Application Proof of

Shenzhen Hipine Precision Technology Co., Ltd.
(深圳西普尼精密科技股份有限公司)

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

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HIPINE

SHENZHEN HIPINE PRECISION TECHNOLOGY CO., LTD.
深圳西普尼精密科技股份有限公司

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

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] H Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] H Shares (subject to [REDACTED] and the [REDACTED])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] (payable in full on [REDACTED] in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%) and expected to be not less than HK$[REDACTED] per [REDACTED]**
Nominal Value	**:**	**RMB1.00 per H Share**
[REDACTED]	**:**	**[REDACTED]**

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OVERVIEW

We are a leading designer, manufacturer and brand-owner of precious metal watches in China. During the Track Record Period, our revenue was primarily derived from the sales of precious metal watches designed and manufactured under our flagship proprietary brand "HIPINE" (西普尼). We also derived revenue by serving as an ODM manufacturer for third-party domestic jewellery brands and wholesalers, including developing and manufacturing precious metal watches and accessories under their labels and providing subcontract processing services to them. During the Track Record Period, our ODM customers included various renowned domestic jewellery brands, such as Lao Feng Xiang, Sino Gem and Chow Tai Seng, with whom we have formed long-term and stable supply relationships.

According to CIC, in 2023, HIPINE was the largest domestic gold watch brand in terms of GMV and the largest 24K gold watch brand in terms of GMV in China, with market shares of 24.98% and 35.83% in terms of GMV of domestic brand gold watches and GMV of 24K gold watches, respectively. As presented in this document, (a) "gold watch" refers to a kind of precious metal watch the watch case of which is primarily made of gold and its alloys, which means that the nominal thickness of the gold and/or its alloys covered on the watch case exceeds 300 microns. According to CIC, this definition aligns with industry interpretations based on various standards and guideline, including those issued by the State Administration for Market Regulation (中國國家市場監督管理總局), the Standardisation Administration of China (中國國家標準化管理委員會), the Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部) and the China Gold Association (中國黃金協會), as well as applicable industry norms. It should be noted that there is no specific market standard explicitly defining "gold watch" and the presentation adopted in this document, which reflects our Company's interpretation based on CIC's advice, is adopted solely for the purpose of presenting relevant market information in this document; and (b) "24K gold watch" refers to a kind of gold watch, of which the gold of the watch case is 24K gold. According to CIC, the market share of 24K gold watches in China has significantly increased from 2.37% to 5.78% of the total gross merchandise value (GMV) of the gold watch market in China between 2018 and 2023. Despite this growth, the 24K gold watch segment still represents a relatively small portion of the overall gold watch market in China.

Guided by our brand mission (品牌使命) to "Reconceptualise gold through technological innovation" (技術創新、重構黃金) in order to become the trusted and favourite gold watch brand of the masses (成為老百姓值得信賴和喜愛的金錶品牌), we focus on developing modern products that improve upon traditional designs. While we do not manufacture the movements used in our watch production and source movements from reputable suppliers, our key technological achievement is a proprietary supramolecular gold hardening technique that addresses the inherent softness of 24K gold. Leveraging this technology, we launched China's first mass-producible 24K gold watch in 2014, which we believe is a significant technical achievement in the watch manufacturing industry. Building on this technical achievement, we developed a collection of 24K gold smart watches integrated with Huawei's smart movement technology in 2023.

Our product portfolio is centred around our flagship proprietary watch brand, HIPINE, which has been recognised as a "Shenzhen Top Brand" (深圳知名品牌) by the Shenzhen Top Brand Evaluation Committee (深圳知名品牌評價委員會) since 2022, and the 3rd Shenzhen Top Hundred Brands (第三屆深圳品牌百強企業) by the Shenzhen Quality Promotion Association (深圳市質量強市促進會) in 2024. We believe the design awards awarded to us, including but not limited to the Paris DNA Design Award in 2020, the German iF Design Award and the US International Design Excellence Award (IDEA) (2022 Finalist) in 2022, and the 2024 MUSE Design Awards – Gold Winner (2024美國繆斯設計獎金獎), the 2024 American Good Design Gold and Platinum Awards (2024美國好設計AGD金獎及最高鉑金獎) and the 2024 French Design Award (2024 FDA法國設計獎) in 2024, are testament to our product design capabilities. Notably, our relatively new line of smart precious metal watch was also awarded the "Technology Innovation Award" (科技創新獎) and the "Technology Public Welfare Award" (科技公益獎) by the Shenzhen Association for Promoting High-Tech Enterprise Collaborative Innovation (深圳市高科技企業協同創新促進會) in 2024.

We also actively engage in the development of national and industry guidelines, playing a pivotal role in shaping crucial standards including "24K Gold Watches" (《足金手錶》), "Watches Using Gemstones and Precious Metals" (《使用寶石和貴金屬的手錶》), "General Requirements and Test Methods for Watch Case Components Made of Hard Materials" (《計時儀器硬材料製造的手錶外觀件一般要求和試驗方法》), "Reliability Test Methods for Watch Movements" (《手錶機心的可靠性試驗方法》), and "Technical Specifications for After-Sales Repair and Maintenance Services" (《鐘錶售後維修服務技術規範》).

Our self-branded products are principally sold through our distribution network, supplemented by sales through, among others, our self-operated online stores, third-party online store operators and retail stores. Our distributorship business model leverages a principal-to-principal distribution strategy, utilising an extensive network of over 3,000 offline Retail Outlet locations nationwide as at 31 December 2024. This approach enables efficient market penetration, rapid response to consumer preferences, and comprehensive brand visibility across diverse consumer segments.

In FY2024, we also began our overseas expansion by partnering with an experienced distributor and retailer in Malaysia for the distribution and retail of our HIPINE watch products throughout the country. Building on this overseas expansion momentum, we will seek to expand our footprint in the Middle East over the next few years.

Our revenue increased from RMB323.70 million in FY2022 to RMB445.48 million in FY2023, and further increased to RMB456.6 million in FY2024. We recorded net profit of RMB24.54 million, RMB52.10 million and RMB49.3 million in FY2022, FY2023 and FY2024, respectively.

The broader market landscape presents significant growth opportunities. According to CIC, the Chinese precious metal watch market is projected to expand from RMB30.03 billion in 2023 to RMB46.83 billion by 2028, representing a CAGR of 9.29%. The market size in terms of GMV of China's gold watch market is expected to reach RMB44.40 billion (representing a CAGR of 9.58% from 2023 to 2028). In 2023, China's gold watch market achieved a GMV of RMB28.10 billion, accounting for 93.55% of the total GMV of China's precious metal watch market. By 2028, the market size in terms of GMV of China's gold watch market is expected to reach RMB44.40 billion (representing a CAGR of 9.58% from 2023 to 2028). Supported by our proven track record, our R&D and product design capabilities and favourable industry trends, we believe we are well-positioned to capture the significant growth opportunities in China's gold watch and jewellery and accessories industries.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success: (i) a leading gold watch manufacturer in terms of GMV of domestic brand gold watches and 24K gold watches in China with strong growth momentum; (ii) craftsmanship and designs that align with market needs; (iii) R&D capabilities, commitment to innovation and ability to convert R&D results into products and commercialise them; (iv) extensive, diversified and stable distribution and sales networks; (v) long-term collaborative and mutually beneficial relationship with ODM customers including renowned jewellery brands; (vi) comprehensive production control and vertical integration help ensure consistency and preciseness in gold materials processing; and (vii) experienced management team with in-depth industry knowledge and strong execution capabilities.

OUR BUSINESS STRATEGIES

In order to fulfil our vision of becoming the trusted and favourite gold watch brand of the masses, we intend to continue to strengthen our leading position in the traditional precious metal watch and jewellery market, strategically expand market presence in the smart precious metal watch and accessories market, enhance our overall competitiveness and increase our market share in the future. To achieve these goals, we are pursuing the following principal strategies: (i) further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market; (ii) strengthen our R&D capabilities to drive sustained business growth; (iii) expand and optimise our marketing and service network and enhance our brand influence and recognition; and (iv) expand into overseas markets by strategically partnering with selected overseas distributors.

OUR BRANDS AND PRODUCTS

We design, manufacture and sell traditional precious metal watches, smart watches and accessories. Our brand and product philosophy are rooted in our brand mission (品牌使命) to "Reconceptualise gold through technological innovation" (技術創新、重構黃金), which emphasises the integration of traditional techniques for watch-making and accessory-making with innovative elements. Driven by this principle, we are dedicated to pushing the boundaries of craftsmanship and technology.

Our proprietary brands

We have two proprietary watch brands, namely our core brand, "HIPINE" (西普尼), and our sub-brand, "GOLDBEAR" (金熊), under our OBM business model.

Our OBM watch product portfolio features a range of traditional precious metal watches, smart watches, and watch parts of our OBM watches, such as watch straps. As at 31 December 2024, our OBM product portfolio consisted of over 10,000 SKUs (stock keeping units). Below sets forth a few major products of our signature product collections:

The HIPINE Smart Gold Watch Set (西普尼智能金表套裝)

The HIPINE Dual-Display Smart Gold Watch (西普尼一表雙戴)

The Zodiac Series (The Year of Dragon watches) (生肖系列(龍表))

The Explorer Series (探索家系列)

The Starry Rotation Series (鬥轉星移系列)

OUR BUSINESS MODEL

During the Track Record Period, our revenue was primarily derived from the sales of precious metal watches designed and manufactured on an OBM basis. Our OBM products are principally sold through our distribution network, supplemented by sales through, among others, our self-operated online stores, third-party online store operators and retail stores. In addition, we also derived revenue from our engagements by third-party domestic jewellery brands and wholesalers to develop and manufacture precious metal watches and accessories under their labels on an ODM basis, and to provide subcontract processing services for their watches and accessories. Furthermore, since 2023, we have cooperated with the largest retailer and supermarket chain worldwide for the promotion and sales of our products in China.

SALES AND DISTRIBUTION

OBM: We primarily sell our OBM products through the following channels:

- ***Distributorship:*** We sell our OBM products primarily through our primary distributors under our distributorship business model. As at 31 December 2022, 2023 and 2024, we had three, four and four primary distributors, respectively. Under the distribution agreements entered into between us and our primary distributors, our commercial relationship with primary distributors is strictly a buyer-seller transaction. Our primary distributors purchase our OBM products and resell them under their own commercial identity, explicitly not acting as our agents or legal representatives. Specifically, under the distribution agreements, our primary distributors may, within their assigned sales regions, (i) sell our OBM products directly at the display centres operated by them; (ii) sell our OBM products to Retail Outlet operators for onward marketing and sales to end consumers; and (iii) further distribute our OBM products to sub-distributors. During the Track Record Period, our OBM products were distributed by distributors at over 3,000 offline Retail Outlets nationwide.

  We assign our primary distributors to specific geographical areas to prevent cannibalisation and undue competition among them. For details of the principal terms of the cooperation between us and our primary distributors, how we manage our primary distributors, and the measures we have taken to avoid channel stuffing and cannibalisation, please see "Business – Arrangements with our primary distributors – Management of our primary distributors" and "Business – Arrangements with our primary distributors – Measures to avoid channel stuffing and cannibalisation" below.

- ***Self-operated online stores:*** We sell some of our OBM products through self-operated stores on e-commerce platforms including Tmall, JD.com and Douyin. These online sales channels allow us to sell directly to consumers, providing multi-channel coverage to consumers nationwide. We believe that sales through the above online channels will help to strengthen our brand image, increase our market share and promote our brand awareness among internet users, whom we believe are mainly from the younger generation.

- ***Third-party online store operators:*** We cooperated with various third-party online store operators, and sell our OBM products to them for their onward sales on e-commerce platforms, such as Taobao, JD.com and Douyin. The specific terms of cooperation between us and the third-party online store operators may vary, as different e-commerce platforms often have unique requirements and policies that need to be accommodated. There are two main types of sales arrangements with third-party online store operators: (i) Payment upon purchase order, where the online store operators shall pay upfront regardless of whether the ordered products are ultimately sold on their online stores; and (ii) Payment upon consumer sales, where the online store operator only settles payment with us upon successful sale of the relevant products through its online store. For details, please see "Business – Sales and their distribution – Distribution network in China – Online stores – Third-party online store operators" and "Business – Arrangements with third-party online store operators".

- ***Retail stores:*** We may receive sales orders from certain retail stores, primarily for our GOLDBEAR products, from time to time. For details, please see "– Sales of GOLDBEAR Products".

ODM: Our ODM customers during the Track Record Period were primarily jewellery brands and wholesalers. Most of our major ODM customers had business relationships with us for over four years as at 31 December 2024, including various renowned domestic jewellery brands such as Lao Feng Xiang, Sino Gem and Chow Tai Seng. Since 2023, we have also cooperated with the largest retailer and supermarket chain worldwide for the promotion and sales of our products in China.

OUR CUSTOMERS

Our customers are mainly (i) domestic primary distributors which are primarily engaged in the sales of watches and accessories, for our OBM business model; and (ii) domestic jewellery brands and wholesalers, for our ODM business model. We have maintained good relationships with our major customers, and we have worked with most of them for over five years. For FY2022, FY2023 and FY2024, sales to our five largest customers in each year during the Track Record Period amounted to RMB295.67 million, RMB405.76 million and RMB398.40 million accounted for 91.34%, 91.08% and 87.26% of our total revenue, respectively.

OUR SUPPLIERS

Our suppliers mainly include the Shanghai Gold Exchange, suppliers of precious metals other than gold and watch component suppliers. We source substantially all of our raw materials in China, including watch movements manufactured under Swiss and Japanese brands from domestic suppliers and smart movements of Huawei, a leading global Chinese technology company. We primarily procure gold from the Shanghai Gold Exchange through its members. The selection of raw material suppliers is based on a thorough evaluation of several key factors, such as their business scale, industry reputation, financial management, the quality of the materials, production capacity and production lead time, delivery lead time, pricing, regulatory compliance and relevant qualifications. The aggregate purchases from our five largest suppliers during FY2022, FY2023 and FY2024 amounted to RMB220.10 million, RMB403.45 million and RMB308.90 million, respectively, accounting for 90.72%, 93.92% and 92.40% of our total purchases for the respective years.

PROCUREMENT

The raw materials for our products primarily comprise (i) precious metals including gold and silver; (ii) watch components such watch movements, hands, cases, dial, crown, bracelet and strap; and (iii) other raw materials such as packaging material. In terms of value, gold is our primary raw material used in the production of our products. In FY2022, FY2023 and FY2024, 85.34%, 89.05% and 82.48% of our total purchases were attributable to gold purchases, respectively.

During the Track Record Period, all of our gold was sourced from China. During the Track Record Period, we primarily made our gold procurement from the Shanghai Gold Exchange or its member(s). To secure our supply of gold, we enter into long-term brokerage agreements with members of the Shanghai Gold Exchange. We have opened designated accounts with these members, through which we primarily conduct our gold procurement during the Track Record Period. Under this arrangement, we settle the payment for our gold purchases through these designated accounts, and the invoices for the procurements are issued directly to us by the Shanghai Gold Exchange. As such, we consider the Shanghai Gold Exchange being our primary gold supplier during the Track Record Period.

MEASURES TO MANAGE RAW MATERIALS PRICE FLUCTUATIONS

We continuously monitor and adjust our procurement plans based on our operational requirements and prevailing market conditions. We generally manage the volatility of raw material prices through the careful coordination of our production and sales cycles. By closely aligning our procurement with production schedules and promptly delivering finished products to the market, we are able to effectively mitigate the impact of raw material price fluctuations. This dynamic approach enables us to flexibly adjust inventory levels and respond swiftly to changes in raw material costs and market demand.

Obtaining gold loans to hedge against gold price fluctuations

During the Track Record Period, we had taken out gold loans from time to time primarily for the purpose of hedging against risks associated with gold price fluctuations. Gold loans refer to financial transactions where we (as lessee) borrow gold from commercial banks (as lessors) for a specified period. Our gold loan arrangement also involves the Shanghai Gold Exchange (as a trading platform) and its member (as a facilitator by allowing us to maintain an account to indirectly transact on the Shanghai Gold Exchange). During this process, (i) the commercial bank, which also has its own account with the Shanghai Gold Exchanges as its member, first transfers the gold to our account opened with a member of the Shanghai Gold Exchange, (ii) we receive physical gold from such account, and (iii) we pay the commercial banks interest on the loaned gold. At the end of the loan period, we return the borrowed gold to the commercial bank through the commercial bank retrieving gold from our account opened with a member of the Shanghai Gold Exchange upon our prior authorisation.

During FY2022, FY2023 and FY2024, we borrowed 69.0 kg, 81.0 kg and 84.0 kg of gold by way of gold loans from the same commercial bank, respectively, representing gold loans with an aggregate monetary value of RMB26.9 million, RMB35.6 million and RM840.3 million during the respective years/period. During FY2022, FY2023 and FY2024, we returned nil, 69.0 kg and 81.0 kg of gold to the commercial bank pursuant to the terms of the relevant gold loans, respectively. As at 31 December 2022, 2023 and 2024, the remaining gold balances of our gold loans (if any) were 69.0 kg, 81.0 kg and 84.0 kg, respectively, representing 11.77%, 9.83% and 8.48% of our total gold balances as at the respective dates.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION AND SUMMARY OF MAJOR FINANCIAL RATIOS

The following is a summary of the consolidated statements of profit or loss and other comprehensive income during the Track Record Period as derived from "Appendix I – Accountants' Report,". This summary should be read in conjunction with the aforesaid Accountants' Report and "Financial Information".

RESULTS OF OPERATIONS

The following table summarises the consolidated statement of profit or loss and other comprehensive income from the financial statements during the Track Record Period, details of which are set out in "Appendix I – Accountants' Report".

	FY2022		**FY2023**		**FY2024**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Revenue	323,704	100.0	445,477	100.0	456,556	100.0
Cost of sales	(259,577)	(80.2)	(337,172)	(75.7)	(332,399)	(72.8)
Gross profit	64,127	19.8	108,305	24.3	124,157	27.2
Profit before tax	27,818	8.6	59,896	13.4	58,657	12.8
Income tax expense	(3,277)	(1.0)	(7,797)	(1.8)	(9,309)	(2.0)
Profit and total comprehensive income for the year	24,541	7.6	52,099	11.7	49,348	10.8

Revenue

By product

The following table sets forth a breakdown of our revenue generated by product type for the years indicated:

	FY2022		FY2023		FY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Watches[(1)]						
– Traditional precious metal watches	289,361	89.4	402,734	90.4	322,754	70.7
– Smart watches	4	0.0	337	0.1	28,025	6.1
	289,365	89.4	403,071	90.5	350,779	76.8
Accessories[(2)]						
– Precious metal accessories and products	21,875	6.8	23,532	5.3	92,321	20.2
– Watch straps and other watch accessories	12,464	3.8	18,874	4.2	13,456	3.0
	34,339	10.6	42,406	9.5	105,777	23.2
Total	323,704	100.0	445,477	100.0	456,556	100.0

**Notes:*

(1) For the avoidance of doubt, as defined in "Glossary of Technical Terms", traditional precious metal watches as presented above do not include any precious metal watch with smart functions, and smart watches as presented above include both smart precious metal watches and other smart watches.

(2) Our accessories product portfolio includes (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories.

By business model

	FY2022		FY2023		FY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
OBM						
– Offline distributorship	255,952	79.1	377,273	84.7	315,158	69.0
– Retail stores	6,623	2.0	5,890	1.3	2,915	0.6
– Third-party operated online stores	6,458	2.0	9,650	2.1	5,265	1.2
– Self-operated online stores	732	0.2	10,061	2.3	14,391	3.2
	269,765	83.3	402,874	90.4	337,729	74.0
ODM						
– Developing and manufacturing	33,630	10.4	24,203	5.5	109,612	24.0
– Subcontract processing	20,309	6.3	18,400	4.1	9,215	2.0
	53,939	16.7	42,603	9.6	118,827	26.0
Total	323,704	100.0	445,477	100.0	456,556	100.0

Note: For details of the sales channels through which we sell our OBM products, including offline distributorship, retail stores, third-party operated online stores, and self-operated online stores, please see "Business – Sales and Distribution".

Our revenue increased from RMB323.70 million in FY2022 to RMB445.48 million in FY2023, and further increased to RMB456.6 million in FY2024.

In terms of product type, (i) sales of traditional precious metal watches was the primary revenue driver, accounting for 89.4%, 90.4% and 70.7% of our total revenue in FY2022, FY2023 and FY2024, respectively. We experienced a dip in traditional precious metal watch revenue and sales volume in FY2022 due to decreased demand amid the COVID-19 outbreak, but sales rebounded in FY2023. Our revenue from sales of traditional precious metal watches decreased from FY2023 to FY2024, primarily due to the decrease in sales volume. We believe such decrease in sales volume in FY2024 was caused by weak consumer sentiment under the current economic conditions and commodity prices; (ii) smart watch revenue fluctuated during the Track Record Period, as a considerable portion of our smart watches were gifted as complimentary items to customers purchasing our traditional precious metal watches on online platforms for brand promotion purposes in FY2022 and FY2023. In FY2024, smart watch sales increased substantially, driven primarily by ODM revenue of RMB22.1 million, including a significant RMB12.5 million contribution from one customer and a RMB6.2 million revenue from a limited-edition smart watch gift box set for a leading Chinese baijiu brand. Our OBM smart watch sales also demonstrated growth during FY2024, reflecting increasing market demand; and (iii) revenue generated from accessories also experienced volatility during the Track Record Period, declining in FY2022 due to decreased demand during the COVID-19 outbreak, before surging in FY2024 due to orders from a new ODM customer, namely Customer A..

In terms of business model, (i) our OBM model was the largest revenue contributor, which generated revenue representing 83.3%, 90.4% and 74.0% of our total revenue in FY2022, FY2023 and FY2024, respectively. Distributorship sales were the primary OBM channel, but online sales grew significantly in FY2023 and FY2024 as we expanded our e-commerce presence through cooperation with third-party online store operators and development of our self-operated online stores; and (ii) revenue from our ODM model was relatively higher in FY2024 due to high level of orders from Customer A and other key customer(s).

For more detailed analysis of the changes in our revenue during the Track Record Period, please see "Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income – Revenue".

Gross profit and gross profit margin

By product

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the years indicated:

	FY2022		FY2023		FY2024	
	Gross profit/ (loss)	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Watches[(1)]						
Manufacturing and sales						
– Traditional precious metal watches	51,713	18.1	94,475	23.5	93,505	29.0
– Smart watches	(13)	N/A	27	8.0	5,040	18.0
	51,700	18.1	94,502	23.4	98,545	28.1
Provision of subcontracting services						
– Traditional precious metal watches	1,178	38.9	(19)	N/A	1	50.0
Sub-total for watches:	52,878	18.3	94,483	23.4	98,546	28.1
Accessories[(2)]						
Manufacturing and sales						
– Precious metal accessories and products	168	3.5	749	15.7	18,638	22.4
– Watch straps and other watch accessories	284	7.9	976	15.4	1,007	24.3
	452	5.4	1,725	15.5	19,645	22.5
Provision of subcontracting services						
– Precious metal accessories and products	6,408	39.9	5,747	33.5	2,320	25.2
– Watch straps and other watch accessories	4,389	44.5	6,350	45.0	3,646	39.2
	10,797	41.6	12,097	38.6	5,966	32.2
Sub-total for accessories:	11,249	32.8	13,822	32.6	25,611	24.2
Total/Overall	64,127	19.8	108,305	24.3	124,157	27.2

Notes:

(1) For the avoidance of doubt, as defined in "Glossary of Technical Terms", traditional precious metal watches as presented above do not include any precious metal watch with smart functions, and smart watches as presented above include both smart precious metal watches and other smart watches.

