .	"Zhao Gongming" Sculpture (《趙公明》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-7586	2024-01-09
8. . .	"Promising Future" Sculpture (《前程似錦》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-7578	2023-03-31
9. . .	"Bellwether" Sculpture (《領頭羊》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-7577	2023-03-31
10. .	"Wealth Overflow Baoding Ball" Sculpture (《財源滾滾健身球》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-7576	2023-03-31
11. .	"Five Jambhalas" Sculpture (《五路財神》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-6029	2023-03-17
12. .	"Black Whirlwind – Li Kui" Sculpture (《黑旋風-李逵》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-1519	2023-01-14
13. .	"Zodiac Goat" Sculpture (《十二生肖羊》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-1516	2023-01-14
14. .	"Fresh Bamboo Herald of Peace" Sculpture (《新竹報平安》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-1502	2023-01-14
15. .	"Triumph in Every Campaign" Artistic Work (《百戰百勝》美術作品)	Our Company	Zhe Zuo Deng Zi 11-2022-F-41695	2022-11-22
16. .	"Festivity Overflowing Household" Painting (《喜氣盈門》美術畫)	Our Company	Zhe Zuo Deng Zi 11-2022-F-38098	2022-11-04

No.	Title of work	Copyrighter	Registration number	Registration date (Year/Month/Date)
17. . .	"Sublime Peaks and Flowing Streams" Sculpture (《高山流水》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2022-F-34078	2022-10-10
18. . .	"Floral Blossoms Bring Prosperity" Sculpture (《花開富貴》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2022-F-34076	2022-10-10
19. . .	"Five Tiger Generals: Guan Yu" Sculpture (《五虎上將之關公》雕塑)	Our Company	Zhe Zuo Deng Zi 11-2022-F-27932	2022-08-16
20. . .	"Cosmic Righteousness" Sculpture (《義薄雲天》雕塑)	Our Company	Zhe Zuo Deng Zi 11-2022-F-27589	2022-08-12
21. . .	"Nine Carps Converging Wealth" Painting (九魚聚財美術畫)	Our Company	Zhe Zuo Deng Zi 11-2022-F-8275	2022-04-08
22. . .	"Auspicious Elephant II" Painting (吉象之二美術畫)	Our Company	Zhe Zuo Deng Zi 11-2022-F-8274	2022-04-08
23. . .	"Neo-Great Sage" Sculpture (新款大聖雕塑)	Our Company	Zhe Zuo Deng Zi 11-2022-F-5786	2022-03-03
24. . .	"Honey Badger" Sculpture (平頭哥雕塑)	Our Company	Zhe Zuo Deng Zi 11-2022-F-5539	2022-03-01
25. . .	"Vassal Title Granting" Sculpture (封侯拜相雕塑)	Our Company	Zhe Zuo Deng Zi 11-2022-F-3742	2022-02-10
26. . .	"Zhong Kui" Sculpture (鍾馗雕塑)	Our Company	Zhe Zuo Deng Zi 11-2022-F-2916	2022-01-26
27. . .	"Lin Chong" Sculpture (林沖雕塑)	Our Company	Zhe Zuo Deng Zi 11-2022-F-2915	2022-01-26
28. . .	"Omnidirectional Auspiciousness" Sculpture (諸事大吉雕塑)	Our Company	Zhe Zuo Deng Zi 11-2022-F-2079	2022-01-20
29. . .	"Neo-Magpie Perches upon a Branch" Sculpture (喜上眉梢新款雕塑)	Our Company	Zhe Zuo Deng Zi 11-2022-F-2077	2022-01-20
30. . .	"Adorable Manjusri Bodhisattva" Sculpture (萌版文殊菩薩雕塑)	Our Company	Zhe Zuo Deng Zi 11-2021-F-30943	2021-09-29
31. . .	"Wang Xizhi" Sculpture (王羲之雕塑)	Our Company	Zhe Zuo Deng Zi 11-2021-F-26272	2021-08-26
32. . .	"Fame and Fortune" Sculpture (名利雙收雕塑)	Our Company	Zhe Zuo Deng Zi 11-2021-F-20367	2021-07-26
33. . .	"Western Trinity: Mahasthamaprapta Bodhisattva" Sculpture (西方三聖之大勢至菩薩雕塑)	Our Company	Zhe Zuo Deng Zi 11-2021-F-19016	2021-07-15
34. . .	"Guan Yu"Sculpture (關公雕塑)	Our Company	Zhe Zuo Deng Zi 11-2021-F-16845	2021-06-21
35. . .	"Deer Bring Success" Sculpture (鹿鹿大順雕塑)	Our Company	Zhe Zuo Deng Zi 11-2021-F-16836	2021-06-21