(2) Our accessories product portfolio includes (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories.

Business model

	FY2022		**FY2023**		**FY2024**	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
OBM						
– Offline distributorship	48,327	18.9	88,331	23.4	89,269	28.3
– Retail stores	1,523	23.0	2,120	36.0	1,163	39.9
– Third-party operated online stores	1,631	25.3	2,474	25.6	1,646	31.3
– Self-operated online stores	366	50.0	4,541	45.1	6,245	43.4
	51,847	19.2	97,466	24.2	98,323	29.1
ODM						
– Developing and manufacturing	4,273	12.7	4,823	19.9	23,513	21.5
– Subcontract processing	8,007	39.4	6,016	32.7	2,321	25.2
	12,280	22.8	10,839	25.4	25,834	21.7
Total	64,127	19.8	108,305	24.3	124,157	27.2

Note: For details of the sales channels through which we sell our OBM products, including offline distributorship, retail stores, third-party operated online stores, and self-operated online stores, please see "Business – Sales and Distribution" in this document.

Our gross profit and gross profit margin generally trended upward during the Track Record Period, except for a decline in FY2022. The lower overall gross profit margin in FY2022 was primarily due to the decrease in revenue amid the pandemic, while certain fixed costs did not decrease proportionately.

In terms of product type, during the Track Record Period, (i) the gross profit margin for traditional precious metal watches demonstrated an upward trend, initially driven by rising gold prices that increased the average selling price of traditional precious metal watches, and subsequently by effective cost control measures that reduced cost of sales despite stable pricing; (ii) the gross profit margin for smart watches fluctuated due to varying product mix sold during each year as well as our promotional strategy. Specifically, in FY2022 and FY2023, most of our smart watches were gifted as complimentary items to customers purchasing our traditional precious metal watches on online platforms for brand promotion purposes. As a result, we incurred a gross loss on smart watch sales in FY2022, and experienced a relatively lower gross profit and gross profit margin for the smart watch segment in FY2023. The gross profit margin of smart watches increased in FY2024, primarily attributable to revenue growth from ODM customers and expanding OBM sales driven by increasing market demand; and (iii) the gross profit margin for accessories sales fluctuated due to the varying product mix sold during each year and revenue contribution from various accessories items and subcontracting services provided.

In terms of business model, during the Track Record Period, (i) the gross profit margin for our OBM business fluctuated based on unit costs and revenue contribution across different sales platforms. While the OBM gross margin was lower in FY2022 due to the impact of the COVID-19 pandemic, it subsequently rebounded in FY2023 as the pandemic subsided and online sales, which generate relatively higher margins, increased significantly. The OBM gross margin further improved in FY2024 primarily due to decrease in our cost of sales; and (ii) the gross profit margin for our ODM business was relatively lower in FY2022, primarily due to the impact of the COVID-19 pandemic. In FY2024, the gross margin for our ODM business declined, mainly because sales to Customer A, which has a lower a gross profit margin.

For more detailed analysis of the changes in our gross profit and gross profit margin during the Track Record Period, please see "Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin".

Net profit

We recorded a net profit of RMB24.5 million, RMB52.1 million and RMB49.3 million in FY2022, FY2023 and FY2024, respectively.

Our profit for the year increased by RMB27.6 million or 112.3% from RMB24.5 million in FY2022 to RMB52.1 million in FY2023, which was primarily attributable to several factors. Firstly, a significant 37.6% surge in our revenue by RMB121.8 million or 37.6% from RMB323.7 million in FY2022 to RMB445.5 million in FY2023, driven by the recovery from the COVID-19 pandemic, boosted sales of watches and accessories. This increase stemmed from higher demand, increased sales volume (particularly for watches), and a rise in the average selling price of precious metal watches due to increased gold prices. Secondly, our gross profit margin improved from 19.8% in FY2022 to 24.3% in FY2023, primarily due to increased efficiency and higher average selling prices in watch sales in FY2023. While the cost of sales increased in FY2023 as compared to FY2022, it was offset by the substantial revenue growth in FY2023. Finally, the increase in various categories of expenses, including selling expenses, administrative expenses, R&D expenses and other expenses, in FY2023 which was outweighed by the substantial increase in revenue and gross profit, combined with the significant increase in other income and a decrease in impairment losses in FY2023, also contributed to the significant increase in profit for the year.

Our profit for the year decreased to RMB49.3 million in FY2024 primarily due to the **[REDACTED]** expenses incurred of RMB10.3 million. Although our revenue increased by 2.5% from RMB445.5 million in FY2023 to RMB456.6 million in FY2024, the growth was partially offset by a decrease in our watch sales, which was mitigated by an increase in our accessory sales. The gross profit margin improved from 24.3% to 27.2%, primarily driven by the increase in gross profit margin of our traditional precious metal watches resulting from decrease in total cost of sales in FY2024. Meanwhile, selling expenses, administrative expenses all increased in FY2024 as compared to FY2023, but were largely offset by the growth in revenue and gross profit in FY2024.

For more detailed analysis of the changes in our net profit during the Track Record Period, please see "Financial Information – Review of Historical Results of Operation".

Key Information from the Consolidated Statements of Financial Position

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Total Non-current Assets	32,511	71,651	99,869
Total Current Assets	607,745	704,205	758,063
Total Current Liabilities	155,601	143,504	168,979
Net Current Assets	452,144	560,701	589,084
Total Assets less Current Liabilities	484,655	632,352	688,953
Total Non-current Liabilities	3,466	2,026	29,535
Net Assets	481,189	630,326	659,418
Capital and Reserves			
Share capital	40,580	48,225	48,225
Reserves	440,609	582,101	611,193
Total Equity	481,189	630,326	659,418

Net current assets

Our net current assets increased to RMB560.7 million as at 31 December 2023. The increase was primarily due to the increase in inventories of RMB119.5 million for our production. Our net current assets then remained relatively stable at RMB589.1 million as at 31 December 2024. The increase was primarily due to (i) increase in inventories of RMB23.5 million resulting from purchase of raw materials; and (ii) decrease in trade and other payables of RMB26.4 million primarily resulting from the payment to settle the dividend payables in August 2024. Our net current assets remained relatively stable, at RMB609.2 million as at 28 February 2025.

Net assets

Our net assets increased from RMB481.2 million as at 31 December 2022 to RMB630.3 million as at 31 December 2023, primarily due to combined effect of (i) the profit and total comprehensive income attributable to owners of our Company of RMB52.1 million for FY2023 and (ii) the increase in our share capital and share premium of RMB7.6 million and RMB113.5 million resulting from the placement of shares in FY2023, which outweighed the reduction in our retained profits by RMB24.1 million resulting from the declaration of dividends in FY2023.

Our net assets slightly increased from RMB630.3 million as at 31 December 2023 to RMB659.4 million as at 31 December 2024, as the profit and total comprehensive income attributable to owners of our Company during FY2024 of RMB49.3 million was partially offset by the decrease in our retained profits of RMB20.3 million resulting from the declaration of dividends in FY2024.

For more detailed analysis of the changes in our net assets during the Track Record Period, please see "Financial Information – Description of Certain Items of Consolidated Statements of Financial Position" and "Consolidated Statements of Changes in Equity" in Appendix I.

Key Information from our Consolidated Statement of Cash Flows

The following table sets forth a summary of our consolidated statement of cash flows during the Track Record Period:

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
Net cash from (used in) operating activities	7,664	(35,750)	34,964
Net cash from (used in) investing activities	3,509	(47,326)	(37,008)
Net cash from (used in) financing activities	69	72,979	(5,699)
Net increase (decrease) in cash and cash equivalents	11,242	(10,097)	(7,743)
Cash and cash equivalents at beginning of year	20,581	31,823	21,726
Cash and cash equivalents at end of year	31,823	21,726	13,983

In FY2022, we had net cash flow from operating activities of RMB7.7 million, primarily due to an increase in trade receivables of RMB33.0 million, partially offset by an increase in trade and other payables of RMB8.2 million. In FY2023, we had net cash flow used in operating activities of RMB35.8 million, primarily due to an increase in inventories of RMB109.2 million, partially offset by a decrease in trade receivables of RMB17.0 million. In FY2024, we had net cash flow from operating activities of RMB35.0 million, primarily due to our profit from operation and an increase in trade and other payables of RMB17.6 million.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of each of the dates indicated:

	For the year ended/as at 31 December		
	2022	**2023**	**2024**
Gross Profit Margin (%)	19.8	24.3	27.2
Net Profit Margin (%)	7.6	11.7	10.8
Return on equity (%)	5.1	8.3	7.5
Return on total assets (%)	3.8	6.7	5.8
Current ratio (times)	3.9	4.9	4.5
Quick ratio (times)	0.6	0.5	0.6
Gearing ratio (%)[Note]	19.9	17.5	22.1

Note: Gearing ratio was calculated by total interest-bearing borrowings and lease liabilities divided by total equity as of the end of the year multiplied by 100%.

Our gearing ratio then decreased to 17.5% as at 31 December 2023 primarily due to the increase in total equity mainly resulting from the placement of shares in FY2023, partially offset by the increase in bank borrowings balance as at 31 December 2023. Our gearing ratio increased to 22.1% as at 31 December 2024 primarily due to the increase in bank borrowings balance as at 31 December 2024.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

After the Track Record Period, we have continued to experience an increase in demand for our smart wearable products, and have been taking strategic steps to capitalise on such growing demand. Since January 2025, we have entered into framework agreements with ODM customers for the development and sale of customised smartwatches featuring Huawei smart movements. Notably, one of these ODM customers is a subsidiary of a pharmaceutical company listed in Hong Kong and headquartered in Jiangsu, China, which is principally engaged in the research, development, manufacturing, and sales of pharmaceutical products. In addition to these developments, we are actively engaging in discussions with various potential ODM customers regarding further smart product development projects, positioning us to capitalise on the increasing demand for smart wearables.

Our Directors confirm that there has been no material adverse change in our business, financial condition and results of operations, nor has there been any material adverse change in our revenue, cost of sales, gross profit, and gross profit margin, since 31 December 2024, being the latest balance sheet date of our consolidated financial statements as set out in the Accountants' Report included in Appendix I to this document, and up to the date of this document.

[REDACTED]

We estimate that the aggregate **[REDACTED]** to us from the **[REDACTED]** (after deducting **[REDACTED]** and estimated expenses payable by us in connection with the **[REDACTED]** ("**[REDACTED]**"), and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the **[REDACTED]**) will be approximately HK$**[REDACTED]**, assuming that **[REDACTED]** is not exercised. We currently intend to apply such **[REDACTED]** in the following manner:

(i) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for further enhancing our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market. Specifically:

(a) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for setting up the New Putian Production Base; and

(b) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for upgrading the production facilities at our Shenzhen Production Base;

(ii) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for strengthening our R&D capabilities to drive sustained business growth through the establishment of the Putian R&D Centre;

(iii) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for expanding and optimising our sales network, strengthen our brand building and enhance our brand influence and recognition. Specifically:

(a) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for establishing two marketing showcase and experience centres in Shenzhen and Sanya, China to provide consumers with immersive brand experiences and facilitating direct customer interactions;

(b) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for establishing 10 official after-sales service outlets in major cities including Shenyang, Beijing, Xi'an, Zhengzhou, Hohhot, Urumqi, Sanya, Chengdu, Jinan, and Harbin; and

(c) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for implementing a comprehensive suite of offline and online brand-building initiatives to elevate our market position and drive customer loyalty; and

(iv) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used as working capital or for general corporate purposes.

[REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** Range of HK$**[REDACTED]** to HK$**[REDACTED]** per H Share, and assuming the **[REDACTED]** is not exercised, the total estimated **[REDACTED]** in connection with the **[REDACTED]** (including **[REDACTED]**) was RMB**[REDACTED]** (HK$**[REDACTED]**) (including (i) **[REDACTED]**-related expenses (including but not limited to **[REDACTED]** and fees) of RMB**[REDACTED]** (HK$**[REDACTED]**); and (ii) non-**[REDACTED]** related expenses of RMB**[REDACTED]** (HK$**[REDACTED]**), which consists of (a) fees and expenses paid to legal advisors and the Reporting Accountants of RMB**[REDACTED]** (HK$**[REDACTED]**); and (b) other fees and expenses of RMB**[REDACTED]** (HK$**[REDACTED]**)), representing **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]**.

During the Track Record Period, we incurred **[REDACTED]** of RMB**[REDACTED]** (HK$**[REDACTED]**), of which RMB**[REDACTED]** (HK$**[REDACTED]**) were charged to our consolidated statements of profit or loss and RMB**[REDACTED]** (HK$**[REDACTED]**) were recognised as prepayment (which will be deducted from equity upon the **[REDACTED]**). We expect to incur **[REDACTED]** of approximately RMB**[REDACTED]** (HK$**[REDACTED]**), of which RMB**[REDACTED]** (HK$**[REDACTED]**) is expected to be recognised in the consolidated statements of profit or loss as general administrative expenses and approximately RMB**[REDACTED]** (HK$**[REDACTED]**) is expected to be recognised as a deduction in equity directly upon the **[REDACTED]**.

The **[REDACTED]** expenses above is the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

CSRC FILING

On 17 February 2023, the CSRC promulgated the CSRC Filing Rules. The New Regulations will comprehensively improve and reform the existing regulatory regime for overseas offering and **[REDACTED]** of the PRC domestic companies' securities and will regulate both direct and indirect overseas offering and **[REDACTED]** of PRC domestics companies' securities by adopting a filing-based regulatory regime. Pursuant to the CSRC Filing Rules, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the CSRC Filings procedure with the CSRC and report relevant information. According to our PRC Legal Adviser, we are subject to the filing procedure and reporting with the CSRC according to the CSRC Filing Rules.

On 3 December 2024, we submitted the CSRC Filings to the CSRC to apply for the **[REDACTED]** of the H Shares (including H Shares to be converted from Domestic Shares) on the Stock Exchange and the **[REDACTED]**, and the CSRC accepted the CSRC Filings on 28 January 2025. The CSRC published the notification on completion of the CSRC Filings procedures on [●]. By issuing such notification, the CSRC only confirms the completion of the CSRC Filings procedures by the Company, but does not provide any confirmation as to the **[REDACTED]** value of the H Shares or the **[REDACTED]** to the **[REDACTED]**. The CSRC does not accept any responsibility for the accuracy or completeness of any of the statements made or opinions expressed in the CSRC Filings or this document.

As advised by our PRC Legal Adviser, we [have completed] all relevant CSRC filings for the **[REDACTED]** of **[REDACTED]** and **[REDACTED]**, and no other approval from the CSRC is required to be obtained before the **[REDACTED]**. See "Regulatory Overview – Laws and Regulations Relating to Overseas Listing" for further details.

SHAREHOLDERS INFORMATION

Our Controlling Shareholders

As at the Latest Practicable Date, Mr. Li YZ, Mr. Hu, Mr. Li Shuo and Mr. Li LM were entitled to exercise the voting rights attaching to approximately 20.53%, 13.69%, 13.69% and 13.69% of the total issued Shares of our Company, respectively. Mr. Hu was the founder of our Company. Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM have been acting in concert with each other and collectively controlled, managed and supervised the entire business, operation, financial and other key aspects of our Group since Mr. Li YZ, Mr Li Shuo and Mr. Li LM became our Shareholders in November 2015.

They entered into the Concert Party Agreement on 22 January 2016 and the Supplemental Concert Party Agreements in 1 January 2021 and 12 July 2023 (collectively, the "**Concert Party Agreements**") to align their shareholding interests in our Company. Pursuant to the Concert Party Agreements, Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM agreed to act in concert at shareholders' meetings of our Company since the date of the Concert Party Agreement. If they fail to reach a consensus, Mr. Li YZ has the final decision-making power.

Therefore, as at the Latest Practicable Date, Mr. Li YZ, Mr. Hu, Mr. Li Shuo and Mr. Li LM, as our Controlling Shareholders, were collectively entitled to exercise the voting rights attaching to approximately 61.60% of the total issued Shares of our Company.

Immediately after **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), Mr. Li YZ, Mr. Hu, Mr. Li Shuo and Mr. Li LM will be collectively entitled to exercise the voting rights attaching to approximately **[REDACTED]**% of the total issued Shares of our Company and will be our Controlling Shareholders for the purpose of the Listing Rules.

STATISTICS OF THE [REDACTED]

	Based on an [REDACTED] of HK$[REDACTED]	**Based on an [REDACTED] of HK$[REDACTED]**
Market capitalisation of the Shares(1)	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited **[REDACTED]** adjusted consolidated net tangible assets per Share(2)	HK$**[REDACTED]**	HK$**[REDACTED]**

Notes:

(1) The calculation of market capitalisation is based on each **[REDACTED]** and **[REDACTED]** Shares in issue assuming the **[REDACTED]** had been completed on 31 December 2024 but takes no account of any Shares which may fall to be **[REDACTED]** upon the exercise of the **[REDACTED]** or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates.

(2) The unaudited **[REDACTED]** adjusted consolidated net tangible assets value per Share referred to is calculated based on **[REDACTED]** Shares in issue assuming the **[REDACTED]** had been completed on 31 December 2024 but takes no account of any Shares which may fall to be **[REDACTED]** upon the exercise of the **[REDACTED]** or any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates.

DIVIDEND

During the Track Record Period, our Company declared dividend of RMB24.3 million, RMB24.1 million and RMB20.3 million in FY2022, FY2023 and FY2024, respectively.

In future, declaration and payment of any dividends would require the recommendation of the Board and at their discretion. In addition, any final dividend for a financial year will be subject to Shareholder's approval, but no dividend shall be declared in excess of the amount recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

As of the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

RISK FACTORS

Our business is subject to a number of risks and there are risks relating to an **[REDACTED]** in the **[REDACTED]**. We believe that the following are some of the major risks that may have a material adverse effect on us:

- Fluctuations in prices, or any unavailability, of the raw materials that we use in our products, in particular gold, may materially and adversely affect our business, results of operations or financial condition.
- Challenging economic conditions and economic uncertainty and the resulting government actions could materially and adversely affect our business.
- Our business is dependent on the strength of our flagship proprietary brand "HIPINE", and any deterioration in our flagship proprietary brand could have an adverse effect on our sales, profitability and the implementation of our growth strategy.
- We operate in competitive industries and if we are unable to compete effectively, our sales, profitability and growth prospects may be materially and adversely affected.
- If we are unable to respond effectively to changes in market trends and consumer preferences and increasing demand for design and quality, or failure to introduce commercially viable products or failure to do so in a timely manner, our market share and result of operations could be adversely affected.
- We are subject to risks associated with the distribution model of our products.
- During the Track Record Period, a number of our customers have contributed to a significant portion of our revenue and continued to be our top five largest customers. If they decrease their purchases in the future or if there is any substantial delay in their payments or any failure by us in maintaining relationships with them, our results of operations and financial conditions may be materially and adversely impacted.

You should read the entire "Risk Factors" section in the document carefully.

[REDACTED] FOR [REDACTED] ON THE STOCK EXCHANGE

Our Company has **[REDACTED]** to the **[REDACTED]** of the Stock Exchange for the granting of the **[REDACTED]** of and permission to **[REDACTED]** in the H Shares to be converted from Domestic Shares and to be **[REDACTED]** pursuant to the **[REDACTED]** (including any additional H Shares which may be **[REDACTED]** pursuant to the exercise of the **[REDACTED]**). **[REDACTED]** in the H Shares on the Stock Exchange are expected to commence on **[REDACTED]**. The H Shares will be **[REDACTED]** of **[REDACTED]** H Shares each. The **[REDACTED]** of the H Shares will be [●].

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions shall have the following meanings.