No.	Title of work	Copyrighter	Registration number	Registration date (Year/Month/Date)
36. . .	"Andalusian Horse" Sculpture (安達盧西亞馬雕塑)	Our Company	Zhe Zuo Deng Zi 11-2021-F-13266	2021-05-26
37. . .	"Pixiu: Quadrant Wealth Convergence" Sculpture (貔貅之四方來財雕塑)	Our Company	Zhe Zuo Deng Zi 11-2021-F-12623	2021-05-20
38. . .	"Eternal Loyalty and Righteousness" Sculpture (忠義千秋雕塑)	Our Company	Zhe Zuo Deng Zi 11-2020-F-21227	2020-10-26
39. . .	"Nine Carps Converging Wealth" Traditional Painting (《九魚聚財》國畫)	Our Company	Zhe Zuo Deng Zi 11-2020-F-21208	2020-10-26
40. . .	"Filigree Ruyi Scepter" Sculpture (《花絲如意》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-20088	2024-07-10
41. . .	"Cosmic Integrity (Revised Edition)" Sculpture (《乾坤正氣(改款)》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-20093	2024-07-10
42. . .	"Floral Silk Gourd" Sculpture (《花絲葫蘆》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-20095	2024-07-10
43. . .	"Jiang Taigong Angling Sage" Sculpture (《姜太公釣魚》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-16146	2024-06-21
44. . .	"Navigating Stormy Seas" Sculpture (《乘風破浪》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-16175	2024-06-21
45. . .	"Dragon Gate Leaping Fish" Sculpture (《魚躍龍門》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-13081	2024-05-25
46. . .	"Celestial Patron of Literature" Sculpture (《文曲星》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-12050	2024-05-15
47. . .	"Myriad Blessings Gourd" Sculpture (《百福葫蘆》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-10873	2024-04-29
48. . .	"The Imperial Palace-style Dragon Relief" Sculpture (《故宮龍形浮雕》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-4480	2024-02-07
49. . .	"Zhuangzi's Butterfly Dream" Sculpture (《莊周夢蝶》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-3722	2024-01-31
50. . .	"Zhang Sanfeng" Sculpture (《張三豐》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-1951	2024-01-18
51. . .	"Gong Xi Fa Cai Jambhala" Sculpture (《恭喜發財財神》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-571	2024-01-09
52. . .	"Panda Wang Fugui: Rock 'n' Roll Lifestyle" Sculpture (《熊貓王富貴之搖滾人生》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2024-F-823	2024-01-09

No.	Title of work	Copyrighter	Registration number	Registration date (Year/Month/ Date)
53. . .	"Flying Apsara: Konghou Harp" Sculpture (《飛天之箜篌》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-36678	2023-10-31
54. . .	"Vassal Title Granting" Sculpture (《封侯拜相》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-27586	2023-08-29
55. . .	"Single-Reed River Crossing" Sculpture (《一葦渡江》雕塑作品)	Our Company	Zhe Zuo Deng Zi 11-2023-F-25727	2023-08-24
56. . .	"Legendary Great Sage" Sculpture (《大聖之傳奇》雕塑作品)	Our Company	Zhe Zuo Deng Zi-2024-F-00022791	2024-07-31
57. . .	"Wukong" Painting (《悟空》美術畫)	Our Company	Zhe Zuo Deng Zi-2024-F-00026907	2024-09-03
58. . .	"Nostalgic Cloth Tiger (Ruyi Orange)" Sculpture (《記憶中的布老虎(如意橙)》雕塑作品)	Our Company	Zhe Zuo Deng Zi-2024-F-00028174	2024-09-13
59. . .	"Yi Ethnic" Painting (《彝族》美術畫)	Our Company	Zhe Zuo Deng Zi-2024-F-00039310	2024-12-09
60. . .	"Blue-and-White Porcelain and Maiden" Sculpture (《青花瓷少女》雕塑作品)	Our Company	Zhe Zuo Deng Zi-2024-F-00040320	2024-12-18
61. . .	Lotus-Throned Serene Guanyin (荷花自在觀音)	Our Company	Zhe Zuo Deng Zi-2024-F-00040415	2024-12-18
62. . .	"Sui-Tang Dynasty Heroes: Cheng Yaojin" Sculpture (《隋唐英雄程咬金》雕塑作品)	Our Company	Zhe Zuo Deng Zi-2024-F-00044955	2024-12-31
63. . .	"Lu Zhishen" Sculpture (《魯智深》雕塑作品)	Our Company	Zhe Zuo Deng Zi-2025-F-00001014	2025-01-17
64. . .	"Filigree Hoop Tea Caddy" Sculpture (《緊箍茶葉罐》雕塑作品)	Our Company	Zhe Zuo Deng Zi-2025-F-00002859	2025-02-28

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interest

(a) Interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of our Company and our associated corporations