"Accountants' Report"	the accountants' report on our Group for the Track Record Period which is set out in Appendix I to this document
"AFRC"	the Accounting and Financial Reporting Council
"Articles" or "Articles of Association"	the association of our Company conditionally adopted on 29 November 2024 with effect from the **[REDACTED]**, as amended or supplemented from time to time, a summary of which is contained in Appendix V to this document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of our Board
"Beijing Shiji Tongyuan Jewellery and Accessories"	Beijing Shiji Tongyuan Jewellery and Accessories Co., Ltd.* (北京世紀通源珠寶首飾有限公司) (deregistered on 8 August 2022), a primary distributor under our OBM business model up to February 2022 and a top five customer of our Group during certain years of the Track Record Period
"Beijing Shijiyuan Jewellery"	Beijing Shijiyuan Jewellery Co., Ltd.* (北京世紀緣珠寶有限公司), a primary distributor under our OBM business model since February 2022, a ODM customer and a top five customer of our Group during the Track Record Period
"Board" or "Board of Directors"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business to the public
[REDACTED]	**[REDACTED]**
"Chairman"	the chairman of the board of directors
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules

[REDACTED]	**[REDACTED]**
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented 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 or supplemented from time to time
"Company" or "our Company"	Shenzhen Hipine Precision Technology Co., Ltd. (深圳西普尼精密科技股份有限公司) (formerly known as Shenzhen Chuanjindaiyin Technology Co., Ltd. (深圳穿金戴銀科技股份有限公司), Shenzhen Junson Gold&Silver-Inlaid Technology Co., Ltd (尊尚(深圳)穿金戴銀技術股份有限公司) and Shenzhen Zunshang Colk & Watch Co., Ltd. (深圳市尊尚鐘錶有限公司)), a limited liability company established under the laws of the PRC on 15 July 2013 and converted into a joint stock company with limited liability on 1 February 2016
"Compliance Advisor"	Ping An of China Capital (Hong Kong) Company Limited, a licensed corporation registered under the SFO to carry on Type 6 (advising on corporate finance) regulated activities as defined in the SFO, being the Sole Sponsor to the **[REDACTED]**
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	shall have the meaning given to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Li Yongzhong, Mr. Hu, Mr. Li Shuo and Mr. Li Linmao
"Conversion of Domestic Shares into H Shares"	the conversion of certain of the domestic Shares of our Company as at the Latest Practicable Date into H Shares as per the instructions of the relevant Shareholders, further details of which are set out in "Share Capital - Conversion of Domestic Shares into H Shares"
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"Corporate Governance Code" or "CG Code"	the provisions set out under "Corporate Governance Code and Corporate Governance Report" in Appendix 14 to the Listing Rules
"COVID-19"	coronavirus disease 2019
"CSRC"	China Securities Regulatory Commission* (中華人民共和國證券監督管理委員會)
"CSRC Filing(s)"	any letters, filings, correspondences, communications, documents, responses, undertakings and submissions in any form, including any amendments, supplements and/or modifications thereof, made or to be made to the CSRC, relating to or in connection with the **[REDACTED]** pursuant to the CSRC Filing Rules and other applicable rules and requirements of the CSRC
"CSRC Filing Rules"	the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) and supporting guidelines issued by the CSRC (effective from 31 March 2023), as amended, supplemented or otherwise modified from time to time
"Customer A"	one of our top five customers for FY2024, which is an ODM customer to whom we sold watches and jewellery. For details, For details, please see "Business – Arrangements with ODM Customers – Arrangements with Customer A" and "Business – Our customers – Top five customers – FY2024"
"Deyue Jiufan"	Shanghai Deyue Jiufan Investment Center (L.P.) (上海德嶽九帆投資中心(有限合夥)), a limited partnership established in the PRC on 27 October 2015
"Director(s)"	the director(s) of our Company
"Domestic Share(s)"	ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up (or credited as paid up) in Renminbi and are **[REDACTED]** Shares which are currently not **[REDACTED]** or **[REDACTED]** on any stock exchange
"EIT Law"	Enterprise Income Tax Law of the PRC* (中華人民共和國企業所得稅法), as amended or supplemented from time to time

"executive Director(s)"	the executive director(s) of our Company
"Expansion Plan"	our expansion plan regarding the establishment of the New Putian Production Base and the Putian R&D Centre. For details, please see "Business – Our Business Strategies – Further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market – (i) Setting up the New Putian Production Base", "Business – Our Business Strategies – Strengthen our R&D capabilities to drive sustained business growth" and "Business – Expansion Plan"
"Extreme Conditions"	the occurrence of "extreme conditions" as announced by any government authority of Hong Kong due to serious disruption of public transport services, extensive flooding, major landslides, large-scale power outage or any other adverse conditions before Typhoon Signal No. 8 or above is replaced with Typhoon Signal No. 3 or below
[REDACTED]	**[REDACTED]**
"Fujian Xipu"	Fujian Xipu Precision Technology Co., Ltd. (福建西普精密科技有限公司) (formerly known as Fujian Chuanjin Daiyin Technology Co., Ltd. (福建省穿金戴銀科技有限公司)) a company established in the PRC with limited liability on 9 May 2017 and a wholly-owned subsidiary of our Company
"FY2023"	the financial year ended 31 December 2023
"FY2024"	the financial year ended 31 December 2024
"FY2025"	the financial year ending 31 December 2025
"FY2026"	the financial year ending 31 December 2026
"FY2027"	the financial year ending 31 December 2027
[REDACTED]	**[REDACTED]**

"GOLDBEAR"	one of our proprietary brands
"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
"H Share(s)"	overseas **[REDACTED]** foreign share(s) in the share capital of our Company with a nominal value of RMB1.00 each, which are to be **[REDACTED]** and **[REDACTED]** in Hong Kong dollars and are to be **[REDACTED]** on the Stock Exchange
[REDACTED]	**[REDACTED]**
"Hainan Hipine"	Hainan Hipine International Watch Technology Co., Ltd. (海南西普尼國際鐘錶科技有限公司), a company established in the PRC with limited liability on 17 November 2023 and a wholly-owned subsidiary of our Company
"HIPINE"	our flagship proprietary brand
"HK$" or "Hong Kong dollars"	Hong Kong dollars, the lawful currency of Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"HKICPA"	The Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Huawei"	Huawei Device Co., Ltd. (華為終端有限公司) a leading global Chinese technology company recognised for its cutting-edge 5G technology. According to its 2023 annual report, founded in 1987, this technology company is a leading global provider of information and communications technology (ICT) infrastructure and smart devices
"IFRS"	International Financial Reporting Standards
"Indemnity Undertaking"	an indemnity undertaking dated 20 November 2024 entered into by our Controlling Shareholders in favour of our Company and its subsidiaries to provide certain indemnities, particulars of which are set out in "D. Other Information – 10. Indemnity Undertaking" in Appendix VI to this document
"independent non-executive Director(s)"	the independent non-executive director(s) of our Company

"Independent Third Party(ies)"	a person who, as far as our Directors are aware after having made all reasonable enquiries, is not a connected person of our Company
"Industry Consultant" or "CIC"	China Insights Consultancy, an independent market research and consulting company
"Industry Report" or "CIC Report"	an independent market research report commissioned by our Company and prepared by our Industry Consultant for the purpose of this document
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"Jingcheng Times"	Jingcheng Times Group Co., Ltd. (精誠時代集團有限公司), a company established in the PRC with limited liability on 13 June 2006 and one of our Shareholders
"Jinyingu Investment"	Putian Jinyingu Investment and Development Co., Ltd. (莆田市金銀谷投資開發有限公司), a company established in the PRC with limited liability on 15 March 2017 and is one of our Shareholders

"Lanxi Jiuhe"	(Lanxi Jiuhe Investment Partnership (Limited Partnership) 蘭溪九賀投資合夥企業(有限合夥)) (now known as Shanghai Jiuhe Investment Management Partnership (Limited Partnership) (上海九賀投資管理合夥企業(有限合夥))), a limited partnership established in the PRC on 11 October 2017
"Latest Practicable Date"	26 May 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[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 operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Mr. Hu Shaohua" or "Mr. Hu"	Mr. Hu Shaohua (胡少華) (former name: Hu Shaofeng (胡少鋒)), an executive Director and general manager of our Company, one of our Controlling Shareholders, and son-in-law of Mr. Yongzhong, and brother-in-law of Mr. Li Shuo and Mr. Li Linmao
"Mr. Li Linmao" or "Mr. Li LM"	Mr. Li Linmao (李林茂), one of our Controlling Shareholders, and son of Mr. Li Yongzhong, brother-in-law of Mr. Hu and younger brother of Mr. Li Shuo
"Mr. Li Shuo"	Mr. Li Shuo (李碩), the deputy general manager of our Company, one of our Controlling Shareholders, and son of Mr. Li Yongzhong, brother-in-law of Mr. Hu and elder brother of Mr. Li Linmao

"Mr. Li Yangjin" or "Mr. Li YJ"	Mr. Li Yangjin (李陽金), an executive Director, Board secretary, deputy general manager, chief financial officer and a joint company secretary of our Company
"Mr. Li Yongzhong" or "Mr. Li YZ"	Mr. Li Yongzhong (李永忠), Chairman of our Board, an executive Director, one of our Controlling Shareholders, father-in-law of Mr. Hu Shaohua, and father of Mr. Li Shuo and Mr. Li Linmao
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NDRC"	the 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)
"NEEQ"	The National Equities Exchange and Quotations
"New Putian Production Base"	the new production base to be established under our Expansion Plan, which is located at Licheng District, Putian, China (中國莆田荔城區). For details, please see "Business – Our Business Strategies – Further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market – (i) Setting up the New Putian Production Base" and "Business – Expansion Plan"
"Nomination Committee"	the nomination committee of our Board
"non-executive Director(s)"	the non-executive director(s) of our Company
"NPC" or "National People's Congress"	the National People's Congress of the PRC
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"PBOC"	the People's Bank of China
"PRC" or "China"	the People's Republic of China, excluding for the purposes of this document only, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Company Law"	Company Law of the PRC* (中華人民共和國公司法), as amended and adopted by the Standing Committee of the Tenth National People's Congress on October 27, 2005 and effective on January 1, 2006, as amended or supplemented from time to time, which was latest amended on 29 December 2023 and became effective on 1 July 2024
"PRC government"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities)
"PRC Legal Adviser"	Grandway Law Offices, the PRC Legal Adviser of our Company in connection with the **[REDACTED]**
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
"Putian Production Base"	our production base located at Beigao Jewellery Manufacturing Centre, Putian, China (中國深圳市龍崗區秀峰工業城)
"Putian R&D Centre"	the new R&D centre to be established under our Expansion Plan, which is situated at our New Putian Production Base. For details, please see "Business – Our Business Strategies – Strengthen our R&D capabilities to drive sustained business growth" and "Business – Expansion Plan"
"Putian Site"	one parcel of land with a gross site area of 12,221.78 sq.m. in Licheng District, Putian, China, the land use right to which is owned by us. As at the Latest Practicable Date, the New Putian Production Base was being constructed on the Putian Site
"Qianhai Zunshang"	Shenzhen Qianhai Zunshang Equity Investment Partnership Enterprise (Limited Partnership) (深圳前海尊尚股權投資合夥企業(有限合夥)), a limited partnership established in the PRC on 13 November 2015 and was set up as an employee shareholding platform
"Qushi Yiling"	Ningbo Meishan Bonded Port Zone Trend Yiling Investment Partnership Enterprise (Limited Partnership) (寧波梅山保税港區趨勢翊翎投資合夥企業(有限合夥)), a limited partnership established in the PRC on 7 July 2017 and one of our Shareholders
"Regulation S"	Regulation S under the U.S. Securities Act
"Remuneration and Assessment Committee"	the remuneration and assessment committee of our Board
"Reporting Accountant"	Deloitte Touche Tohmatsu, reporting accountant of our Company
"RMB"	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)

"SASAC"	State-owned Assets Supervision and Administration Commission
"SAT"	State Administration of Taxation of the PRC* (中華人民共和國國家稅務總局)
"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
"Shanghai Lao Feng Xiang Watch"	Shanghai Lao Feng Xiang Watch Co., Ltd.* (上海老鳳祥鐘錶有限公司), an ODM customer and a top five customer of our Group during certain years the Track Record Period
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary share(s) with a nominal value of RMB1.00 each in the share capital of our Company, including both the Domestic Share(s) and the H Share(s)
"Shenzhen Jinhongyun Jewellery"	Shenzhen Jinhongyun Jewellery Co., Ltd.* (深圳金泓韵珠寶有限公司) (previously known as Shenzhen Hongyun Jewellery Co., Ltd*. (深圳泓韵珠寶有限公司)), an ODM customer and a top five customer of our Group during the Track Record Period
"Shenzhen Production Base"	our production base located at Xiufeng Industrial City, Longgang, Shenzhen, China (中國深圳市龍崗區秀峰工業城)
"Shenzhen R&D Centre"	our R&D centre situated at our Shenzhen Production Base
"Shenzhen Xinnuo Jewellery"	Shenzhen Xinnuo Jewellery Co., Ltd.* (深圳市信諾珠寶有限公司), a primary distributor under our OBM business model and a top five customer of our Group during the Track Record Period

[REDACTED]	**[REDACTED]**
"Sole Sponsor"	Ping An of China Capital (Hong Kong) Company Limited, a licensed corporation registered under the SFO to carry on Type 6 (advising on corporate finance) regulated activities as defined in the SFO, being the Sole Sponsor to the **[REDACTED]**
[REDACTED]	**[REDACTED]**
"State Council"	State Council of the PRC* (中華人民共和國國務院)
"Strategy Committee"	the strategy committee of the Board
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of our Company
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers issued by the SFC, as amended or supplemented from time to time
"Track Record Period"	FY2022, FY2023 and FY2024
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
"U.S." or "United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
"U.S. Securities Act"	the United States Securities Act 1933, as amended or supplemented from time to time

"Xianyou Oak"	Xianyou Oak Electronic Technology Co., Ltd. (仙遊縣橡樹電子科技有限公司), a company established in the PRC with limited liability on 23 September 2016 and was deregistered on 19 August 2019
"Xinjiang Guojin Haoyao Jewellery"	Xinjiang Guojin Haoyao Jewellery Co., Ltd.* (新疆國金皓耀珠寶有限公司), a primary distributor under our OBM business model up to July 2022, and a top five customer of our Group during certain period(s) of the Track Record Period
"Xinjiang Guojin Shengshi Jewellery"	Xinjiang Guojin Shengshi Jewellery Co., Ltd.* (新疆國金晟世珠寶有限公司), a primary distributor under our OBM business model since July 2022, and a top five customer of our Group during certain period(s) of the Track Record Period
"Yiling Zhicheng"	Ningbo Meishan Bonded Port Area Xinyi Zhicheng Investment Partnership (Limited Partnership) (寧波梅山保稅港區新翊翎志成投資合夥企業(有限合夥)), a limited partnership established in the PRC on 14 June 2017 and one of our Shareholders
"%"	per cent.

In this document, unless the context otherwise requires, the terms "associate", "close associate", "connected person", "connected transaction", "controlling shareholder', "core connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.

Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the **[REDACTED]**.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in this document in both the Chinese and English languages and in the event of any inconsistency, the Chinese 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.*

Unless expressly stated or otherwise required by the context, all data are as of the Latest Practicable Date.

If there is any inconsistency between this document and the Chinese translation of this document, this document shall prevail.

This glossary of technical terms contains explanations of certain terms used in this document as they relate to our Group and are used in this document in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions or meaning or usage as used in other contexts.

"24K gold"	refers to alloy material with gold content of 99.90% or above, according to the PRC National Standard No. GB11887. It can also be expressed as Au999. 24K gold is highly valuable and prized for its rich, lustrous yellow colour, as well as its softness and malleability.
"24K gold watch"	refers to a kind of gold watch, of which the gold of the watch case is 24K gold
"Au9999"	refers to gold and alloys with gold content of 99.99% or above, which is a common standard for denoting gold purity adopted by the Shanghai Gold Exchange
"assembling" or "assembly"	process of fitting together the components of a product
"CAGR"	compound annual growth rate
"CNC"	computer numerical control
"dual-wearable"	refers to a feature of a specific kind of watches which allows the wearer to disassemble the watch case and switch between two or more types of movements, thereby creating a variety of watch products and enabling two distinct wearing experiences
"ERP"	enterprise resource planning, the integrated management of main business processes, often in real time and mediated by software and technology
"ex-factory price"	the selling cost of goods from the vendor's factory
"g"	gram
"gold bullion"	gold bullion refers to high purity gold metal bulks primarily sold in bulk as an investment instrument for investors to hedge against currency, inflation and geopolitical risks, and is fundamentally different form gold watches or gold accessories which are primarily sold as consumable goods

"GDP"	gross domestic product
"GFA"	gross floor area
"GMV"	gross merchandise value. According to CIC, it is a key metric used to measure the total sales value generated through a marketplace over a specific time period. In the context of the watch market, GMV refers to the total sales value of all watches sold, usually reported on an annual basis
"gold watch"	a kind of precious metal watch the watch case of which is primarily made of gold and its alloys which means that the nominal thickness of the gold and/or its alloys covered on the watch case exceeds 300 microns, with reference to, according to CIC, the understanding of and interpretation by industry experts in relation to (i) the industry guidelines as defined in "Watch-cases and accessories – Gold alloy coverings – Part 1: General requirements" issued by the State Administration for Market Regulation (中國國家市場監督管理總局) and the Standardisation Administration of China (中國國家標準化管理委員會) in 2019, which are aligned with the international standard ISO 3160-1; (ii) the industry guidelines QB/T 4160-2023, "Watches with jewels and precious metal alloys" (使用寶石和貴金屬的手錶), issued by the Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部) in 2023; (iii) group standard (團體標準) T/CGA 41-2023, "Solid gold watch" (足金手錶), issued by the China Gold Association (中國黃金協會) in 2023; and (iv) the applicable industry norms. It should be noted that there is no specific market standard explicitly defining "gold watch" and the above definition, which reflects our Company's interpretation based on CIC's advice, is adopted solely for the purpose of presenting relevant market information in this document. According to CIC, gold watches are valued for their premium appearance, durability, and the value of the gold used in their construction. The gold used in gold watches can vary in purity, with common types being 24K gold and non-24K gold
"ICT"	information and communications technology

"IoT"	internet of things
"IP"	intellectual property(ies)
"IT"	information technology
"kg"	kilogram
"mechanical movement"	a movement which uses the power from a wound spring and keeps time by utilising energy from the tension of the spring to power a set of gears
"movement" or "watch movement"	the completed individual mechanism contained inside the case of a watch, not including the watch casing or watch dial itself, which is responsible for time keeping
"non-24K gold"	an alloy with gold content of less than 99.90%
"non-smart watch"	a watch without smart features. According to CIC, non-smart watches primarily serve the purpose of timekeeping and emphasise craftsmanship, aesthetics, and brand heritage in their design
"OBM"	original brand manufacturing, where a manufacturer develops and owns the design of a product which is marketed and sold under such manufacturer's own brand name
"OBM product(s)"	products manufactured under our OBM business model
"ODM"	original design manufacturing, where a manufacturer designs and manufactures a product as specified by its customer which is subsequently sold under the brand name of such customer or under no specific brand
"ODM product(s)"	products manufactured under our ODM business model

"precious metal watch"	according to CIC, a precious metal watch is a timepiece with its watch case crafted from precious metals and alloy materials, typically including gold, platinum and silver, which are valued for their rarity, aesthetic appeal and intrinsic value. Precious metal watches can be categorised in several ways, including (i) by the precious metal and its alloys used for the watch case, e.g. gold watches, platinum watches and silver watches; (ii) by the decoration technique of the dials, e.g. enamel watches and jewellery watches; and (iii) by the inclusion of smart features, e.g. smart precious metal watch and non-smart precious metal watch
"primary distributor"	an entity which is authorised by our Group to distribute our OBM products in the sales region(s) assigned by us pursuant to written distribution agreement(s) entered into between the entity and our Group
"quartz movement"	a movement which utilises power from a small battery to keep time
"R&D"	research and development
"Retail Outlet(s)"	point(s) of sales at which our OBM products are sold to end consumers, such as display centres operated by our primary distributors and individual jewellery retail stores and sales counters in department stores and shopping malls to whom our primary distributors and/or their sub-distributors distributed our OBM products
"smart watch"	a watch with smart features. According to CIC, smart watches not only perform the traditional functions of watches but also integrate compact computer capabilities, with features such as fitness tracking, global positioning system (GPS) navigation, and the ability to run various applications. For the avoidance of doubt, a smart watch includes a smart precious metal watch, i.e. a precious metal watch with smart functions
"sq.m."	square metre(s)
"sub-distributor"	an entity to whom our OBM products are sub-distributed by our primary distributor(s) within the sales region assigned by us

"traditional precious metal watch"	a precious metal watch that does not include any smart features
"Vickers hardness number"	the numerical result of the Vickers hardness test, which is a method to measure the hardness of metal materials
"watch case" or "watch casing"	case of a watch that protects the watch movement from dust, damp and shocks and gives the watch an appearance. According to CIC, the bezel can be considered part of the watch case
"watch crown"	knob located on the outside of the watch dial or face and used for winding the watch. It is also used for setting the hands of the watch to the right time
"watch dial"	the plate of metal or other material bearing various markings to show the hours, minutes and seconds, commonly known as the face of a watch

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DOCUMENT ARE SUBJECT TO RISKS AND UNCERTAINTIES

This document contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed "Summary", "Risk Factors", "Industry Overview", "Business", "Financial Information" and "Future Plans and **[REDACTED]**" in this document. When used in this document, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "might", "plan", "project", "propose", "seek", "should", "target", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed "Risk Factors" in this document, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business prospects, strategies and our operating and expansion plans;
- our objectives and expectations regarding our future operations, profitability, liquidity and capital resources;
- future events and developments, trends and conditions in the industry and markets in which we operate or plan to operate;
- our ability to control costs;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy; and
- Certain statements in "Financial Information" with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity and capital resources, some of which may not materialise or may change. Actual results may differ materially from information, implied or expressed, in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set out in "Risk Factors" and the following:

- changes in the laws, rules and regulations applicable to us or relating to any aspects of our business or operations;

- our ability to attract and retain customers;
- our ability to attract and retain experienced employees and key personnel;
- our ability to protect our brand, trademarks or other intellectual property rights;
- general economic, market and business conditions in the PRC, including the sustainability of the economic growth in the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- business opportunities and expansion that we may pursue;
- our ability to identify, measure, monitor and control risks in our business, including our ability to improve our overall risk profile and risk management practices; and
- other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set forth in this section as well as the risk factors and uncertainties set out in "Risk Factors".

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

An **[REDACTED]** *in our H Shares involves various risks. You should carefully consider all the information in this document and, in particular, the risks and uncertainties described below before making an* **[REDACTED]** *in our H Shares.*

The occurrence of any of the following events, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, could materially and adversely affect our business, financial condition, results of operations or prospects. If any of these events occur, the **[REDACTED]** *of our H Shares could decline and you may lose all or part of your* **[REDACTED]**. *You should seek professional advice from your relevant advisers regarding your prospective* **[REDACTED]** *in the context of your particular circumstances.*

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

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

Our costs of raw materials represent the largest component of our cost of sales, and significant fluctuations in the prices of raw materials, which primarily include gold, can have a significant effect on our business, results of operations and financial condition.

Gold prices may be affected by a number of factors, such as (i) industrial and consumer demand, (ii) lending, sales and purchases of gold by government agencies (including central banks) and multilateral institutions that hold gold, and other proprietary trading activities, and (iii) sales of recycled gold, levels of gold production, production costs and supply disruptions in major gold-producing nations. Gold prices may also be affected by factors resulting from how gold markets are structured, such as non-concurrent trading hours of gold markets and, at times, rapid short-term changes in supply and demand because of speculative trading activities. Other factors affecting the price of gold include the structure of, and confidence in, the global monetary system, expectations of the rate of inflation, the relative strength of, and confidence in, the US dollar (the currency in which the price of gold is generally quoted), interest rates, gold borrowing and lending rates, and global or regional economic, political, regulatory, judicial or other events, as well as wars and other upheavals. In addition, we are susceptible to fluctuations in gold prices, as we did not utilise any significant hedging instruments to manage such fluctuations, except for gold loans in FY2022, FY2023 and FY2024.

Our revenue growth during the Track Record Period was partially attributable to the appreciation of gold, as we generally adjusted the selling prices of our precious metal watches and gold accessories products to reflect fluctuations in gold prices. However, we cannot assure you that gold prices will maintain at the current level. If gold prices change significantly in the future, consumer sentiment and willingness to purchase gold may be affected, which may in turn affect our sales and revenue. In addition, our inventories are stated at the lower of cost and net realisable value. During the Track Record Period, the vast majority of our inventories consisted of gold inventories such as (i) gold ingots and (ii) hardened gold and other work-in-progress and finished gold-containing products. Therefore the fluctuations in our inventories may be influenced by changes in the market price of gold and the quantity of gold inventories and gold-containing semi-finished products that we held. A decrease in gold prices may also result in a decrease in the carrying value of our inventories, thus negatively affecting our financial statements.

Furthermore, we have also entered into gold loans as a gold price exposure management method during the Track Record Period to manage the financial impact of gold price fluctuations. For outstanding gold loans, if gold prices decline, we may experience a loss in the value of the gold watches and gold accessories products sold, but simultaneously we may benefit from a fair value gain on such gold loans. Conversely, if gold prices rise, we may incur a loss on gold loans, but we may be able to sell the gold watches and gold accessories products at higher prices that are reflective of the higher gold prices. See "Business – Measures to Manage Raw Materials Price Fluctuations – Obtaining gold loans to hedge against gold price fluctuations" and "Financial Information – Description of selected items in Consolidated Statements of Profit or Loss and Other Comprehensive Income – Other gains and losses" in this document.

Any potential gains or losses from such gold loans will be largely offset by the inherent effect arising from our business. We intend to continue using gold loans to manage gold price fluctuations in the future. However, we cannot assure you that such arrangement will continue to be effective in mitigating the financial impact of gold price movements and that our arrangement will be able to protect us from unfavourable gold price movements. Failure to successfully utilise our gold price exposure management method to manage gold price movements could have a material and adverse effect on our business, financial condition and results of operations.

Challenging economic conditions and economic uncertainty and the resulting government actions could materially and adversely affect our business.

The demand for our precious metal watches and accessories products largely depends on the disposable income and spending patterns of our current and prospective consumers, which are affected by factors such as prevailing and anticipated economic conditions, job market outlook and the performance of stock market and other alternative investments, as well as expected future global and regional macroeconomic conditions such as employment rates, inflation rates and interest rates. Any adverse economic developments in one or more of our key markets where the majority of our revenue is generated, in particular the PRC, could result in reduced demand for our products, which in turn could result in lower revenue and reduced profit. In addition, there is a greater likelihood that more of our customers or contractual parties could become delinquent in respect of their obligations to us during a period of economic slowdown, whereas trade and capital flows may further contract as a result of protectionist measures introduced in certain markets which could cause a further slowdown in economies. Factors such as consumer, corporate and government spending, business investment, volatility of the capital markets, and inflation may also affect the business and economic environment, the growth of the PRC's precious metal watch, jewellery and accessories industries, and ultimately, the profitability of our business. Based on the above, our business, results of operations and financial condition would likely be hindered by an economic downturn in any of our key markets or generally.

On the other hand, even during a period of economic upturn, we may still face challenges to maintain consumer demand for our products due to the availability of alternative products and investment options. Also, consumer sentiment and willingness to purchase gold products may be partially affected by economic conditions and commodity prices. For example, consumers may be more cautious about making major purchases when facing economic uncertainty and may be more willing to purchase luxury items when economic uncertainty subsides.

We cannot assure you that the general consumer demand in our markets will not be adversely impacted by global or regional economic conditions. In addition, in the event that our competitors react to any declines in market trends, consumer demands or confidence by reducing retail prices, our ability to maintain our market share may be adversely impacted and we may have to intensify our sales and marketing efforts in order to compete effectively. Such efforts could materially and adversely affect our business, results of operations and financial condition.

Our business is dependent on the strength of our flagship proprietary brand "HIPINE", and any deterioration in our flagship proprietary brand could have an adverse effect on our sales, profitability and the implementation of our growth strategy.

We consider our flagship proprietary HIPINE brand to be one of our most important assets. Our sales of precious metal watches and accessories products primarily rely on the strength of our flagship proprietary brand. The strength of our HIPINE brand is based on our reputation for providing high-quality products which are aesthetic and functional, complemented by responsive customer service across our distribution network. Our brand image is also built on our product designs, the materials used in our products, the presentation and quality of our products, our brand image, the image of our primary distributors and the Retail Outlets, and the effectiveness of our sales and marketing efforts.

Failure to manage any of the above factors or the failure of our sales, marketing and other promotional activities to further strengthen our brand image could adversely affect the value and perception of our brand image, as well as our ability to distinguish ourselves from competitors and maintain existing or attract new customers. In addition, our reputation and brand image may be negatively affected by certain factors which are beyond our control. For example, the majority of our products were sold to our primary distributors and not to end consumers during the Track Record Period. See "Business – Sales and Distribution – OBM sales and distribution model – Distributorship" in this document. Since we have no ownership or managerial control over our primary distributors or any sub-distribution networks of our primary distributors, there is no guarantee that the distribution model of our products will be an efficient and cost-effective means for us to sell our products to our target customers or that our primary distributors will comply with the requirements in our distributorship agreements or the relevant legal or regulatory requirements, which may detrimentally affect our brand image and reputation among customers. See "Business – Sales and Distribution". Should our brand image or reputation deteriorate, we may not be able to maintain our current prices or sales volumes or introduce new products or enter new markets, which may materially and adversely affect our business, results of operations, financial condition and our growth strategies.

We operate in competitive industries and if we are unable to compete effectively, our sales, profitability and growth prospects may be materially and adversely affected.

The precious metal watches, jewellery and accessories industries are competitive, and we face competition at an international, regional and national level. Both markets are characterised by the presence of well-established brands recognised for offering original and popular designs and high-quality products with distinctive brand characteristics. Furthermore, new market entrants, which could pose significant competition pressures on us and reduce our market share, may also enter into these markets. Watch and jewellery and accessories brands compete mainly on the basis of their brand image, the popularity and quality of their products, their sales network, the success of their marketing efforts and the quality of their customer service. See "Industry Overview – Competitive landscape of precious metal watch and gold watch markets" and "Business – Market and Competition" in this document. Our competitors may have greater brand recognition, design and production capabilities, retail and distribution networks, sales and marketing functions, customer relationships or financial resources than we do, and they may be able to respond quicker than we can to emerging market trends.

Competition in our markets could cause us to increase capital investment, increase sales and marketing and other expenditures or prevent us from increasing prices to recover higher costs, thereby causing us to reduce margins or lose market share. If we fail to compete effectively against our competitors, our business, results of operations, financial condition and growth prospects may be materially and adversely affected.

If we are unable to respond effectively to changes in market trends and consumer preferences and increasing demand for design and quality, or to introduce commercially viable products or to do so in a timely manner, our market share and result of operations could be adversely affected.

The success of our precious metal watches and accessories business is dependent on our ability to identify market trends and consumer preferences, and then to design and bring to the market products that accommodate such trends and preferences to the satisfaction of a broad range of customers and consumers in a timely manner, by either upgrading existing products or developing new product offerings with enhanced craftsmanship, technology, aesthetics and functionality propositions. However, consumer preferences may shift over time in response to various factors, such as changing economic circumstances. If we fail to anticipate or respond to changes in consumer preferences or fail to bring to market in a timely manner products that satisfy new trends and preferences, our market share, our sales and profitability could be adversely affected.

Similarly, if we fail to appreciate or underestimate the extent of any anticipated increase in consumer demand for our products, we may experience a loss of sales opportunities, which may also have an adverse impact on our goodwill, brand image and profitability. Therefore, if we were unsuccessful in anticipating or responding to changes in consumer preferences as well as the increasing demand for design and quality in a timely manner, our sales, business, results of operations, and prospects may be materially and adversely affected.

Furthermore, the precious metal watch, jewellery and accessories industries in the PRC is highly susceptible to changes in prevailing market trends and consumer preferences. In order to achieve a continued success in these industries, we must be able to anticipate, identify and respond promptly to such changes. As consumer preferences for precious metal watches and accessories are highly subjective in nature, we may fail to anticipate or respond to their changes. As a result, we cannot assure you that our products will be commercially viable or successful. If we were unable to introduce commercially viable products, our inventory of slow-moving and obsolete products will increase and our financial condition and profitability may be adversely affected. In the long run, this could lead to loss or diminution in the goodwill and brands image, which in turn could have an adverse effect on our business, results of operations and financial condition.

While a significant percentage of our raw materials are commodities, various factors such as a decrease in the number of suppliers of such raw materials or a reduction in the overall availability of such raw materials (whether due to a lack of supply, the loss of a supply contract, increased demand from our competitors or fluctuations in world market prices) may adversely affect (i) the availability of, (ii) our access to, or (iii) the cost of purchasing certain raw materials that we need for our products. As such, we may have to pay more for, or may be unable to source, these raw materials.

We are subject to risks associated with the distribution model of our products.

Our ability to accurately track the sales and inventory levels of distributors and Retail Outlets may be limited.

Distribution networks of our products in the PRC were owned and managed by our primary distributors and their customers (which include sub-distributors and Retail Outlets operators). We do not have direct day-to-day access to the sales and inventory levels of our primary distributors, and the sub-distributors as well as the Retail Outlets operators with whom they conduct business with. In addition to discussions with our primary distributors in order to better understand their business performances, we may request for reports from them in relation to information such as inventory levels and their sub-distribution network and as such, we rely heavily on the cooperation and ability of our primary distributors to accurately collect and report the relevant data to us, and we cannot ensure the accuracy of the information that they provide. If our primary distributors fail to collect or provide us with accurate data, we may not have any other means to monitor and evaluate sales or inventory levels of our primary distributors as well as the numbers of sub-distributors and Retail Outlets in an accurate and effective manner. As a result, we may misjudge market conditions and plan our business strategies based on erroneous information, which, in turn, may materially adversely affect our business, results of operations, financial condition and prospects.

We rely on our distributors for the sale of our products, and therefore if we fail to attract quality distributors or if our distributors fail to successfully sell and distribute our products, our business, results of operations, financial condition and prospects may be materially and adversely affected.

We primarily sell our products to our primary distributors in the PRC, who then resell our watches (i) through Retail Outlets which they operate or (ii) to their customers. We rely on our primary distributors to distribute our products across various provinces and regions of the PRC, to operate Retail Outlets and to manage the arrangements with sub-distributors and Retail Outlets operators.

As at 31 December 2024, we had engaged four primary distributors throughout the PRC, who operate Retail Outlets and engage their respective customers in order to sell and distribute our products. See "Business – Sales and Distribution – Distribution network in China – Offline Retail Outlets" for details of the coverage of our distribution network in China. We rely on the sub-distribution network of our primary distributors to secure our geographical coverage and achieve market penetration in their respective designated geographic regions on sales channel in the PRC. However, we cannot assure you that we will always be able to attract a sufficient number of quality distributors to maintain or extend the geographic coverage of our primary distributor's sub-distribution network. Furthermore, we cannot assure you that our primary distributors will continue to purchase our products at current demand levels, successfully sell and distribute our products or meet their annual sales target. If any of our primary distributors terminates or does not continue its business relationship with us, or if any of our primary distributors fails to perform adequately, we may not be able to find a suitable replacement in time, or at all, which may result in a loss of sales opportunities and may in turn have a material adverse effect on our business, results of operations, financial condition and prospects.

Our business may be negatively affected if our primary distributors, sub-distributors and Retail Outlets fail to comply with certain requirements in our distributorship agreements and/or the relevant legal or regulatory requirements.

In the PRC, the majority of our products are sold to consumers through Retail Outlets operated by our primary distributors and their customers. We have a set of internal policy in relation to the management and regular monitoring of our primary distributors. However, we have no ownership or managerial control over any sub-distribution networks of our primary distributors, and we manage our distribution networks through monitoring our primary distributors' compliance with the terms of our distributorship agreements. We cannot assure you that our primary distributors will, at all times, strictly adhere to the terms and conditions under our distributorship agreements.

In our distributorship agreements, among other things we generally require our primary distributors to (i) only sell our OBM products within the respective geographic regions and sales channels for which they have been authorised; (ii) maintain a physical display centre within their designated geographical region for showcasing our OBM products; (iii) strictly be prohibited from selling, promoting, distributing, displaying or storing (a) any products that are not provided by us; or (b) any products that may compete with our proprietary brands or OBM products, at the display centres operated by them within their designated region; (iv) prepare their comprehensive sales plan for the following year, which is subject to our review and approval and submit their sales plan and procurement plan for the upcoming month to us by the end of each month; (v) be prohibited from providing any gifts, rebates, commissions or other benefits to our personnel in connection with the business contemplated under the agreements entered into between us. However, we cannot assure you that our primary distributors will consistently adhere to these requirements, or at all, and it may be difficult to ensure their compliance to these requirements. If our primary distributors or their customers fail to follow these requirements, the execution of our sales and distribution strategy, our brand image and the public perception of our brand positioning could be negatively affected. As a result, our business, results of operations, financial condition and prospects may be materially and adversely affected.

In addition, we also cannot assure you that our primary distributors have complied with all applicable PRC laws and regulations that may potentially affect their business operations. We also cannot assure you that they have or will have sufficient resources to deal with unexpected changes in the regulatory, economic or business environment or other factors beyond their control. Should any of our primary distributors fail to comply with the applicable PRC laws and regulations or adapt to unexpected changes, their business operation may be adversely affected and their purchases from us may decrease.

Our ability to monitor the performance of our distributors and the quality of service provided by sales staff at the Retail Outlets is limited.

We have limited control over the sales staff of the Retail Outlets operated by our primary distributors or their customers, as we do not have a direct contractual relationship with any of these sales staff. Moreover, we cannot assure you that our system for monitoring the performance of the sales staff at the Retail Outlets is sufficient to enable us to identify all incidents of non-compliance with our policies or inappropriate service. As such, we have no direct mechanism to control the way our products are marketed or sold at various Retail Outlets. Failure by our primary distributors to adhere to and ensure implementation of our policies, or our failure to closely monitor our primary distributors, sub-distributors and Retail Outlets may have a material adverse effect on the sales and distribution of our products and thus may materially and adversely affect our business, results of operations and financial condition.

Furthermore, we cannot assure you that appropriate sales and marketing methods or means which are consistent with our brand image will be employed by our primary distributors, sub-distributors and Retail Outlets. Poor or inappropriate services may result in damage to our brand image and reputation. We cannot assure you that we will always be able to identify the problems and take action in a timely manner. In the event that we fail to do so, our brand image and reputation may suffer, which may in turn have an adverse effect on our business, results of operations and financial condition.

We are exposed to risk of cannibalisation between our existing and new distributors.

We position our primary distributors to effectively capture market demands from our target customers in different geographic regions, while the development plan of each primary distributor is determined based on additional factors that may vary at different geographic regions, such as general economic condition, average disposable income, distinctive local trends or preferences and local competition. In developing our distribution network, we may, where appropriate, engage new primary distributors in and around areas of existing primary distributors to leverage operational efficiencies and effectively serve our customers. Our existing and new primary distributors and sub-distributors may engage in market cannibalisation among themselves. The capacities and growth in some of our target locations and demands from our target customers for our products may be limited and may not be able to support our expansion plan. There could be overlapping coverage and unexpected competition between our existing and new primary distributors and sub-distributors due to the over-expansion and cannibalisation effect. As a result, new distributors may not perform as anticipated and may have adverse effect on the overall performances of our primary distributors and our profitability. There is no assurance that our measures to mitigate potential cannibalisation among different primary distributors and sub-distributors can always be successful, the occurrence of which could, in turn, adversely affect our business, financial condition or results of operations.

During the Track Record Period, a number of our customers have contributed to a significant portion of our revenue and continued to be our top five largest customers. If they decrease their purchases in the future or if there is any substantial delay in their payments or any failure by us in maintaining relationships with them, our results of operations and financial conditions may be materially and adversely impacted.

The aggregate revenue generated from the sales to our five largest customers in FY2022, FY2023 and FY2024 amounted to RMB295.67 million, RMB405.76 million and RMB398.40 million, respectively, accounting for approximately 91.34%, 91.08% and 87.26% of our total revenue for the respective years. Our revenue from the largest customer in each of FY2022, FY2023 and FY2024 amounted to RMB115.87 million, RMB143.83 million and RMB116.66 million, respectively, accounting for approximately 35.80%, 32.29% and 25.55% of our total revenue for the respective years. Of these customers, (i) Shenzhen Xinnuo Jewellery; and (ii) Beijing Shiji Tongyuan Jewellery and Accessories (in FY2022), Beijing Shijiyuan Jewellery (in FY2022, FY2023 and FY2024) and Shenzhen Jinhongyun Jewellery, which are under the same control by an Independent Third Party; and (iii) Xinjiang Guojin Haoyao Jewellery (in FY2022) and/or Xinjiang Guojin Shengshi Jewellery (in FY2022, FY2023 and FY2024), which are under the same control by an Independent Third Party, have consistently been one of our five largest customers during the Track Record Period and purchased large volumes of our products throughout the Track Record Period. We cannot assure you that these customers will continue to purchase our products in such large volumes as they did during the Track Record Period. If one or more of our largest customers were to significantly reduce their purchases from us and if we fail to develop business relationships with new customers to replace them, our results of operations and financial prospects would be materially and adversely affected.

We granted credit terms to these customers during the Track Record Period. We cannot assure you that payments by these customers would not be materially delayed. If one or more of our largest customers were to delay payments to us, our cash flows and liquidity would be materially and adversely affected which would, in turn, affect our overall results of operations and financial prospects.

We procure certain key raw materials from a limited number of suppliers. Particularly, we had material reliance on a sole supplier during the Track Record Period. We may not be able to secure a stable supply of qualified raw materials at all times and on commercially acceptable terms, or at all.

During the Track Record Period, we had material reliance on our major suppliers, especially our largest supplier in each year during the Track Record Period, for certain key raw materials. The aggregate purchases from our five largest suppliers in FY2022, FY2023 and FY2024 amounted to RMB220.10 million, RMB403.45 million and RMB308.90 million, respectively, accounting for approximately 90.72%, 93.92% and 92.40% of our total purchases for the respective years. Our purchases from the largest supplier in each of FY2022, FY2023 and FY2024 amounted to RMB154.07 million, RMB382.56 million and RMB275.72 million, respectively, accounting for approximately 63.50%, 89.05% and 82.48% of our total purchases for the respective years. There is no assurance that we will be able to continue to source sufficient and high-quality raw materials on commercially acceptable terms from any of our major suppliers. In the event that any of our major suppliers fails to meet our purchase orders on a timely manner or fails to offer us commercially acceptable terms or fails to supply us with raw materials of the quality and quantity that we require or terminates their business relationship with us (as the case may be), we may be unable to source sufficient raw materials from comparable alternative suppliers on a timely basis and on commercially acceptable terms, or at all, and our business, financial conditions and results of operations may be adversely affected.

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

Our OBM products are designed to showcase our fine craftsmanship and innovative designs, thus enabling us to establish our leading position in the domestic brand gold watch and 24K gold watch industries in China. The design and development process of our products generally includes five steps: (i) market research and information gathering, (ii) conceptual product design, (iii) design review and refinement, (iv) prototyping and testing and (v) final product evaluation. See "Business – Our Business Model – (ii) Design and development" in this document. If our design and development of products fails to continue to meet customers' demand, the sales of our products may be negatively affected. In addition, our competitors may develop product development techniques which are superior to ours in terms of costs, time and product quality, which would render our product development techniques out-of-date and our business non-competitive. Should any of these factors materialise, our business, financial conditions and results of operations could be materially and adversely affected.

Our efforts in developing and investing in technologies may not generate the expected outcomes.

We rely on various key proprietary technologies, including "gold material hardening" (足金材料硬化), "hard 24K gold precision processing" (硬質足金精密加工) and "vacuum melting of 24K gold" (足金真空熔煉) technologies, throughout the manufacturing process of our products. We have invested and plan to continue to invest in developing and upgrading the technologies utilised in the manufacturing process of our products. However, we may not always be successful in developing or upgrading our technologies as required by our business and product needs.

Although we continuously develop and upgrade our technologies to keep up with the latest industry developments and market demands, we cannot assure you that our investment in these technologies could produce the expected outcomes, in which case our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our business depends on our intellectual property, particularly our trade name, trademarks, patents, product designs and trade secrets, which we may not be able to protect against infringement and unauthorised use in counterfeit products.

We consider our HIPINE brand, related trademarks and other intellectual property rights to be critical to our success and competitive advantage. In order to protect and preserve our core brand, our policy is to register and protect the relevant intellectual property rights in the jurisdictions in which we operate or intend to operate to the extent that we are able to under relevant local laws and regulations. As at 31 December 2024, we have registered (i) 201 trademarks, 196 patents and 16 copyrights in China; (ii) eight trademarks in other jurisdictions; and (iii) two domain names. We are applying for, and may in the future apply for, new trademarks, patents, copyrights, domain names and other intellectual property rights, or the renewal of existing intellectual property rights. However, such application processes also take time and our use of such intellectual property rights may lack legal protection during this period. Furthermore, we cannot assure you that we can successfully apply for new intellectual property rights or renew the intellectual property applications beyond their expiration. In such event, we may no longer be able to use such intellectual property rights in our business or become prohibited from manufacturing or selling products which are under or utilise such intellectual property rights, which may also affect our brand, our products and our operations which may result in loss of our customers and damage of our reputation. As a result, our business, financial conditions and results of operations will be materially and adversely affected.

Further, we rely on intellectual property laws in the PRC and other jurisdictions to protect our brand, trademarks, copyrights and other intellectual property rights. We cannot assure you that the steps we have taken to protect our intellectual property rights are sufficient or will be sufficient to protect such intellectual property rights, or that such intellectual property rights will not be subject to infringement in the future. Any unauthorised use of such intellectual property rights could harm our brand, market image and reputation and lead to a loss of consumer confidence in our brand, which could adversely affect our financial condition and results of operations.

Any litigation to prevent or cease infringements in relation to our intellectual property rights and products may be expensive and will divert our management's attention as well as other resources away from our business. We may have to bear the costs arising from such litigation to the extent that we are unable to recover them from the relevant infringing parties. Moreover, if there are any concerns about the quality of the counterfeit products and consumers are not fully able to distinguish such counterfeit products from our products, our reputation and brand value may be impaired. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Trade names and trademarks that are identical or similar to our trade name or trademarks may have been registered or used by third parties in other markets we may decide to enter. We may incur significant expenses should we decide to acquire the right to use our trade name and trademarks in these markets. If we are unable to acquire these rights on terms acceptable to us, or at all, we may be unable to enter these markets using our trade name and trademarks.

In addition, since some of our key craftmanship, including polishing, brushing, engraving and bead-setting techniques, are in the public domain, we can only protect the know-how of our craftmanship in terms of trade secrets. There can be no assurance that such protections are adequate, and in the event that third parties copy our know-how, the competitiveness of our products and our reputation could be adversely affected, which could in turn affect our business and results of operations. In addition, we may face difficulties in proving that a third party has copied our know-how or may incur significant costs even if we are successful in proving so.

We may be subject to intellectual property infringement claims, which may be expensive to defend and may result in significant liabilities.

Our competitors or other third parties may have intellectual property rights and interests which could potentially conflict with ours. We may be required to commit significant time and resources to defend trademark, patent, copyright infringement or other intellectual property claims against us and if any of such claims are successful, we may be required to take significant liabilities. In addition, we may not have a legal right to continue to develop, produce, use or sell products that are adjudicated to have infringed third parties' intellectual property rights and interests. We may be legally required to expend significant resources to re-design our products so that they do not infringe third parties' intellectual property rights and interests or we may be required to obtain relevant licenses to avoid further infringements. Intellectual property-related litigation against us could significantly disrupt our business, divert our management's attention or consume much of our financial resources. Additionally, we may be subject to infringement or misappropriation claims by third parties in other aspects of our day-to-day operations, such as our usage of videos, images, fonts or music in our advertising and promotional activities. Any intellectual property disputes could have a material adverse effect on our business, financial condition, results of operations and prospects.