The following table sets out the interests and short positions of our Directors and chief executive of our Company immediately following completion of the [**REDACTED**] (without taking into account the H Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]) in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, once our H Shares are [**REDACTED**]:

Name	Capacity/ Nature of Interest	Class of Shares held after the [REDACTED]	Number of Shares	Approximate percentage of shareholding in the relevant class of Shares upon completion of the [REDACTED] (assuming no exercise of the [REDACTED])[1]	Approximate percentage of shareholding in the issued share capital of our Company after the [REDACTED] (assuming no exercise of the [REDACTED][1]
Mr. Yu[2]	Beneficial Interest	H Shares	[REDACTED] (L)	[**REDACTED**]%	[**REDACTED**]%
Xiao Feng (肖峰)[2] . .	Beneficial Interest	H Shares	[REDACTED] (L)	[**REDACTED**]%	[**REDACTED**]%
He Yun (何贇)[2] . . .	Beneficial Interest	H Shares	[REDACTED] (L)	[**REDACTED**]%	[**REDACTED**]%
Luo Renxiang (羅仁祥)[2]. .	Beneficial Interest	H Shares	[REDACTED] (L)	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) The calculation is based on the total number of [**REDACTED**] Shares, consisting of [**REDACTED**] Domestic Unlisted Shares and [**REDACTED**] H Shares) in issue immediately after completion of the [**REDACTED**] (without taking into account the H Shares which may be issued upon the exercise of the [**REDACTED**]).

(2) Mr. Yu, Mr. Xiao Feng, Mr. He Yun and Mr. Luo Renxiang are our Directors.

(3) The letter (L) denotes the person's long position in the Shares.

(b) Interests of the substantial shareholders in the Shares

Save as disclosed in the section headed "Substantial Shareholders" of this document, immediately following the completion of the [**REDACTED**] and without taking into account any Shares which may be issued pursuant to the exercise of the [**REDACTED**], our Directors are not aware of any other person (not being a Director or chief executive of our Company) who will have an interest or short position in the Shares or the underlying Shares which would fall to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the issued voting shares of our Company.

2. Particulars of the Directors' Service Contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we will enter into a contract with each of our Directors in respect of, among other things (i) compliance of relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions on arbitration.

Save as disclosed above, none of the Directors has entered into any service contracts as a director with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors

For details of the remuneration of Directors, see "Directors and Senior Management – Emolument of Directors and Senior Management" and note 10 in "Appendix I – Accountant's Report" to this document.

4. Agency fees or commissions received

Save as disclosed in this section, no commissions, discounts, agency fee, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this document.

5. Disclaimers

(a) Save as disclosed in "Substantial Shareholders" and "C. Further information about our Directors and Substantial Shareholders" of this section, none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or debentures of us or any of our associated corporations (within the meaning of Part XV the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to us and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers once the H Shares are [**REDACTED**] on the Stock Exchange;

(b) Save as disclosed in "Substantial Shareholders" and "C. Further information about our Directors and Substantial Shareholders" of this section, none of our Directors is a director or employee of a company which is expected to have an interest in the Shares falling to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once the H Shares are [**REDACTED**] on the Stock Exchange;

(c) None of the Directors nor any of the experts referred to in "D. Other Information – 8. Qualifications and Consents of Experts" below:

  (i) 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; or

  (ii) 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;

(d) Save in connection with the [**REDACTED**], none of the Directors nor any of the experts referred to in "D. Other Information – 8. Qualifications and Consents of Experts" below:

  (i) interested legally or beneficially in any shares in any member of our Group; or

  (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group;

(e) So far as is known to the Directors, none of the Directors or their associates or any Shareholders who are expected to be interested in 5% or more of the issued share capital of the Company has any interest in the top five customers or our top five suppliers of the Group.

D. OTHER INFORMATION

1. Estate Duty

The Directors have been advised that no material liability for estate duty is likely to fall on the Group.

2. Litigation

As of the Latest Practicable Date, the Company was not engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was 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.

3. The Sole Sponsor's Independence

The Sole Sponsor has made an application on our behalf to the Listing Committee for [**REDACTED**] of, and permission to [**REDACTED**] in, the H Shares, including any additional [**REDACTED**] which may be issued pursuant to the exercise of the [**REDACTED**]. All necessary arrangements have been made enabling the H Shares to be admitted into [**REDACTED**]. The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of USD600,000 for acting as the sponsor for the [**REDACTED**].

4. Compliance Adviser

The Company has appointed Innovax Capital Limited as the compliance adviser upon [**REDACTED**] in compliance with Rules 3A.19 and 19A.05 of the Listing Rules.

5. Preliminary Expenses

The Company has not incurred any material preliminary expenses.

6. Taxation of holder of H Shares

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 our Shares being sold or transferred. For further details in relation to taxation, please refer to Appendix IV to this document.