If the quality of our products is compromised or if our after-sale services fail to meet the expectations of our customers, our business and reputation may be materially and adversely affected.

We have adopted quality assurance measures which cover all aspects of our production processes and operations, including design and installation of production facilities, the maintenance of equipment, procurement of raw materials and packaging materials, monitoring and quality checks of raw materials, work-in-progress and finished products and verification of documentation to comply with product registration certification standards and requirements. See the section headed "Business – Our Business Model – (v) Quality control" in this document for more information. Any incidents that may compromise the quality of the products we sell could give rise to material liabilities or penalties for us, damage our reputation and could lead to our insurers refusing to insure our products.

We also provide after-sales services to our customers primarily through our repair and maintenance service locations in China and service enquiry hotline. See the section headed "Business – After-Sales Services and Warranties" in this document for more information. As we continue to grow in the future, our staff serving our repair and maintenance centres as well as our service enquiry hotline and the after-sale service staff of the Retail Outlets may not be sufficient. There is no assurance that we or the Retail Outlets will be able to hire sufficient qualified staff or provide sufficient training to them to meet our standards of after-sale service on a cost-efficient basis or that an influx of relatively inexperienced personnel will not dilute the quality of our after-sale service. If after-sale service representatives for our products fail to provide timely and satisfactory service, our brand and customer loyalty may be adversely affected. In addition, any negative publicity or poor feedback regarding our after-sale service will further harm our brand and reputation which in turn may cause us to lose customers and market share.

Our exchange, return and warranty policies may adversely affect our results of operations.

Our customers are generally not allowed to return or exchange our products after product delivery and acceptance unless the products are defective, and we typically offer a limited warranty for our products. For details, please see "Business – After-Sales Services and Warranties". We may be required by applicable laws and/or regulations to adopt new or amend existing exchange, return and warranty policies from time to time. While these policies improve user experience of our products and help to acquire and retain customers and end-users, we may incur higher costs and expenses associated with exchanges, returns and warranties if we experience any deterioration in the quality of our products, and we may be subject to additional costs and expenses which we may not be able to recover. We cannot assure you that our exchange, return and warranty policies will not be misused by our customers and end-users, which may significantly increase our costs and may adversely impact our business and results of operations. If we revise these policies to reduce our costs and expenses, our customers and end-users may be dissatisfied, which may detrimentally affect our brand image and reputation and result in loss of existing customers and end-users or failure to acquire new customers and end-users at a desirable pace, which may materially and adversely affect our results of operations.

Failure to maintain effective pricing strategies and any downward changes in the prices of our products may have a material adverse effect on our business.

Demand for our precious metal watches and accessories products is generally sensitive to price, since they are luxury goods and the sales of which have a higher propensity to be affected by income changes. Our approach to pricing our precious metal watches and accessories products has had, and may continue to have, a significant impact on our revenue and profit margin. The selling price of each of our precious metal watches and accessories products depends primarily on material and production costs and the difficulty and complexity of the crafting techniques employed, whereas other factors such as the business model under which the relevant product is produced and the sales channel through which it is distributed are also taken into account. Our pricing strategies may not be effective in maintaining our profitability. In addition, our competitors' pricing strategies are beyond our control and could significantly affect the results of our pricing strategies. If we fail to meet our customers' price expectations, or if we are unable to compete effectively with our competitors when they engage in aggressive pricing strategies and could not effectively adjust our cost structure due to potential downward changes in the prices of our products, it could have a material adverse effect on our business, financial performance and results of operations.

We outsourced certain production processes to external subcontractors. Our brand image and business may be negatively affected by our failure to maintain relationships with our subcontractors as well as the failure of our contracted subcontractors to complete the outsourced production processes in a manner that meets our quality standards on time.

During the Track Record Period, we subcontracted certain ancillary/simple production processes to our external subcontractors. In FY2022, FY2023 and FY2024, our outsourcing processing fees were approximately RMB5.13 million, RMB6.85 million and RMB5.87 million, respectively, representing 1.98%, 2.03% and 1.76% of our total cost of sales in the corresponding years. See "Business – Our Business Model – (iii) Manufacturing – Outsourced production" in this document. There is no assurance that we will be able to maintain the relationships with our subcontractors. In the event that our subcontractors terminate their business relationship with us, we may be unable to find qualified subcontractors on a timely basis and on commercially acceptable terms, or at all, and our business, financial conditions and results of operations may be adversely affected.

Although we have set strict quality standards for the processed goods from our subcontractors, as we have limited control over their operations, we cannot ensure that they will adhere to our quality standards at all times. There is also no guarantee that our inspections and quality control checks are capable of identifying the quality issues in relation to the processed goods from our subcontractors. Any defect in, or any failure to adhere to quality standards with respect to, the processed goods from our subcontractors could result in our products having quality issues, which may subject us to liability or damage our reputation and reduce the demand for the products we sell.

In addition, the ability of our subcontractors to deliver the processed goods as requested by us on time can be negatively affected by various factors including, among others, (i) significant shortage in manpower, (ii) significant unscheduled downtime at their production facilities due to equipment breakdowns, power failures, weather conditions and so forth; (iii) being requested by relevant government authorities to suspend production for the rectification of violations relating to labour, environmental protection, fire prevention or other laws and regulations; and (iv) delays in delivery due to transportation shortages, work stoppages, infrastructure congestion or natural disasters. The failure of our subcontractors to deliver the processed goods as requested by us on time, or at all, may have a material and adverse effect on our ability to complete production schedules and satisfy customer demands on time and maintain adequate inventories.

Furthermore, we cannot assure you that our subcontractors will fully comply with the applicable laws and regulations, such as labour and environmental laws. If there is any negative publicity regarding such non-compliance, our brand image may be damaged.

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.

Maintaining optimal inventory levels of raw materials, semi-finished products and finished products is critical to the success of our business. According to CIC, in the gold jewellery and accessories industry, maintaining a high level of semi-finished gold inventory is a common industry practice. This inventory supports quick production and customization, mitigates the impact of gold price fluctuations, and helps reduce procurement costs. Additionally, gold semi-finished products can be swiftly monetized through recycling or direct sales, providing businesses with flexible cash flow management. This practice is particularly prevalent among gold jewellery and accessories enterprises. As at 31 December 2022, 2023 and 2024, the balance of our inventories was RMB513.1 million, RMB632.6 million and RMB656.1 million, respectively. In FY2022, FY2023 and FY2024, our inventory turnover days were 699 days, 620 days and 708 days, respectively. See "Financial Information – Description of Certain Items of Consolidated Statements of Financial Position – Inventories" in this document. We are exposed to inventory risks as a result of a variety of factors which are beyond our control, including delay or disruption in the supply by our suppliers and subcontractors, changing consumption trends and customer preferences and launches of competing products. Moreover, for stocking purposes, we generally estimate demand for the products we sell ahead of the actual time of sale to ensure our ability to satisfy customer demands. We cannot assure you that we can accurately predict the trends and events which may affect the demand for our products and maintain adequate levels of inventory accordingly at all times. Any unexpected decrease in the market demand for the products we sell could lead to excessive inventory, which may adversely affect our financial condition and results of operations. On the other hand, insufficient inventory level may cause us to fail to satisfy customer demands and lose sales to our competitors, and our results of operations may also be adversely affected accordingly.

We are also subject to certain risks related to the warehousing and transportation of our raw materials, semi-finished products and finished products, in particular since they consist of gold and precious metals which have an intrinsically high monetary value. Accidents such as theft, robbery, fire, explosion, smoke, water damage and weather damage may cause damage to the inventories in our warehouse or in transit and adversely affect our ability to manufacture and supply products to our customers on time. There is no guarantee the various measures that we have implemented to ensure the security of our products and main raw materials, such as gold, will be adequate or effective. The occurrence of any of these accidents could also require us to make significant unanticipated expenses and delay our production or delivery of products. Lost sales or increased costs that we may incur due to such disruption of operations and delay in product production or delivery may not be recoverable under our existing insurance policies, and prolonged business delays or disruptions could result in a loss of our customers. If any one or more of the above risks were to occur, our market reputation, business, financial condition and results of operations may be adversely affected.

Furthermore, due to the expansion of our business, our inventory may further increase in the future. If the market price of gold, precious metals and other raw materials declines significantly, we will be exposed to the risk of inventory impairment, which may have an adverse impact on our financial condition and results of operation.

Increase in costs of production, costs of watch components, labour costs and inflation in general may adversely affect our business and profitability.

Inflation has material and adverse effects on our cost of sales, as such inflationary pressure can lead to increase in various cost components in our business operations, such as labour costs, raw materials, energy and transportation. The Directors expect that our costs of sales will continue to increase in the future. If we are unable to identify and adopt appropriate means to reduce our costs or pass on such increase in costs to our customers, our business, results of operations and financial condition may be materially and adversely affected.

Labour costs in the PRC have increased significantly in recent years and have affected our cost structure. Aside from inflation and other factors, the implementation of the PRC Employment Contract Law ("中華人民共和國勞動合同法"), which became effective on 1 January 2008, also contributed to the increase in labour costs in the PRC.

Our staff costs, which are allocated among our selling expenses, administrative expenses and research and development expenses as employee benefit expenses, amounted to RMB17.12 million, RMB18.83 million and RMB20.75 million in FY2022, FY2023 and FY2024, respectively. Staff costs increases may cause our production costs to rise, and we may be unable to identify and adopt appropriate means to reduce costs or not be able to pass on such cost increases to our customers.

Since the manufacturing processes of the majority of our products feature elements of traditional handmade craftsmanship, our production capacity is primarily determined by the production manpower of our production facilities. We cannot assure you that we will not experience any shortage of labour. If we cannot retain sufficient skilled labour or fail to find replacements for relevant positions with comparable experience at similar wages, costs incurred for our operations may increase due to higher salary payments and training costs for newly joined employees. Additionally, a shortage of labour may affect our product quality and production efficiency, which will have an adverse impact on our business, financial conditions, and results of operations.

We may also incur additional costs as a result of the deterioration of labour relations and the handling of any resulting disputes, strikes, claims, legal proceedings, reputation damage and labour shortages. We seek to maintain favourable labour relations with our employees, as we believe that our success rests with our ability to attract, motivate and retain qualified employees, and that our high-quality talent pool is one of our core strengths and competitive advantages. See "Business – Employees" in this document. We cannot assure you that we will not have any labour disputes in the future. Any deterioration in our labour relations could result in disputes, strikes, claims, legal proceedings, reputational damage and labour shortages that disrupt our business operations, as well as loss of experience, know-how and trade secrets.

Further, prolonged inflation may result in the decline of real disposable income and willingness of our customers to purchase our precious metal watches and accessories products. As our future growth is highly associated with the consumer spending pattern, continued or repeated occasions of inflation, which may cause disruptions to consumer confidence, may materially and adversely affect our business, results of operations and financial condition as well as prospects.

Inadequate production capacity and failure to expand our production facilities effectively could hinder our capability to satisfy customer demand.

We cannot assure you that our production capacity will be adequate to meet the overall market demand for our products, especially if we experience increased demand for our products as we expand our distribution network. Similarly, in the event that the production in any of our production facilities is disrupted in the future, we cannot assure you that we will be able to meet the overall demand for our products or demand for any of our specific products in particular, especially during periods when we experience high demand for some or all of our products. Under these circumstances, our business, financial condition and results of operations may be materially and adversely affected.

In the future, as our business grows, we may need to expand our production capacity through various measures, including the construction of new production facilities. Driven by the rapid and continuous growth of our precious metal watch and accessories business and our intention to further develop our smart wearables business, we have commenced the construction works of the New Putian Production Base, which will primarily be responsible for manufacturing smart watches and accessories, and we intend to utilise our Shenzhen Production Base for producing traditional precious metal watches. This is expected to increase our annual production capacity for both traditional precious metal watches and smart wearables. We cannot assure you that our new production facilities will be ready in time or our production capacity will otherwise be successfully expanded. A number of factors could delay our expansion plans or increase our costs in relation to our new production facilities, including:

- expected increase costs in connection with the expansion of our production facilities, such as direct labour costs and repair and maintenance costs;
- failure to successfully implement expansion plans without delay, or at all;
- failure to raise sufficient funds to establish and maintain working capital to operate our business at the new production facilities;
- failure to obtain environmental and regulatory approvals, permits or licenses from the relevant government authorities in a timely manner;
- failure to find new premises for our production facilities;
- shortage or late delivery of building materials resulting in delayed delivery of the production facilities;
- various factors affecting construction progress and resulting in delayed delivery of the production facilities; and
- technological changes, capacity expansion or other changes to our plans for the new production facilities necessitated by changes in market conditions.

Failure to expand our production capacity could hinder our capacity to satisfy customer demand and support our growth and market expansion, which in turn could materially and adversely affect our business, financial condition and results of operations. Furthermore, if market demand declines in the future due to changes in market trends, customer preferences or other factors beyond our control, the actual production volume of and demand for our products and revenue generated may not increase in line with our increase in production capacity and we may not be able to recoup the costs incurred for the construction of new production facilities and the repair and maintenance of such expanded production capacity. A delay in or cancellation of our expansion plans could also subject us to disputes with various counterparties, including landowners, construction companies, financiers and relevant government authorities. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We depend on the continued service of our senior management team and other key employees, and our business, financial condition and results of operation will suffer greatly if we lose their services.

Our future success depends on the continued service of our senior management team and other key employees. In particular, we rely on their expertise and experience in the watch and jewellery and accessories industries. For example, (i) Mr. Li Yongzhong, the Chairman of our Board, has over 20 years of experience and possesses in-depth knowledge of the watch industry and insightful understanding of the tastes and preferences of the consumers in the gold watch and jewellery and accessories markets; and (ii) Mr. Hu, the founder, an executive Director and the general manager of our Group, has over 15 years of experience in the watch manufacturing sector. In addition, our senior management team comprises executives with extensive and diversified industry experience and strong execution capabilities.

If we lose the services of one or more of our key employees, we may not be able to replace them easily or at all and may incur additional expenses to recruit and train new personnel. Consequently, our business could be severely disrupted, and our financial condition and results of operations could be materially and adversely affected. We do not maintain key person insurance for any of our key employees. In addition, if any of our executive officers or key employees joins a competitor or forms a competing business, we may lose know-how, trade secrets, customers, business connections and key professionals and staff.

We cannot guarantee that our expansion plans and [REDACTED] plan will be successfully implemented or generate revenue and profit as we expected.

In order to continue to strengthen our leading position in the domestic brand gold watch and 24K gold watch markets, enhance our overall competitiveness and increase our market share in the future, we intend to (i) construct the New Putian Production Base and upgrade the production facilities of our Shenzhen Production Base to further enhance our production capacity; (ii) establish the Putian R&D Centre to strengthen our R&D capabilities; (iii) expand and optimise our marketing and service network and enhance our brand influence and recognition; and (iv) expand into overseas markets, including the Southeast Asian and Middle Eastern markets, by strategically partnering with selected overseas primary distributors. See "Business – Our Business Strategies" and "Future Plans and **[REDACTED]**" for further details. However, expanding the scale of our business operations or into new business areas involves risks and challenges. These business initiatives are new and evolving, some of which may prove unsuccessful. It may also take a longer time than expected for us to implement these new business initiatives, and we may not have sufficient experience in executing them effectively, or at all. Further, we will incur substantial costs on R&D, product design, sales and marketing, personnel and compliance for our new products and services. We cannot assure you that any of these new business initiatives will achieve our expected market acceptance and generate revenue or profit. If our efforts fail to enhance our monetisation capabilities, we may not be able to maintain or increase our revenues or recover any associated costs, and our business and results of operations may be materially and adversely impacted.

In addition, we may also plan to expand our sales and distribution channels of our precious metal watches products to new geographical markets, such as (i) the Malaysia market; and (ii) the Middle East markets. Factors below may prevent us from competing effectively in these markets and thus negatively affect our expansion:

- Unfamiliarity with these local markets, languages and customs;
- Lack of understanding of local legal and regulatory requirements;
- Difficulty in targeting and understanding the demands of qualified local primary distributors and end consumers; and
- Market entry barriers such as strong local competitors that may have established customer loyalty, proximity advantages and local connections.

In addition, we cannot assure you that we can successfully grow the brand awareness or acceptance of our brands or sales of our precious metal watches products in these new markets as we did in the PRC market, or at all. Furthermore, expansion to other geographical markets requires significant expenses on marketing and promotional activities. Please see "Business – Our Business Strategies" for further details. Failure of our expansion strategy may materially and adversely affect our business, results of operations, financial condition and prospects.

We expect to incur additional capital expenditure and depreciation and amortisation expenses associated with our future plans.

We plan to (i) set up the New Putian Production Base and upgrade our Shenzhen Production Base, which is expected to enhance our production capacity; (ii) establish the Putian R&D Centre, in order to drive innovations for development of smart watches and accessories; and (iii) establish marketing showcase and experience centres and after-sales service outlets to expand and optimise our marketing and service network and enhance our brand influence and recognition. See the section headed "Business – Our Business Strategies" for details. The total additions of the property, plant and equipment of our Group were RMB1.73 million, RMB34.40 million and RMB35.22 million in FY2022, FY2023 and FY2024, respectively, which were mainly attributable to the construction of the New Putian Production Base, which also houses the Putian R&D Centre. We may incur additional capital expenditure and expect to incur the amounts of approximately RMB0.8 million to RMB3.0 million annually in depreciation expenses associated with the establishment and operation of our in-house production and R&D facilities in relation to the New Putian Production Base, Shenzhen Production Base, the Putian R&D Centre, the marketing showcase and experience centres and after-sales service outlet, in the next three years, which could negatively affect our financial condition and results of operations. In addition, there is no guarantee that we could achieve production efficiency and other expected benefits from our future plans in the near term, or at all.

We may not be able to generate the same level of revenue, manage the growth of our business and operations and grow at a rate comparable to our growth rate in the past.

Our revenue increased significantly from RMB323.70 million in FY2022 to RMB445.48 million in FY2023; and increased to RMB456.56 million in FY2024. However, we may not be able to generate the same level of revenue and this growth trend reflects only our past performance and does not have any implication or may not necessarily reflect our financial performance in the future. The sustainability of our growth depends on a number of factors, many of which are beyond our control, including our ability to retain existing customers and attract new ones. In addition, the effects of changing economic conditions, watch and accessories industry dynamics, competitive conditions and future expansion of our sales network, among many other factors, cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. There is no assurance that we can sustain the revenue levels or the growth rate we achieved in the past. If we are not able to manage our revenue levels or growth effectively, our business and prospects may be materially and adversely affected.

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

Negative publicity about us, our Shareholders and affiliates, our brand, the products we provide, including possible defects of the products, even without our fault, our service quality, our management, our business partners and other aspects of our business operations may arise from time to time. They may appear in the form of comments on internet postings and other media sources. For example, in the event that we fail to meet our customers' and end consumers' expectations as to the quality of our products or services or if our business partners fail to adhere to our business standards or requirements, our customers and end consumers may disseminate negative comments about us publicly through various media, such as through social media platforms. In the long term, if such negative publicity about us, our Shareholders and affiliates, our brand, product, our management, our business partners and other aspects of our business operations damages our reputation and results in a loss of customer confidence, it would affect our future ability to attract and retain new customers and employees. As a result, our business, results of operations, financial condition and prospects would be materially and adversely affected.

Our future profitability may be adversely affected by our product mix.

Our gross profit margin (based on cost of sales at historical cost) was 19.8%, 24.3%, and 27.2%, respectively, in FY2022, FY2023 and FY2024. Our gross profit margin generally fluctuated with the mix of products sold during the Track Record Period. See the sections headed "Financial Information – Key Factors Affecting Our Results of Operations – Product Mix" and "Financial Information – Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income - Gross profit and gross profit margin" in this document.

Our product mix may change from time to time as a result of our business strategy, market conditions, customers' demand and other factors, many of which are beyond our control. In the event that our product mix further changes to include more sales of products with lower gross profit margins, our profitability may be adversely affected.

Our smart wearable business has a limited operating history and we cannot assure you that we will profit from or not suffer loss from such business.

We have a limited operating history in our smart wearable business. We only began the sales of smart watches in 2018. In addition, we launched our first 24K gold smart watch in 2023, before gradually expanding our smart wearable business product offerings to include products such as smart gold watches and health management smart watches. We expect to face intense competition in the industry from other companies, including those with better product design and manufacturing capabilities, more experience, greater financial resources and a wider geographic coverage than us. We may also face challenges in pursuing our business strategy in expanding our smart wearable business due to difficulties in forecasting market demand based on limited historical data.

Moreover, since we entered the smart watch market in the PRC in 2018, the smart watch market has grown from RMB23.81 billion in 2018 to RMB34.63 billion in 2023. We have not experienced a significantly decline or downturn in the PRC smart watch market as yet, and may therefore lack the experience to handle such a situation and retain our market position when it arises. We also cannot assure you that our operating experience in the traditional precious metal watches and accessories businesses would necessarily provide a solid foundation and the relevant experience for developing our smart wearable business in the PRC. If we are unable to successfully address these challenges, our smart wearable business may be adversely affected, which may in turn have a material adverse effect on our business, results of operations, financial condition and prospects. **[REDACTED]** should consider our business and prospects in light of the risks and difficulties we face due to our limited operating history in the smart wearable business and should not rely on our past results as an indication of our future performance.

We entered into partnerships with certain business partners for various collaboration initiatives. The termination of any collaboration with our business partners may adversely affect our operations, revenue and profitability.

We entered into partnerships with certain business partners for various collaboration initiatives, such as Lao Feng Xiang, Sino Gem and Chow Tai Seng. There can be no assurance that our business partners will continue to collaborate with us on commercially reasonable terms, or at all. We also cannot assure you that we will be able to establish new business partner relationships, or extend existing collaboration relationships with our business partners when our agreements with them expire. Furthermore, certain of our agreements with our business partners may be terminated at will prior to their specified termination dates, our business partners may alter the contract terms previously agreed between us, and our business partners are under no obligation to continue our collaboration. If we are unable to maintain our relationships with our key business partners, or any of our collaboration with our key business partners is terminated, our operations, revenue, and profitability could be materially and adversely affected.

Our revenue is subject to seasonality and a variety of factors.

We experience seasonal fluctuations in demand for our products, especially ceremonial and festival events and national holidays. The peak seasons include the Mid-Autumn Festival, Chinese New Year, PRC National Day holiday and Valentine's Day. Additionally, the third-party online shopping platforms where we sell our products also have numerous shopping festivals that affect market demand, such as the 618 Shopping Festival (618購物節), the Double 11 Shopping Festival (雙十一購物節) and the Double 12 Shopping Festival (雙十二購物節). Therefore, these events have historically generated heightened consumer purchasing activities and led to increase in our sales volumes. Due to these seasonal factors, comparisons of sales and operating results between different periods within a single financial year may not be meaningful and should not be relied upon as indicators of our performance. Such seasonal factors may also change due to factors which are beyond our control. Moreover, these seasonal consumption patterns may cause our operating results and financial condition to fluctuate from period to period.

We may experience disruptions or delays in our production, warehouse and storage facilities.