7. Promoters

Our promoters comprised of 16 of our then Shareholders immediately before our conversion into a joint stock limited liability company on November 11, 2014:

No.	Name of promoters
1.	Mr. Yu
2.	Yang Feng (楊風)
3.	Li Li (李麗)
4.	He Yun (何贇)
5.	Luo Renxiang (羅仁祥)
6.	Liang Yuehua (梁越華)
7.	Lu Huahua (盧華華)
8.	Wang Qiuxia (王秋霞)
9.	Lv Liang (呂亮)
10.	Xu Wei (徐偉)
11.	Ding Hongliang (丁紅良)
12.	Yu Qing (俞清)
13.	Xu Yan (徐燕)
14.	Li Gan (李淦)
15.	Huang Nannan (黃楠楠)
16.	Li Xifang (李希芳)

Within the two years immediately preceding the date of this document, no cash, securities, amount or benefit has been paid, allotted or given, or has been proposed to be paid, allotted or given, to any of the promoters named above in connection with the [**REDACTED**] or the related transactions described in this document.

8. Qualifications and Consents of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) which have given opinions or advice in, or referred to in, this document are as follows:

Name of Expert	Qualifications
CMB International Capital Limited	A licensed corporation to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants (Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance)
JunHe LLP	Legal advisers as to PRC laws to our Company
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultant
Cushman & Wakefield Limited . .	Property valuer

Each of the experts listed above has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or references to its name and qualifications included herein in the form and context in which they respectively appear.

9. Binding Effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided in Section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since December 31, 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

12. Miscellaneous

(a) Save as disclosed in this section, within the two years preceding the date of this document, no share or loan capital of the Company or any of its subsidiary has been issued or has been agreed to be issued fully or partly paid either for cash or for a consideration other than cash.

(b) No Share or loan capital of the Company or any of its subsidiary is under option or is agreed conditionally or unconditionally to be put under option.

(c) No founder, management or deferred shares of the Company or any of its subsidiary have been issued or have been agreed to be issued.

(d) Our Company has no outstanding convertible debt securities or debentures.

(e) None of the experts listed under "– 8. Qualifications and Consents of Experts":

   (i) is interested beneficially or non-beneficially in any shares in any member of the Group; or

   (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group save in connection with the [**REDACTED**].

(f) There are no procedures for the exercise of any right of pre-emption or transferability of subscription rights.

(g) There are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business.

(h) The English text of this document shall prevail over their respective Chinese text.

(i) There is no arrangement under which future dividends are waived or agreed to be waived.

(j) There has not been any interruption in the business of the Group which may have or has had a significant effect on the financial position of the Group in the 12 months preceding the date of this document.

(k) Our Company is not presently [**REDACTED**] on any stock exchange or traded on any trading system.

(l) None of our equity and debt securities is presently [**REDACTED**] on any stock exchange or traded on any trading system and no such [**REDACTED**] or permission to [**REDACTED**] is being or is proposed to be sought.

(m) Our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited liability company and does not expect to be subject to the Law of the PRC on Sino-foreign Equity Joint Ventures.

(n) There are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from overseas.

DOCUMENTS DELIVERED TO THE REGISTRAR 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 the material contract referred to in "Appendix VII – Statutory and General Information – B. Further Information about the Business – 1. Summary of Material Contract"; and

(b) the written consents referred to in "Appendix VII – Statutory and General Information – D. Other information – 8. Qualifications and Consents of Experts."

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.tongshifu.com** during a period of 14 days from the date of this document:

(a) the Articles of Association;

(b) the Accountants' Report, the unaudited interim financial information and the report on the unaudited [**REDACTED**] financial information prepared by Deloitte Touche Tohmatsu, the texts of which are set out in "Appendix I – Accountants' Report" and "Appendix II – Unaudited [**REDACTED**] Financial Information," respectively;

(c) the audited consolidated financial statements of the Group for the financial years ended December 31, 2022 and 2023 and 2024;

(d) the PRC legal opinion from JunHe LLP, the Company's PRC legal adviser, in respect of, among other things, the general matters of the Company and the property interests of our Group in the PRC;

(e) the industry report prepared by F&S, the summary of which is set out in "Industry Overview";

(f) the letter, summary of valuations relating to the property interests of our Group prepared by Cushman & Wakefield Limited, the text of which are set out in "Appendix III – Property Valuation Report";

(g) the PRC Company Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies together with their unofficial English translations;

(h) the service contracts between each of the Directors and the Company referred to in "Appendix VII – Statutory and General Information";

(i) the material contract referred to in "Appendix VII – Statutory and General Information – B. Further Information about the Business – 1. Summary of Material Contract"; and

(j) the written consents referred to in "Appendix VII – Statutory and General Information – D. Other information – 8. Qualifications and Consents of Experts".