Our revenue is dependent on the continuing operations of our production, warehouse and storage facilities. Significant shortages in manpower and unscheduled downtime at our production, warehouse and storage facilities due to breakdowns, failure or substandard performance of our equipment, power failures, planned power outages, labour strikes, weather conditions, fire or explosion or other natural disasters could cause disruptions in our business operations or delay our delivery schedules. In addition, our production, warehouse and storage facilities are subject to risks caused by any disruptions or delays as a result of any failure to comply with all applicable laws, regulations and standards in the PRC.

While we have implemented policies to reduce the risks and mitigate the impact of such incidents, the risk and impact of any disrupting event in the future cannot be eliminated. Should our ability to operate at our production, warehouse and storage facilities be compromised for any reason, it could take a significant amount of time and resources to replace our production, warehousing and storage capabilities, which could materially and adversely disrupt and delay our business operations or prevent our products from being finished or delivered to our customers if alternative production, warehouse and storage facilities cannot be located.

If any of our production, warehouse and storage facilities were to be damaged, cease operations or encounter any problems, including as a result of an explosion, fire or other disruptions, it would temporarily reduce our production, warehousing and storage capacities and affect our ability to provide our products to our customers, which could adversely affect our reputation, sales, business, financial condition and results of operations.

Any pandemics, natural disasters or other catastrophe could severely disrupt our business operations.

Health pandemics may adversely impact the economy and social conditions globally in the long term, causing a temporary decrease in demand for precious metal watches and accessories products, which may adversely affect our business, financial condition and operations. For example, control measures in relation to the COVID-19 pandemic such as lockdowns and travel restrictions resulted in the temporary closure of offline Retail Outlets operated by our primary distributors and their customers, which affected our sales and profitability in FY2022. If there is another COVID-19 pandemic or other pandemic outbreak in the future, we may face various risks, including but not limited to: (i) decrease in demand for our products; (ii) temporary closure of the offline Retail Outlets operated by our primary distributors and their customers; (iii) disruption of the operations of our business partners; and (iv) increased volatility or disruption of global capital markets, which may adversely affect our ability to raise funds for our operations.

Our operations are also vulnerable to interruption and damage from natural disasters, including earthquakes, snowstorms and typhoons, and other extraordinary events, including political unrest and terrorist attacks. Due to the nature of such natural disasters and other extraordinary events, we cannot predict the occurrence, timing and severity of catastrophes. In addition, changing climate conditions, primarily rising global temperatures, may be increasing, or may in the future increase, the frequency and severity of natural catastrophes. If any such catastrophes were to occur in the future, our ability to operate our business could be seriously impaired, thus adversely affecting our operations and financial conditions.

Delivery delays or poor handling by third-party logistics service providers, or disruptions to the transportation network may adversely affect our business operations.

We outsourced the delivery of some of our products sold during the Track Record Period to independent third-party logistics service providers. See "Business – Logistics" in this document. Disputes with, or the termination of our contractual relationships with, our logistics service providers could result in delayed delivery of products, increased costs or customer dissatisfaction. We cannot assure you that we can continue or extend relationships with our current logistics service providers on terms and prices acceptable to us, or at all. We also cannot assure you that, as we expand our business scale and sales channels, we will be able to establish relationships with new logistics service providers to ensure accurate, timely and cost-efficient delivery services. If we are unable to maintain or develop good relationships with logistics service providers, we may experience increases in our costs or disruptions to our ability to offer products in sufficient quantities on a timely basis or at prices acceptable to our customers. As we do not have any direct control over these logistics service providers, we cannot guarantee the quality of their services. If there is any delay in delivery or damage to products resulting from poor handling, we may lose customers and sales, and our brand image may be damaged.

In addition, delays in delivery due to disruptions to the transportation network, such as natural disasters, strikes or infrastructure congestion, could adversely impact our ability to timely deliver products to our customers. Should any of these factors materialise, our business, financial conditions, and results of operations could be materially and adversely affected.

Our marketing and promotion activities may not be effective in attracting our target customers.

We market and promote our brand and products through a variety of media, including print media and magazine advertisements, outdoor advertising such as billboards at train stations, and digital advertisements on our official social media accounts across platforms like WeChat, Weibo, Douyin and Little Red Book (Xiaohongshu) and e-commerce platforms like JD.com. We also actively participate in offline promotional activities, which include participating in industry events and forging valuable collaborations and partnerships with various brands and organisations. These marketing and promotion activities result in significant advertising and promotion expenses. In FY2022, FY2023 and FY2024, our advertising and promotion expenses were RMB2.22 million, RMB4.32 million and RMB5.47 million, respectively. We cannot assure you that our marketing and promotion activities will enable us to successfully market and promote our brand and products or increase our sales.

In addition, we rely on our sales and marketing personnel to implement effective marketing and promotion campaigns. Our sales and marketing personnel are required to have an in-depth knowledge of our precious metal watches, gold accessories and other products. If we are unable to effectively train our in-house sales and marketing personnel or monitor and evaluate their performances, our sales and marketing efforts may be less successful than desired. Moreover, competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate, and retain a sufficient number of qualified and professional marketing, promotion and sales personnel, we may be unable to expand our business coverage or increase our market penetration as contemplated.

The effectiveness of marketing and promotion activities is relatively hard to predict and evaluate. Their effects may be delayed, resulting in slower revenue growth that may not fully reflect the efforts or costs of the marketing and promotion activities. If the results of our marketing and promotion activities fail to meet our expectations, or if we fail to conduct our marketing and promotion activities as planned, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Certain of our lease property interests in the PRC have not been registered with the relevant government authorities, which may expose us to potential fines and/or other expenses.

As at the Latest Practicable Date, we leased seven properties in the PRC. As advised by our PRC Legal Adviser, as at the Latest Practicable Date, among these seven leased properties which were used by us for production facilities, research and development, warehouses, offices and staff quarters, the lease agreements with respect to three properties have not been registered or filed with relevant authorities in accordance with the applicable PRC laws and regulations.

As advised by our PRC Legal Adviser, pursuant to the Administrative Measures for Commodity House Leasing (《商品房租賃管理辦法》), an executed lease agreement of property shall be registered and filed with the relevant government authorities. Although the failure to register the lease agreement does not affect the validity of the lease agreement under the relevant PRC laws and regulations, we may be required by relevant government authorities to file the lease agreement to complete the registration formalities and may be subject to a fine for non-registration within the prescribed time limit, which may range from RMB1,000 to RMB10,000 per lease agreement. The imposition of the above fines could require us to make additional efforts and/or incur additional expenses, any of which may materially and adversely impact our business, financial condition and results of operations. We cannot assure you that the other parties to our lease agreement will be cooperative and that we can complete the registration of this lease agreement and any other lease agreements that we may enter into in the future. See the section headed "Business – Properties – Leased properties" for details.

We may be subject to fines and penalties as a result of our inadequate contribution to the social insurance and housing provident fund in accordance with applicable PRC laws and regulations during the Track Record Period.

Pursuant to the relevant PRC laws and regulations, employers in the PRC are required to make social insurance and housing provident fund contributions for their employees, and entities failing to make such contributions may be ordered to settle the outstanding contributions within a prescribed time limit and subject to late payments or fines. During the Track Record Period, we have not made social insurance and housing provident fund contributions in full for certain employees in accordance with the relevant PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not received any orders or demands from the relevant government authorities requesting us to pay the shortfall in social insurance or housing provident fund contributions or any penalties and there had been no complaints from our Group's employees regarding the non-compliance of social insurance and housing provident fund contributions. See "Business – Employees – Inadequate contribution to the social insurance plan and housing provident fund" for further details.

Pursuant to relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the outstanding amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management centre may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

Based on the best information and knowledge of our Directors, (i) the shortfall for the social insurance and housing provident fund contributions payable by the Group amounted to RMB0.91 million, RMB4.51 million and RMB3.96 million for each of the three years ended 31 December 2024, respectively; and (ii) the Group has not been subject to any potential fines in relation to such shortfall during the Track Record Period and up to the Latest Practicable Date.

There is no assurance that we will not be subject to late payments, fines or penalties imposed by the relevant PRC government authorities as a result of such non-compliance, requested by the relevant PRC government authorities to pay the unpaid social insurance payments or housing provident fund contributions, or any order to rectify such non-compliance. There is also no assurance that there will be no employee complaint against us in relation to our failure to make full social insurance and housing provident fund contributions. In addition, we may incur additional costs to comply with such laws and regulations by the relevant PRC government authorities. Any such development may harm our corporate image and reputation and may have an adverse effect on our financial condition and results of operations.

Any loss of or failure to obtain or renew the certificates, licenses, approvals and permits or to complete various registrations or filings applicable to our business, may materially and adversely affect our business, results of operations, and financial condition.

We are subject to various PRC laws and regulations at the national and local levels, which govern various aspects of our operations. We are required to obtain and maintain certain certificates, licenses, approvals and permits, and to complete various registrations or filings in order to conduct our business. These operating certificates, licenses, approvals and permits are granted, renewed and maintained upon our satisfactory compliance with, among others, the applicable criteria set by the relevant governmental departments or organisations. See "Regulatory Overview" and "Business – Licences, Permits and Approvals" in this document. Complying with government regulations on these approvals, licenses, permits, registrations or filings may require substantial expenses, and any non-compliance may expose us to penalties. See "Business – Legal Compliance" in this document. Further, the certificates, licenses, approvals and permits that we obtained during the Track Record Period and as at the Latest Practicable Date may only be valid for a limited period and may be subject to periodic review and renewal by government authorities or relevant organisations. In addition, the standards of compliance required in relation thereto may change in the future. As advised by our PRC Legal Adviser, PRC laws and regulations may continue to evolve. If we fail to adjust in a timely manner to ensure compliance with these new changes, we may be exposed to the risk of non-compliance. If deemed non-compliant, we could be subjected to administrative or regulatory fines and penalties, including the suspension or revocation of our certificates, licenses, approvals and permits, and our operations may be hindered or halted, which could have a material and adverse effect on our business and results of operations.

We are exposed to the risk of litigation, claims, proceedings, actions and disputes, which may cause us to pay significant damages and incur other costs or liabilities.

We believe that all of our operations are in material compliance with applicable laws and regulations in the jurisdictions in which we operate, save as disclosed under "Business – Employees – Inadequate contribution to the social insurance plan and housing provident fund" and "Business – Properties – Leased properties". However, we cannot assure you that we will not be subject to liabilities in the future. Substantial liability arising from a lawsuit judgement or a significant regulatory action against us, or a disruption in our business arising from adverse adjudications in proceedings against our Directors, Supervisors, senior management, officers or employees could have a material adverse effect on our business, financial condition and results of operations. Moreover, even if we ultimately prevail in the litigation, claim, regulatory action or investigation, such proceedings could result in us incurring additional costs and liabilities and significantly harm our reputation, which could materially affect our business, financial condition and results of operations.

Our Directors, Supervisors, senior management, officers, employees and distributors may be involved in claims, disputes, investigations, court orders or other legal proceedings and our reputation may be harmed as a result.

From time to time, our current or past Directors, Supervisors, senior management, officers and employees may be involved in claims, disputes, investigations, court orders or legal proceedings. These may concern issues relating to, among others, shareholder litigations, insolvency or bankruptcy litigations, consumer liability, environmental matters, breach of contract, employment or labour disputes and infringement of intellectual property rights. Any claims, disputes, investigations, court orders or legal proceedings initiated by or brought against our current or past Directors, Supervisors, senior management, officers and employees, with or without merit, may result in substantial costs and a diversion of resources, and if we are unsuccessful in defending against them, could materially harm our reputation and generate negative publicity.

Further, there may be various litigation and regulatory risks related to our primary distributors, sub-distributors and the Retail Outlets that they operate or cooperate with, including but not limited to consumer complaints, personal injuries, litigation initiated by employees due to contractual disputes and non-compliances with applicable laws and regulations. These claims, disputes, investigations, court orders or legal proceedings may become associated with us and our brand, and hence adversely affect our brand image and reputation.

We had net cash outflows from operating activities during the Track Record Period. If we cannot improve our operating cash flows and if we fail to obtain sufficient capital on acceptable terms and on a continuous basis to fund our operations, our business, financial condition and prospects may be materially and adversely affected.

We experienced net cash outflows from operating activities in FY2023 which amounted to RMB35.8 million. Our net cash outflows are primarily attributable to increases in our inventories. Our negative operating cash flows could adversely affect our operations by reducing the amount of cash available to meet the cash needs for our business operations. If our future operating cash flows fails to improve to a level to sufficiently cover our overall cash needs, we will have to rely on external debt or equity financing, and we cannot assure you that we will be able to obtain external financing in amounts or on terms acceptable to us, if at all.

Our ability to obtain additional capital in the future, however, is subject to a number of uncertainties, including those relating to our future business development, financial condition and results of operations, general market conditions for financing activities by companies in our industry and macro-economic and other conditions in the PRC and globally. If we cannot obtain sufficient capital to meet our capital needs, we may not be able to execute our growth strategies, and our business, financial condition and prospects may be materially and adversely affected.

We currently do not own all of the premises on which our production facilities, research and development, warehouses, offices and staff quarters are located, and may not be able to continue to use certain property which is currently used by us.

As at the Latest Practicable Date, some of our production facilities, research and development, warehouses, offices and staff quarters, including those located in Shenzhen, Guangdong Province and Putian, Fujian Province, the PRC were on leased properties.

Upon expiration of the lease agreements for each of our leased properties, we will need to negotiate the terms and conditions on which the lease agreements may be renewed. We cannot assure you that we will be able to renew our lease agreements on terms and conditions, in particular those regarding their rents, that are favourable or otherwise acceptable to us, or at all. In that case, we may need to relocate our existing operations in question or shut down the operations of the relevant premises. We cannot assure you that such alternative sites will be at comparable locations or can be leased to us on comparable terms.

Termination of our leases may occur for reasons beyond our control, such as breaches of agreements by the lessors of our premises or invalidation of lease agreements due to the lessors' lack of title to lease the properties. If we or our current or future landlords breach the relevant lease agreements, we may have to relocate to alternative premises or shut down our operations at the relevant sites.

Relocations of any part of our operations may cause disruptions to our business and require significant expenditure. We cannot assure you that we will be able to find suitable premises on commercially reasonable terms in a timely manner under such circumstances, if at all, or we may have to pay significantly higher rents, which may materially and adversely affect our business, financial condition and results of operations.

We may not be able to integrate and manage our offline and online sales channels.

We primarily sell our products through our extensive offline distribution network in China and also sell some of our products through third-party online store operators and our self-operated online stores. The success of our business depends on optimising sales channels with the goal of providing the same level of customer satisfaction in all of those channels. In line with our multi-channel strategy, we have also been progressively implementing various initiatives over the Track Record Period to cater to the needs and behaviours of the relevant groups of target customers of different types of sales channels. For example, (i) we have launched product lines which are exclusively sold on our self-operated online stores; and (ii) we sell our OBM products to various third-party online store operators for their onward sales on third-party e-commerce platforms, and we from time to time agree with them to specifically design and produce certain products for exclusive sales via the online stores operated by them. However, we cannot assure you that we can optimise our sales channels to the satisfaction of our customers in a timely and effective manner, or at all. We also cannot assure you that the aforesaid initiatives, or any future initiatives, will be successful in integrating and effectively managing our multi-channel business model. Any failure of such optimisation and/or initiatives may affect our customers' experience and therefore have a material influence on our business performance.

Some of our online sales in the PRC depends on certain online platforms.

We rely on a limited number of key online platforms for some of our online sales in the PRC, including e-commerce platforms such as Tmall and JD.com, which are owned, controlled by or associated with a limited number of technology companies. For FY2022, FY2023 and FY2024, the revenue we generated from online sales channels represented 0.2%, 2.2% and 3.2% of our total revenue in the corresponding years, respectively. As such, we may be subject to concentration and counterparty risks from these key online platforms. We cannot assure you that we will be able to maintain our relationships with such key online platforms. These platforms are not obliged to continue to cooperate with us in the future at a level similar to historic levels, or at all. Should any of these key online platforms reduce or terminate their business relationships with us entirely, we may not be able to secure new online sales platforms to compensate for such reduction in sales demand or loss of business. If our relationships with these key online platforms deteriorate, or if there is a perceived decline in the quality of services or general reputation of these platforms, our sales through these platforms may decrease. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may be subject to liability in connection with our marketing and advertising activities.

PRC laws and regulations prohibit companies from producing, distributing, or publishing any advertisement with content that violates PRC laws and regulations. We may be subject to claims by customers or end consumers misled by information in our advertisements. We may have to divert our management's time and other resources from our business and operations to defend against these infringement claims. In addition, we regularly distribute articles, images and other content on a variety of media, including print media and magazine advertisements, outdoor advertising such as billboards at train stations, and digital advertisements on our official social media accounts across platforms like WeChat, Weibo, Douyin and Little Red Book (Xiaohongshu) and e-commerce platforms like JD.com. Although we have established procedures to review and verify the contents before publishing, we cannot guarantee that the contents published by us do not contain any information that may be deemed inappropriate or misleading or be deemed as infringing on or otherwise violating trademarks, patents, copyrights, software copyrights, domain names, or other intellectual property rights of third parties. As a result, we may be subject to disputes, actions, or claims by or with such third parties. As a result, our business, financial performance and results of operations could be materially and adversely affected.

Future changes in the online marketing industry and consumer behaviour may adversely affect our sales through online channels.

The future growth of our online sales depends on our ability to continue attracting online customers and gaining new purchasers from various online channels, as well as our ability to retain and increase traffic to our website, self-operated online sales channels and social media accounts. We believe that maintaining a strong online presence helps improve our brand visibility and awareness. However, we may not be successful in any of these aspects. The success of our online sales channels also depends on a number of factors relating to the online marketing industry and consumer behaviour, including:

- consumer traffic on e-commerce platforms generally and our ability to increase the consumer traffic on our self-operated online sales channels;
- our ability to respond to the changes in internet and mobile penetration, as well as the online marketing industry in the PRC;
- the reliability of independent e-commerce platforms; and
- the availability of the relevant network infrastructure, such as online or mobile payment platforms.

In addition, a decline in the popularity of online shopping in general or our failure to identify or respond to trends or consumer requirements in our online channels could result in a decreased number of online customers and reduced attractiveness of our online channels. This in turn could materially and adversely affect our business, financial condition, results of operations and prospects.

We face risks associated with our investments, including exposure to fair value changes of financial assets/liabilities at fair value and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.

We currently invest a portion of our capital in investments. During the Track Record Period, we had obtained gold loans and invested in various financial instruments. See notes 3.2, 23, 30 and 33 of "Appendix I – Accountants' Report" for details of such investments and the relevant accounting policies and estimation methodology. During the Track Record Period, we have experienced (i) loss on changes in fair value of gold loans of RMB1.4 million, RMB1.8 million and RMB8.2 million in FY2022, FY2023 and FY2024, respectively; and (ii) loss on changes in fair value of financial assets at fair value through profit or loss of RMB2.4 million in FY2023.

The assessment of the fair value of such financial instruments require us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such financial assets/liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates or commodity prices and the stability of capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operation and financial condition. In addition, the process for determining whether an impairment of financial asset/liabilities is other-than-temporary usually requires complex and subjective judgments, which could subsequently prove to have been wrong.

Furthermore, our investments may earn yields substantially lower than anticipated, and the fair values of our investments may fluctuate significantly, which contribute to the uncertainties in valuation. Any failure to realise the benefits we expected from these investments may materially and adversely affect our business and financial results. Any change in general economic condition, market interest rates, commodity prices and the stability of capital markets could lead to volatility in the fair values of our financial assets/liabilities at fair value, which could further impact our financial condition and results of operations.

Impairment losses under the expected credit loss model would adversely affect our business, financial performance and results of operations.

Our impairment losses under the expected credit loss model amounted to RMB1.8 million and RMB1.8 million in FY2022 and FY2024, respectively. See note 33 of "Appendix I – Accountants' Report" for details of our impairment assessment methodology. The assessment of impairment losses involves a significant degree of management judgments as well as estimates in determining the key assumptions. Such management's estimates and the related assumptions have been made in accordance with information available to us, such estimates or assumptions are subject to further adjustment if new information becomes known. Therefore, there is uncertainty on the prediction of the movement of our impairment losses. Significant impairment losses under the expected credit loss model may have a material adverse effect on our financial condition and results of operations.

We may not be able to obtain financing on favourable terms, or at all, to meet our funding requirements.

In order to operate, remain competitive in and further expand our precious metal watches and accessories businesses, we may require additional capital to be expended in our operations. In particular, the procurement of gold, which is our primary raw material used in the production of our products in terms of value during the Track Record Period, is capital intensive.

We currently fund our operations and capital expenditure primarily from cash flow generated from our operating activities and bank loans. With an aim to continually expanding our business, we may need to obtain further financing from external sources to supplement our liquidity in the future. However, financing may not be readily available in amounts or on terms acceptable to us. Our ability to obtain external financing in the future is subject to a number of uncertainties, including but not limited to the following: (i) our financial condition, results of operation, business reputation, cash flow and credit history; (ii) the condition of the global and domestic financial markets; and (iii) economic, political and other conditions in the PRC.

The future incurrence of indebtedness may result in debt obligations and could result in operating and financing covenants restricting our operations or our ability to make acquisitions or pay dividends. We cannot assure you that we will be able to obtain bank loans or renew existing facilities in the future on favourable terms, or at all. If adequate funding is not available to us on favourable terms, or at all, our finance costs may increase, or we may not be able to continue our existing operations, develop or expand our business, and therefore, our business, financial condition and results of operations would be materially and adversely affected.

We are exposed to interest rate risks.

The cost of our financial debts depends on interest rate fluctuations. For FY2022, FY2023 and FY2024, we have recorded finance costs in aggregate approximately RMB3.72 million, RMB4.75 million and RMB4.56 million, respectively, of our interest-bearing bank loans, gold leases and lease liabilities that are on demand or payable within 1 to 5 years. Our financial condition and results of operation could be materially and adversely affected by adverse fluctuations in the interest rate. According to the sensitivity analysis as stated in "Appendix I – Accountants' Report", our post-tax profit for FY2022, FY2023 and FY2024 would decrease by RMB252,000, RMB280,000 and RMB349,000, respectively, if interest rates had been 50 basis points higher and if all other variables held constant.

Any discontinuation, reduction or challenge of the government grant and/or concessionary tax rate would have a material and adverse impact on our business and results of operation.

During the Track Record Period, we recognised government grants and subsidies as our other income of RMB1,645,000, RMB1,475,000 and RMB64,000 in FY2022, FY2023 and FY2024, respectively. Our government grants mainly comprised the government subsidies received from the local governments in the PRC in the recognition of our contribution to local economy's development. Additionally, (i) the Company has been recognised as the High New Tech Enterprises throughout the Track Record Period. According to the EIT Law for High New Tech Enterprises, the Company is subject to a reduced Enterprise Income Tax rate of 15% during the Track Record Period; and (ii) the Group adopted the weighted deduction rate of 200% from 1 January 2022 to 30 September 2022 and 200% from 1 October 2022 to 31 December 2024 in accordance with the relevant laws and regulations issued by the SAT. As the determination and granting of such grants and tax rates are subject to the discretion of the government and are non-recurring in nature, the receipt of such grants and tax rates varies from period to period. We cannot assure you that we will continue to receive government grants and concessionary tax rate benefit at the same level or at all, in which case our business, financial condition, and results of operations may be materially and adversely affected.

In addition, if our concessionary tax rate benefits become unavailable or if the calculation of our tax liability is successfully challenged by the PRC tax authorities, the discontinuation of any of the concessionary tax rate benefit we enjoy could materially and adversely affect our results of operations. Please see "Financial Information – Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income – Income tax expense" for further details.

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

As at the Latest Practicable Date, we maintained various insurance policies, including but not limited to risks in respect of loss or theft of, and damage to, property, plants and equipment, machinery, raw materials (including but not limited to gold) and other inventory in our production facilities or in transit during delivery, as well as social insurance for our employees, which we believe is in line with industry practice. See the section headed "Business – Insurance" in this document for more information.

However, there is no assurance that the insurance policies we maintain are sufficient to prevent us from any loss or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all. Additionally, we do not currently maintain insurance for all aspects of our business operations, any future claims could materially impact our financial condition and results of operations. Furthermore, our operations are subject to the Civil Code of the PRC (中華人民共和國民法典), Product Quality Law of the PRC (中華人民共和國產品品質法) and Consumers Protection Law of the PRC (中華人民共和國消費者權益保護法), which impose liabilities on manufacturers and sellers of sub-standard or defective products in the PRC if such products cause loss or injury. As a result, if we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, financial condition and results of operations could be materially and adversely affected.

If we fail to maintain adequate risk management and internal controls systems, we may not be able to manage our business effectively and may experience errors or information lapses affecting our business.

As we continue to expand, our success depends on our ability to effectively utilise our ERP system, IT systems, resources, risk management and internal controls systems. We will need to modify and improve our financial and managerial controls, reporting systems and procedures, and other risk management, internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Furthermore, due to the inherent limitations in risk management and internal controls systems, including but not limited to the limitations of the procedures in relation to the identification and evaluation of risks and communication of information, we cannot assure you that these systems will identify, mitigate and manage all our exposure to risks. Our efforts in improving our risk management and internal controls systems may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in our risk management and internal controls systems, our ability to manage our business effectively may be affected.

We may be unable to prevent or detect bribery or corruption or other misconducts by our employees, customers, suppliers or other third parties, which may materially and adversely affect our business, prospects, reputation and growth potential.

We may not be able to detect bribery, corruption or other misconducts by our employees, customers, suppliers or other third parties. These activities may lead to exposure to prosecution, fines, other penalties or liabilities as imposed by the relevant government authorities. While we have adopted internal control policies with a view to prohibiting any form of bribery, corruption and other misconducts, provided anti-bribery and corruption training to our employees, incorporated anti-bribery and corruption policies into employment contracts and contracts with our customers, suppliers and other third parties, and established a reporting channel for employees and external third parties to report acts of bribery and/or corruption and encourage anonymous whistleblowing, we cannot guarantee that these measures will effectively prevent and detect bribery, corruption or other misconducts. As such, failure to detect and prevent bribery, corruption and other misconducts of our employees or other third parties may materially and adversely affect our business, prospects, reputation and growth potential.

We are subject to various risks relating to our third-party payment arrangements.

During the Track Record Period, to our best information and knowledge, certain of our customers, which primarily consisted of (i) individual jewellery and accessories retail stores operating in the form of individually-owned businesses (個體工商戶) and (ii) small-sized enterprises, settled their payments which were due to us through other entities or persons, such as shareholders, legal representatives and authorised representatives (which generally included owners and employees) of the relevant customers. Our Group had ceased such third-party payment arrangements since 1 November 2024 and as at the Latest Practicable Date.

As such, we were subject to various risks relating to such third-party payment arrangements during the Track Record Period, which include, but are not limited to, (i) possible claims from third-party payors for return of funds as we have no contractual relations with such third-party payors and they were not contractually obliged to pay us, and possible claims from liquidators of such third-party payors; and (ii) potential money laundering risks as we have limited knowledge in relation to the source and purpose of the funds utilised by third-party payors under such third-party payment arrangements. In the event of any claims from third-party payors or their liquidators, or legal or administrative proceedings (whether civil or criminal) instituted or brought against us for the return of the relevant funds or for the violation or non-compliance of laws, rules and regulations, we will have to expend significant managerial and financial to handle and resolve such claims and proceedings, and we may be forced to comply with judgments and rulings and return the funds for the products that we sold and services that we provided, which may in turn have an adverse effect on our business, results of operations and financial condition. For details, see "Business – Internal Control and Risk Management – Third-party Payment Arrangements."

We may experience failures in our ERP and IT systems which could materially and adversely affect our business, financial condition and results of operation.

We depend on our advanced ERP (Enterprise Resource Planning) system to consolidate data from every stage of our production, which enables us to track the status of raw materials, semi-finished goods and finished goods in real-time, and evaluate the efficiency of our production lines and workers. If our ERP system experiences any failures or is unable to perform its functionalities properly and in a timely manner, or at all, our production process, output and efficiency and our ability to satisfy customer demands will be severely affected, which may in turn result in loss of business and/or detriment to our brand and reputation. As a result, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Furthermore, our business relies on the proper functioning of our IT systems. Our IT systems enable various departments to function effectively and facilitate the collection, management and analysis of critical business data, while spanning multiple aspects of our business operations, including procurement, sales and distribution, quality control, inventory and logistics, financial reporting and human resources. See "Business – Information Technology" in this document. We cannot assure you that our IT systems will always operate without interruption or malfunction. Any breakdown for an extended period of time, or other failure of our IT systems from, among other things, security breaches, viruses, hacking or damage to the hardware or software systems, may cause interruptions to our operations and inventory management, and may adversely affect the integrity of our information, our business performance and profitability. We cannot assure you that any disaster recovery system that we may have in place will be adequate to support our operations in the event of a prolonged breakdown of our primary system, in which case our business operations will be materially and adversely affected. In addition, the increasing business complexity of our operations due to our growth strategies may place additional requirements on our systems, controls, procedures and management and, as a result, may strain our ability to manage our future growth.

Any breach of or failure to successfully implement our environmental, health and safety policies could have a material adverse effect on our business and growth prospects.

As our customers and end consumers are paying increasing attention to corporate social responsibility matters, conducting our business in a responsible and sustainable way is important to our brand and reputation. While we have implemented policies relating to environmental, workplace health and safety matters and have adopted a number of initiatives to reduce our environmental footprint, we cannot assure you that these policies will not be breached or will continue to be effective. If we fail to implement such policies effectively or update them to reflect the latest social and environmental developments, our brand image and reputation could be damaged, which will negatively impact our business, financial condition and results of operations.

If we fail to protect our proprietary data and customer information, our reputation and business could be negatively affected.

We believe that our ability to compile and analyse sales and customer data is critical to our success. For details of our data privacy and protection policy, see Business – Data Privacy and Protection in this document. Concerns about our practices with regard to the collection, storage, use or disclosure of customer information or other privacy-related matters, even if unfounded, could damage our reputation, and as a result, our business, financial condition, results of operations and prospects may be materially and adversely affected. Furthermore, any actual or alleged leakage or unauthorised use of the customer data we have collected could adversely affect our brand and reptation and result in decreases overall sales, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

We have adopted security policies and measures to protect our proprietary data and customer information. However, advances in technology, the expertise of hackers, new discoveries in the field of cryptography or other events or developments could result in compromises or breaches of the technologies that we use to protect confidential information. We may not be able to prevent third parties, especially hackers or other individuals or entities engaging in similar activities, from illegally obtaining and misappropriating our proprietary data and customer information. In addition, we have limited control or influence over the security policies or measures adopted by third party online payment service providers through which some of our customers may elect to make online purchases. Furthermore, our third-party logistics service providers may also violate their confidentiality obligations and illegally or improperly disclose or use information about our customers. Any negative publicity regarding the safety or privacy protection mechanism and policy of our information technology systems or online sales channels could have a material adverse effect on our brand image and reputation.

Furthermore, the PRC laws and regulations governing data privacy and protection are evolving. Any change in the regulations governing data privacy and protection could adversely affect our ability to collect, use and store such data, which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Changes in existing laws and regulations and the imposition of new laws, regulations, restrictions and other entry barriers may increase our costs.

We are subject to compliance with various laws and regulations relating to the designing, manufacturing and sales of precious metal watches and accessories in the jurisdictions in which we operate. Failure to comply with these laws and regulations may result in the imposition of conditions on, or the suspension of, the sale or seizure of our products, or significant penalties or claims. In the event that the countries in which we operate or intend to operate in increase the stringency of such laws and regulations, our operating costs may increase, and we may not be able to pass these additional costs onto our customers. Further, if any jurisdiction in which we operate or intend to operate in imposes new laws, regulations, restrictions or other barriers to entry, our ability to expand our business operations may be limited, and our growth and development may be adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

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

We are subject to periodic examinations regarding our fulfillment of tax obligations under PRC tax laws and regulations by PRC tax authorities. We cannot assure you that we will continue to comply with relevant future examinations by PRC tax laws and regulations. If we fail to comply with these laws and regulations, we may be subject to investigations by the PRC tax authorities regarding non-compliance, which could result in fines, other penalties, or actions that adversely affect our business, financial condition, results of operations, and reputation. We also cannot guarantee that adjustments or changes to PRC tax laws and regulations will not affect our business, financial condition, and results of operations.

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

Following the practice of all major economies, the PRC also has tax treaties or similar arrangements with jurisdictions around the world. Pursuant to the EIT Law and its implementation rules, the 10% withholding tax in China generally applies to dividends paid to investors of enterprises resident outside China, which have no establishment or business place in China, or have an establishment or place of business but the relevant income has no actual connection with that establishment or place of business. Unless otherwise provided in agreements or similar arrangements, any gains realised from the transfer of shares by these investors, if deemed to have originated from the PRC, are subject to a Chinese income tax rate of 10% (or lower). According to the IIT Law and its implementation rules, dividends originating from China paid to foreign individual investors who are not Chinese residents are generally subject to Chinese withholding tax at a rate of 20%, and any proceeds incurred from share transfers by such shareholders are generally subject to 20% Chinese income tax, unless there is relief under applicable tax agreements and PRC law. Although our business operations are in China, it is unclear whether dividends paid by us on H Shares or gains realised from the transfer of H Shares will be considered income originating from China and thus subject to Chinese income tax. If PRC income tax is imposed on gains realised from the transfer of our H Shares or on dividends paid to our non-resident **[REDACTED]**, the value of your **[REDACTED]** in our H Shares may be adversely affected. In addition, our Shareholders may not be eligible for the benefits of tax agreements or arrangements in their jurisdictions of residence if they have tax agreements or arrangements with the PRC.

Policies regarding currency conversion may impact our ability to use capital effectively.

The conversion of Renminbi into foreign currency must comply with relevant laws and regulations, and the conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. There is no assurance that, under certain exchange rates, we will have sufficient foreign currencies to meet our foreign exchange requirements. Under the current PRC foreign exchange regulatory system, foreign exchange transactions under the current account conducted by us, including the payment of dividends following the completion of the **[REDACTED]**, do not require prior approval from SAFE. However, we are required to present documentary evidence of such transactions and conduct them at designated foreign exchange banks within the PRC that have the requisite licenses to carry out foreign exchange business. Conversely, foreign exchange transactions under the capital account conducted by us must be approved in advance by SAFE. There is no assurance that we will be able to receive these approvals in time, or at all. This could restrict our ability to obtain debt or equity financing in foreign currencies.

The existing foreign regulations allow us, following the completion of the **[REDACTED]**, to pay dividends in foreign currencies without prior approval from SAFE, provided we comply with certain procedural requirements. However, there is no assurance that the PRC government will continue to adopt this policy going forward. If we fail to fulfill the requirements of the PRC foreign exchange control system, we may not be able to pay dividends in foreign currencies to our Shareholders.

Fluctuation in the value of the Renminbi may have a material adverse effect on our business.

A large portion of our revenue, liabilities, and assets are denominated in Renminbi. However, following the **[REDACTED]**, we may also maintain a significant portion of the **[REDACTED]** from **[REDACTED]** in Hong Kong dollars before they are used in our PRC operations. The value of RMB against US dollars or Hong Kong dollars is affected by various factors, including due to government policies (including those of the PRC government), and is influenced by domestic and international economic and political developments, as well as supply and demand in the local market. As a result of historical and future changes in currency policy, the exchange rate may become volatile. The Renminbi may be revalued further against the US dollar or other currencies, or it may be permitted to enter into a full or limited free float, which could result in appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, when translated or converted into US dollars or Hong Kong dollars (which are pegged to the US dollar), of our cash flows, revenues, earnings, and financial position. For example, an appreciation of the Renminbi against the US dollar or Hong Kong dollars would make any new Renminbi-denominated investments or expenditures more costly, to the extent that we need to convert US dollars or Hong Kong dollars into Renminbi for such purposes. Additionally, we may have to rely on revenue derived from our operations in the PRC to make dividend payments in Hong Kong dollars to our Shareholders. Therefore, depreciation of the Renminbi against Hong Kong dollars will impact the amount in Hong Kong dollars that our Shareholders could receive as dividend payments.

Our ability to access credit and capital markets may be adversely affected by factors beyond our control.

Interest rate increases by the PBOC or market disruptions may increase our cost of borrowing or adversely affect our ability to access sources of liquidity that we may use to finance our operations and satisfy our obligations as they become due. We intend to continue making investments to support our business growth and may require additional funds to respond to business challenges. There can be no assurance that the anticipated cash flow from our operations will be sufficient to meet all of our cash requirements, or that we will be able to secure external financing at competitive rates, or at all. Any such failure may adversely affect our ability to finance our operations, meet our obligations, or implement our growth strategy.

You may experience difficulty in effecting service of legal process, enforcing foreign judgments or bringing original actions in the PRC based on foreign laws against us and our Directors, Supervisors and senior management members.

The majority of our Directors, Supervisors and senior management members reside in the PRC, and substantially all of the assets of those individuals and of our Group are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC. However, judgments rendered by Hong Kong courts may be recognised and enforced in the PRC if the requirements set forth by the Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and the Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) are met.

RISKS RELATING TO THE [REDACTED] AND OUR SHARES

Any possible conversion of our Domestic Shares into H Shares in the future could increase the supply of our H Shares [REDACTED] and negatively impact the [REDACTED] of our H Shares.

Subject to the approval of the CSRC, all of our Domestic Shares may be converted into H Shares in the future, and such converted H Shares may be **[REDACTED]** or **[REDACTED]** on an **[REDACTED]**, provided that any requisite internal approval by our Shareholders and approval from the relevant PRC regulatory authorities shall have been obtained prior to the conversion and **[REDACTED]** of such converted H Shares. However, the PRC Company Law provides that in relation to the **[REDACTED]** of a company, the shares of that company which are issued prior to the **[REDACTED]** shall not be transferred within one year from the date of the **[REDACTED]**. Therefore, upon obtaining the requisite approvals from our Shareholders and the relevant PRC regulatory authorities, our Domestic Shares may be **[REDACTED]**, after the conversion, in the form of H Shares on the Stock Exchange after one year of the **[REDACTED]**. This could further increase the supply of our H Shares **[REDACTED]** and may negatively impact the **[REDACTED]** of our H Shares.

There has been no prior [REDACTED] for our H Shares, and an active [REDACTED] for our H Shares may not develop.

Prior to the **[REDACTED]**, there was no **[REDACTED]** for our H Shares. The **[REDACTED]** for our H Shares will be the result of negotiations between us and the **[REDACTED]** (for itself and on behalf of **[REDACTED]**) and may differ significantly from the **[REDACTED]** of the H Shares following the **[REDACTED]**. We have applied to the Stock Exchange for the granting of the **[REDACTED]** of, and permission to **[REDACTED]**, our H Shares to be converted from Domestic Shares and to be **[REDACTED]** pursuant to the **[REDACTED]** (including any additional H Shares that may be **[REDACTED]** pursuant to the exercise of the **[REDACTED]**). However, we cannot assure you that a **[REDACTED]** for our H Shares with adequate liquidity will develop and be sustained following the completion of the **[REDACTED]**, or that the **[REDACTED]** of our H Shares will not decline following the **[REDACTED]**. If an active **[REDACTED]** for our H Shares does not develop following the completion of the **[REDACTED]**, the **[REDACTED]** and liquidity of our H Shares could be materially and adversely affected.

The [REDACTED], liquidity and [REDACTED] of our H Shares may be volatile and [REDACTED] may suffer substantial losses.

The **[REDACTED]**, liquidity and **[REDACTED]** of our H Shares may be volatile subject to various factors which are beyond our control, including but not limited to political uncertainties and the general market conditions of the securities in Hong Kong, the PRC and elsewhere in the world. The business performance and the **[REDACTED]** of the shares of other companies engaging in similar businesses as we do may affect the **[REDACTED]** and **[REDACTED]** of our H Shares. There can be no assurance that these developments will not occur in the future. In addition to market and industry factors, the **[REDACTED]** and **[REDACTED]** of our H Shares may be highly volatile for specific business reasons, such as fluctuations in our revenue, earnings, cash flows, new investments, expenditures, regulatory developments, relationships with our suppliers and customers, movements or activities of key personnel, or actions taken by our competitors. Moreover, shares of other companies **[REDACTED]** on the Stock Exchange with significant operations and assets in the PRC have experienced price volatility in the past, and it is possible that our H Shares may be subject to changes in price not directly caused or related to our performance but caused or related to the overall political and economic conditions in Hong Kong, the PRC or elsewhere in the world.

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

The **[REDACTED]** of our H Shares could decline as a result of future **[REDACTED]** of a substantial number of our H Shares or other securities relating to our H Shares in the **[REDACTED]**, or the **[REDACTED]** of new H Shares or other securities relating to our H Shares, or the perception that such **[REDACTED]** or **[REDACTED]** may occur. Future **[REDACTED]**, or perceived **[REDACTED]**, of substantial amounts of our H Shares, including any future **[REDACTED]**, could materially and adversely affect our ability to raise capital on terms favourable to us. In addition, our Shareholders may experience **[REDACTED]** in their holdings if we **[REDACTED]** more securities in the future. If additional funds were raised through our **[REDACTED]** of new equity or equity-linked securities other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders could be reduced and such new securities might confer rights and privileges that take priority over those conferred by the **[REDACTED]**.

A certain number of our **[REDACTED]** held by existing Shareholders are or will be subject to contractual and/or legal restrictions on disposal for a period of time after completion of the **[REDACTED]**. See "**[REDACTED]**" in this document for further details. After the lapse of the abovementioned restrictions, future sales or perceived sales of substantial amounts of our H Shares, or the possibility of such sales, could negatively impact the **[REDACTED]** of our H Shares and our ability to raise equity capital in the future.

The [REDACTED] of our H Shares when [REDACTED] commences could be lower than the [REDACTED] as a result of, among other things, adverse market conditions or other adverse developments that could occur between the [REDACTED] and the [REDACTED].

The **[REDACTED]** of our H Shares is expected to be determined by 12:00 p.m. on the **[REDACTED]**. However, our H Shares will not **[REDACTED]** on the Stock Exchange until they are delivered on the **[REDACTED]**, which is expected to be several business days after the **[REDACTED]**.

As a result, **[REDACTED]** may not be able to **[REDACTED]** or otherwise **[REDACTED]** in the **[REDACTED]** during that period before they **[REDACTED]** on the Stock Exchange. Accordingly, holders of our H Shares are subject to the risk that the **[REDACTED]** of our H Shares when **[REDACTED]** begins could be lower than the **[REDACTED]** as a result of adverse market conditions or other adverse developments that may occur between the **[REDACTED]** and the **[REDACTED]**.

You will experience immediate [REDACTED] if the [REDACTED] of the [REDACTED] is higher than the net tangible asset value per Share, and may experience further [REDACTED] if we [REDACTED] additional Shares in the future.

The **[REDACTED]** of our H Shares is higher than the net tangible asset value per Share immediately prior to the **[REDACTED]**. As a result, purchasers of our H Shares in the **[REDACTED]** will experience immediate **[REDACTED]**. Purchasers of our H Shares may experience further **[REDACTED]** if the **[REDACTED]** (for itself and on behalf of the **[REDACTED]** exercise the **[REDACTED]**. There can be no assurance that if we were to immediately liquidate after the **[REDACTED]**, any assets will be distributed to Shareholders, and **[REDACTED]** would receive less than the amount they paid for our H Shares. In addition, to expand our business, we may consider **[REDACTED]** and issuing additional Shares in the future. Purchasers of our H Shares may experience **[REDACTED]** in the net tangible asset value per Share of their H Shares if we **[REDACTED]** additional Shares in the future at a price lower than the net tangible asset value per Share at that time.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of other Shareholders.

Immediately upon the completion of the **[REDACTED]**, our Controlling Shareholders will continue to have significant influence over our business and affairs, including decisions on mergers and acquisitions, disposition of assets, issuance of additional Shares or other equity securities, timing and amount of dividend payments, and our management. There may be a conflict between the Controlling Shareholders' interests and your interests. In addition, without the approval of the Controlling Shareholders, we could be prevented from entering into transactions that could be beneficial to us. This concentration of ownership may also discourage, delay, or prevent a change in control of our Company, which could deprive our Shareholders of an opportunity to receive a premium for the Shares as part of a sale of our Company and may significantly reduce the **[REDACTED]** of our H Shares.

There can be no assurance if and when we will pay dividends in the future.

Distribution of dividends shall be formulated by our Board and will be subject to Shareholders' approval. A decision to declare or pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, market conditions, our strategic plans and prospects for business development, contractual limits and obligations, payment of dividends to us by our operating subsidiaries, taxation, relevant laws and regulations, and any other factors determined by our Board from time to time to be relevant to the declaration or suspension of dividend payments. As a result, there can be no assurance whether, when and in what form we will pay dividends in the future or that we will pay dividends in accordance with our dividend policy. See "Financial Information – Dividends" in this document for further details of our dividend policy. Our dividend policy should not be taken as indicative of our dividend policy in the future.

Certain facts, forecasts and other statistics in this document are derived from various government sources and may not be reliable.

Certain facts, forecasts and other statistics in this document relating to Hong Kong, the PRC and the global economy, as well as the precious metal watch and accessories industries in the PRC, are derived from various sources, including official government publications, industry associations or the Industry Report, which we believe are reliable. We believe that the sources of such information are appropriate and have taken reasonable care in extracting and reproducing it. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading. The information derived from official government sources has not been independently verified by us, the Sole Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, or any of our and their respective directors, supervisors, officers, representatives, employees, or advisers, or any other persons or parties involved in the **[REDACTED]**. Due to possible flawed or ineffective collection methods or discrepancies between published information and market practice, such information may be inaccurate or may not be comparable to those produced with respect to other industries or economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. No representation is given as to their completeness, accuracy or fairness. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

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

Prior to or subsequent to the publication of this document, there may have been or be press and media coverage regarding us and the **[REDACTED]**. We have not authorised the disclosure of any such information in the press or media. Financial information, financial projections, valuation, and other information about us contained in such unauthorised press or media coverage may not truly reflect the disclosures in the document or the actual circumstances. We do not accept any responsibility for such unauthorised press or media coverage, or for the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent any such information appearing in the press and media is inconsistent with, or conflicts with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective **[REDACTED]** are cautioned to make their decisions based on the information contained in this document only and should not rely on any other information.

Our management has significant discretion as to how to use the [REDACTED] of the [REDACTED], and you may not necessarily agree with how we use them.

Our management may use the **[REDACTED]** from the **[REDACTED]** in ways that you may not agree with or that do not yield a favourable return to our Shareholders. The proposed use of **[REDACTED]** as disclosed in this document are also subject to changes and/or modifications carried out by our management in accordance with the requirements under the Listing Rules. By **[REDACTED]** in our H Shares, you are entrusting your funds to our management, upon whose judgement you must depend for the specific uses we will make of the **[REDACTED]** from the **[REDACTED]**. See "Future Plans and **[REDACTED]**" in this document for further details.

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

This document contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "going forward", "intend", "may", "might", "plan", "project", "propose", "seek", "should", "target", "will", "would" and the negative of these words and other similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, profitability, liquidity, and capital resources and are not a guarantee of future performance. These statements are subject to certain risks, uncertainties, and assumptions, including the other risk factors as described in this document. Subject to the ongoing disclosure obligations of the Listing Rules or other requirements of the Stock Exchange, we do not intend publicly to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events, or otherwise. **[REDACTED]** should not place undue reliance on such forward-looking statements and information.

In preparation for the **[REDACTED]**, our Company has sought the following waivers and exemption from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions Ordinance):

WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, a new applicant for **[REDACTED]** on the Stock Exchange must have sufficient management presence in Hong Kong, which normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Rule 19A.15 of the Listing Rules further provides that the requirement in Rule 8.12 may be waived by having regard to, among other considerations, the applicant's arrangements for maintaining regular communication with the Stock Exchange.

Since our headquarters, principal business operations and management of our Group are carried out in mainland China, our executive Directors are based in mainland China to better manage and attend to our Group's business operations. Therefore, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules.

Accordingly, pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for[, and the Stock Exchange has agreed to grant,] a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

(a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules. The two authorised representatives are Mr. Li Yangjin ("**Mr. Li YJ**"), our executive Director and joint company secretary, and Ms. Sze Suet Ling ("**Ms. Sze**"), our joint company secretary. The authorised representatives will act as the principal channel of communication between Stock Exchange and our Company. The authorised representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to deal promptly with any enquiries which may be made by the Stock Exchange. Each of the authorised representatives is authorised to communicate on behalf of our Company with the Stock Exchange;

(b) each of the authorised representatives has means to contact all Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby:

(i) each Director will provide his/her mobile phone number, office phone number, residential phone number, email address and facsimile number to the authorised representatives;

(ii) each Director will provide his/her phone numbers or means of communication to the authorised representatives when he/she is travelling or otherwise be out of the office; and

(iii) each Director will provide his/her mobile phone number, office phone number, email address and facsimile number to the Stock Exchange;

(c) in compliance with Rule 3A.19 of the Listing Rules, we have appointed Ping An of China Capital (Hong Kong) Company Limited to act as our Compliance Advisor, who will act as an additional channel of communication between the Stock Exchange and our Company for the period commencing on the **[REDACTED]** and ending on the date that our Company publishes our financial results for the first full financial year after the **[REDACTED]** pursuant to Rule 13.46 of the Listing Rules;

(d) our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorised representatives and Compliance Advisor;

(e) for those Directors who are not ordinarily residents in Hong Kong have confirmed that each of them possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period; and

(f) we will retain a Hong Kong legal advisor to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations after our **[REDACTED]**.

WAIVER IN RELATION TO 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 requisite academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. 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); or

(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 in assessing "relevant experience", the Stock Exchange will consider the individual's:

(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 law and regulations including the SFO, Companies 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 (i.e. not less than 15 hours of relevant professional training in each financial year); and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Li YJ, who is our executive Director, Board secretary, deputy general manager and chief financial officer, as one of the joint company secretaries. Although Mr. Li YJ does not possess the requisite academic or professional qualifications or sufficient relevant experience as stipulated in the Notes to Rule 3.28 of the Listing Rules, we would like to appoint him as our joint company secretary due to his past management experience within our Group and his thorough understanding of the internal administration and business operations of our Group. We believe that it would be in the best interests of our Company and the corporate governance of our Group to have Mr. Li YJ, who is our employee and has day-to-day knowledge of our affairs, as our joint company secretary. Mr. Li YJ has the necessary nexus to our Board and close working relationship with the management of our Company in order to perform the function of a joint company secretary and to take the necessary actions in the most effective and efficient manner. In addition, we have appointed Ms. Sze, who fulfils the requisite qualification as required under Note 1 to Rule 3.28 of the Listing Rules by virtue of her membership with the Hong Kong Chartered Governance Institute, to act as the other joint company secretary and to assist Mr. Li YJ to acquire the relevant experience as the company secretary of our Company required under Rule 3.28 of the Listing Rules. Please refer to the section headed "Directors, Supervisors and Senior Management" for further information regarding the qualifications and experience of Mr. Li YJ and Ms. Sze.

Apart from discharging his functions in his role as one of our joint company secretaries, Ms. Sze will assist Mr. Li YJ in enabling him to acquire the relevant company secretary experience as required under Rule 3.28 of the Listing Rules and to become with the requirements of the Listing Rules and other applicable Hong Kong laws. In addition, Mr. Li YJ will also attend relevant professional training during each financial year as required under Rule 3.29 of the Listing Rules.

We have applied for[, and the Stock Exchange has granted,] a waiver from strict compliance of Rules 3.28 and 8.17 of the Listing Rules in respect of the appointment of Mr. Li YJ as one of our joint company secretaries pursuant to Chapter 3.10 of the Guide for New **[REDACTED]** Applicants on the following conditions:

(a) Mr. Li YJ must be assisted by Ms. Sze, who possesses the qualifications and experience required under Rule 3.28 of the Listing Rules and is appointed as a joint company secretary of our Company throughout the validity period of the waiver;

(b) the waiver is valid for an initial period of three years commencing from the **[REDACTED]** and will be revoked immediately if Ms. Sze ceases to provide such assistance or if there are material breaches of the Listing Rules by our Company; and

(c) before the end of the three-year period, the qualifications and experience of Mr. Li YJ and the need for on-going assistance of Ms. Sze will be further evaluated by our Company. Our Company will then endeavour to demonstrate to the Stock Exchange's satisfaction that Mr. Li YJ, having had the benefit of the assistance of Ms. Sze for the immediately preceding three years, has acquired the relevant experience (within the meaning of Note 2 to Rule 3.28 of the Listing Rules) such that a further waiver from Rules 3.28 and 8.17 of the Listing Rules will not be necessary. Our Company understands that the Stock Exchange will revoke the waiver if Ms. Sze ceases to provide assistance to Mr. Li YJ during the three-year period.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors:		
Mr. Li Yongzhong (李永忠)	Room 101, Building 1 Longyuan Yijing No. 2 Jingfen Road Longgang District, Shenzhen Guangdong PRC	Chinese
Mr. Hu Shaohua (胡少華) (former name: Hu Shaofeng (胡少鋒))	Room 4205, Block B Building 2, Guanshan Jiayuan Cuiyin Road Luohu District, Shenzhen Guangdong PRC	Chinese
Mr. Li Yangjin (李陽金)	Room 29D, Building A Jianxinyuan, Xinxin Garden Futian District, Shenzhen Guangdong PRC	Chinese
Non-executive Director		
Mr. Huang Liangdi (黃良地)	Room 1602, Building 4 Zhengda Hongye Art & Craft City Huangshi Town Licheng District, Putian Fujian PRC	Chinese
Independent non-executive Directors:		
Mr. Li Qi (李奇)	Room 1107, Building 6 Tiantongyuan North Area 1 Changping District Beijing PRC	Chinese

Name	Residential Address	Nationality
Mr. Lin Yong (林勇)	Room A705, Building 7 Great Wall Mansion Baihua 5th Road Futian District, Shenzhen Guangdong PRC	Chinese
Ms. Guo Xiaohong (郭曉紅) (former name: Guo Lanhong (郭嵐紅))	Room 401, Building 3 Zhongyin Flower City No. 403 Industrial Road Gulou District, Fuzhou Fujian PRC	Chinese
Mr. Wong Sin Yung (黃善榕)	Flat B, 11/F, Block 2 Laguna City, Kwun Tong Kowloon Hong Kong	Chinese

SUPERVISORS

Name	Residential Address	Nationality
Ms. Yao Xiangping (姚向萍)	Room 903, Building 1 Dadi Jiayuan, Hanjiang Village Hanjiang District, Putian Fujian PRC	Chinese
Ms. Qin Yan (欽豔)	Room 401, No. 29 Dawei Village Gankeng Community Longgang District, Shenzhen Guangdong PRC	Chinese
Mr. Zou Jianping (鄒建平)	Room 504, No.1, Lane 5, Liangmao New Village Gankeng Community Longgang District, Shenzhen Guangdong PRC	Chinese

Further information about our Directors, Supervisors and other senior management members are set out in "Directors, Supervisors and Senior Management".

PARTIES INVOLVED

Sole Sponsor	**Ping An of China Capital (Hong Kong) Company Limited** *(a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity)* Units 3601, 07 & 11–13 36/F, The Center 99 Queen's Road Central Hong Kong
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**
[REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
Legal Advisers to our Company	***As to Hong Kong law*** **Fangda Partners** 26/F, One Exchange Square 8 Connaught Place Central Hong Kong *As to PRC law* **Grandway Law Offices** 7–8/F News Plaza No. 26, Jianguomennei Avenue Dongcheng District, Beijing PRC
Legal Advisers to the Sole Sponsor and the [REDACTED]	*As to Hong Kong law* **Deacons** 5/F, Alexandra House 18 Chater Road Central Hong Kong *As to PRC law* **DeHeng Law offices** 12F, Tower B, Focus Place No.19 Finance Street Beijing Xicheng 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	**China Insights Consultancy** 10/F, Tower B, Jing'an International Center 88 Puji Road Jing'an District Shanghai PRC
[REDACTED]	**[●]**

Registered Office and Headquarters in the PRC	3701A, Shuibei International Jewellery Centre, 2901 No. 99 Beili North Road, Cuijin Community Cuizhu Street, Luohu District Shenzhen, Guangdong Province PRC
Principal Place of Business in Hong Kong	40th Floor Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	https://www.hipine.com *(Note: the information on this website does not form part of this document)*
Joint Company Secretaries	**Mr. Li Yangjin (李陽金)** Room 29D, Building A Jianxinyuan, Xinxin Garden Futian District, Shenzhen, Guangdong PRC **Ms. Sze Suet Ling (施雪玲)** *ACG (CS, CGP); HKACG (CS, CGP)* 40/F., Dah Sing Financial Centre 248 Queen's Road East, Wanchai, Hong Kong
Authorized Representatives	**Mr. Li Yangjin (李陽金)** Room 29D, Building A Jianxinyuan, Xinxin Garden Futian District, Shenzhen Guangdong PRC **Ms. Sze Suet Ling (施雪玲)** *ACG (CS, CGP); HKACG (CS, CGP)* 40/F., Dah Sing Financial Centre 248 Queen's Road East, Wanchai, Hong Kong

Audit Committee	Ms. Guo Xiaohong (郭曉紅) *(chairlady)* Mr. Lin Yong (林勇) Mr. Li Qi (李奇)
Remuneration and Assessment Committee	Mr. Li Qi (李奇)*(chairman)* Mr. Lin Yong (林勇) Mr. Hu Shaohua (胡少華)
Nomination Committee	Mr. Lin Yong (林勇)*(chairman)* Mr. Huang Liangdi (黃良地) Ms. Guo Xiaohong (郭曉紅)
Strategy Committee	Mr. Li Yongzhong (李永忠)*(chairman)* Mr. Huang Liangdi (黃良地) Mr. Li Qi (李奇)
[REDACTED]	**[REDACTED]**
Compliance Advisor	**Ping An of China Capital (Hong Kong) Company Limited** (a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity) Units 3601, 07 & 11–13 36/F The Center 99 Queen's Road Central Hong Kong

Principal Bank	**China Construction Bank Corporation** Shenzhen Branch Shenzhen Construction Bank Building East of Pengcheng 1st Road, South of Fuzhong 3rd Road Lianhua Street, Futian District Shenzhen, Guangdong Province PRC

The information presented in this section, unless otherwise indicated, is derived from various government publications and other publications, and from the CIC Report prepared by China Insights Consultancy, an independent third-party industry consultant commissioned by us. We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official government sources has not been independently verified by us, the Sole Sponsor, the **[REDACTED]**, *the* **[REDACTED]**, *any of our and heir respective directors, officers, representatives, employees or advisers, or any other party involved in the* **[REDACTED]** *and no representation is given as to its completeness, fairness and accuracy.*

SOURCES OF INFORMATION

We have engaged China Insights Consultancy, an independent market research consulting firm, to conduct a detailed analysis and prepare an industry report on the markets in which we operate. China Insights Consultancy is an independent global consulting firm founded in China. It is principally engaged in the provision of market research consultancy services, conducting industry research, and providing market and enterprise strategies and consultancy services across various industries. We incurred a total of RMB650,000 in fees and expenses in connection with the preparation and use of the CIC Report.

China Insights Consultancy conducted both primary and secondary research using a variety of resources in the completion of this report. Primary research involved interviewing key industry experts and leading industry participants. Secondary research involved analysing data from various publicly available data sources, such as National Bureau of Statistics of China, China Horologe Association, China Gold Association, Shanghai Gold Exchange, Gems & Jewellery Trade Association of China, and the internal database of China Insights Consultancy.

China Insights Consultancy's projection on the market size of each of the watch industry and related industries in China are based on the following assumptions: (i) the overall global social, economic and political environment is expected to maintain a stable trend over the next decade; (ii) related key industry drivers are likely to continue propelling growth in the watch industry and related industries in China during the forecast period; and (iii) there are no extreme force majeure events or industry regulation changes which may dramatically or fundamentally affect the market situation. Unless otherwise specified, all data and forecasts contained in this section are derived from the CIC Report. Our Directors confirm that, after making reasonable enquiries, there has been no adverse change in the market information since the date of the CIC Report that may qualify, contradict or have a material impact on the information in this section.

OVERVIEW OF CHINA'S WATCH INDUSTRY

Definition and classification of the watch

The watch is a portable timepiece designed to be mainly worn on the wrist, primarily used to track time. The watch often includes features such as the display of dates and chronograph functions and combines functionality and aesthetic design, serving as a timekeeping tool and a symbol of status. The watch comprises several key components, including the case, dial, movement, crown, crystal, and strap. The case is the outer shell that houses and protects the internal components of a watch. It is typically made from materials like precious metals, stainless steel, or ceramic, etc.

Watches can be categorised in various ways, such as by the primary material of the case, with or without smart features, the type of movement, the country of origin, and the retail price range.

Categorisation of watches

Methods of categorisation	Subcategory	Definition and features
By the primary material of the case	Precious metal watches	A precious metal watch is a timepiece with its watch case crafted from precious metals and alloys. Precious metals include, among others, gold, platinum and silver. Precious metal watches are generally characterised by the rarity of the precious metals they contain, their aesthetic appeal, and intrinsic value, and may be considered both as functional accessories and symbols of status and investment assets.
	Stainless steel watches	Stainless steel watches are watches with its watch case made of stainless steel. Stainless steel watches are known for their corrosion resistance, robust durability, and low maintenance requirements.

Methods of categorisation	Subcategory	Definition and features
	Other watches	This subcategory includes watches with its watch case made of other materials, for example ceramic watches, carbon fiber watches and titanium watches. The watch cases of ceramic watches are crafted from high-density pressed ceramic powder, offering relatively high scratch resistance. The watch cases of carbon fiber watches are made of fibers with a high carbon content, creating a lightweight structure that is resistant to high temperatures and mechanical stress. The watch cases of titanium watches are crafted from titanium and alloys, which are light and corrosion-resistant.
By with or without smart features	Smart watches	Smart watches are watches that combine traditional time display functions with interaction and information processing capabilities. In addition to showing the time, smart watches integrate compact computer capabilities, with features such as fitness tracking, GPS navigation, and the ability to run applications.
	Non-smart watches, or traditional watches	Non-smart watches are watches that do not possess interaction and information processing capabilities. Non-smart watches primarily serve the purpose of timekeeping, and may emphasise craftsmanship, aesthetics, and brand heritage in their design.
By movement type	Mechanical watches	Mechanical watches are timepieces powered by mechanical movements, which rely on a main spring to drive the gears and hands of the watch.
	Quartz watches	Quartz watches are timepieces equipped with quartz movements, which use a battery as their power source.

Methods of categorisation	Subcategory	Definition and features
	Electronic watches	Electronic watches are timepieces equipped with electronic movements. These watches typically feature a liquid crystal display, which receives precise pulses from an integrated circuit to accurately show the information on the display.
By brand origin	Domestic brand's watches	Domestic brand's watches refer to timepieces designed and produced by watch brands that are founded in China.
	Foreign brand's watches	Foreign brand's watches refer to timepieces produced by watch brands that originate from foreign countries outside of China. These watches are typically imported and are often associated with the reputation of their country of origin.
By retail price range	Mass-market watches	Mass-market watches, priced under RMB3,000 per unit, are designed for the mass market, offering basic functionality and simpler designs.
	Mid-range watches	Mid-range watches fall within the price range of RMB3,000 to RMB10,000 per unit. These timepieces balance quality, functionality, and affordability.
	High-end watches	High-end watches are luxury timepieces typically priced above RMB10,000 per unit. High-end watches are associated with renowned watchmakers, exceptional craftsmanship, and heritage, making them status symbols and collectors' items.

Source: CIC Report

The watch industry in China

The development of China's watch industry

The Chinese watch industry has undergone a remarkable evolution, transitioning from a nascent sector reliant on imports into a sophisticated industry capable of producing high-quality watches. Since its inception in the mid-20th century, the industry has experienced significant growth. In the 1960s and 1970s, substantial government investment led to the establishment of state-owned factories in key cities such as Tianjin, Beijing, and Shanghai. These facilities prioritised mass production, and by the late 1970s, China had emerged as a major producer of mechanical watches, although their quality still lagged behind Western standards.

The 2000s marked a pivotal period for the Chinese watch industry. With the rapid expansion of China's economy, there was a corresponding rise in demand for high-end goods, including premium watches. During this time, Chinese brands began to enhance their technological capabilities and refine their design aesthetics, resulting in the production of more sophisticated premium watches. Furthermore, Chinese brands' role in the watch supply chain became increasingly prominent, acting as a key hub for both manufacturing and assembly. Since 2010, the rise of smart watches has further diversified the market. During this era, Chinese watch brands have steadily gained recognition among consumers. The "Made in China" label has gradually moved away from earlier associations with low-cost, low-quality goods, with certain Chinese watchmakers now regarded as noteworthy participants in the industry.

The market size of the watch industry in China

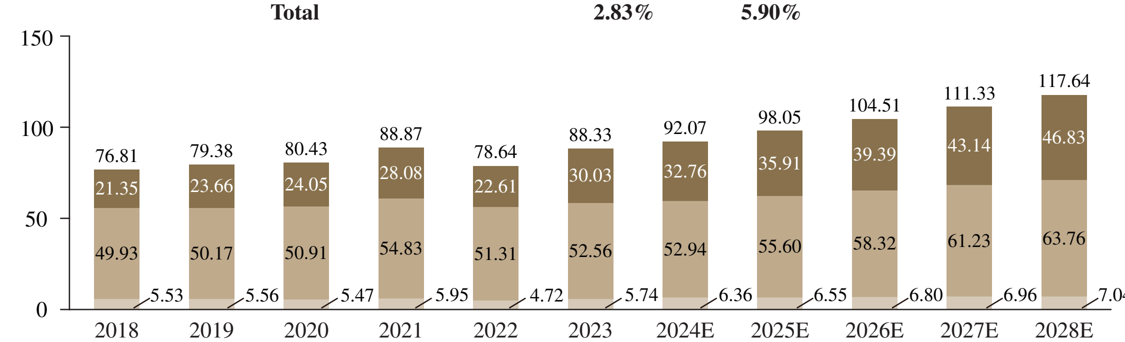
The market size of the watch industry in China was RMB76.81 billion in 2018 and increased to RMB88.87 billion in 2021 in terms of GMV. In 2022, the effects of the COVID-19 pandemic, particularly strict lockdowns and travel restrictions, severely impacted retail sales and led to an overall decline to RMB78.64 billion in China's watch industry. In 2023, as the impact of the pandemic gradually waned and consumer demand recovered, the Chinese watch market experienced a resurgence and reached RMB88.33 billion in terms of GMV.

Consumers in first-tier cities usually favour foreign watch brands or high-end watch brands as these brands have allocated substantial promotional resources to first-tier cities, with the majority of their sales networks strategically positioned there. Consumers in lower-tier cities are more inclined to purchase watches with better value prepositions, making significant contributions to China's mass-market watch segment. Chinese consumers' diverse lifestyles have shaped their preferences for watches. For example, techsavvy individuals especially the younger generation prioritise functionality and innovation, and have spurred the growth of the smart watch segment. The increase in disposable income has in general boosted consumer spending on watches while elevating their expectations for timepieces. Between 2018 and 2023, the disposable income per capita in China rose from RMB28.23 thousand to RMB39.22 thousand. Greater purchasing power has heightened consumers' focus on design, craftsmanship, and brand influence, and drove the market growth of the mid-range and high-end watch segments, and in turn China's watch industry. The market size is projected to reach RMB117.64 billion by 2028, indicating a CAGR of 5.90% from 2023 to 2028.

In the watch category under which watches are categorised by the primary material of the case, precious metal watches and stainless steel watches are the two main subcategories in China's watch market, and their market sizes in terms of GMV accounted for 34.00% and 59.50% in China's watch market, respectively in 2023. China's precious metal watch market size, in terms of GMV, was RMB30.03 billion in 2023, which had grown at a CAGR of 7.06% from 2018 to 2023, and it is expected to reach RMB46.83 billion in 2028, representing a CAGR of 9.29% from 2023 to 2028. In terms of sales volume, China's precious metal watch market size reached 2.23 million in 2023 and is estimated to grow to 3.10 million in 2028, with a CAGR of 6.83% from 2023 to 2028. The market size of the stainless steel watch market in China, in terms of GMV, was RMB52.56 billion in 2023, which had grown at a CAGR of 1.03% from 2018 to 2023, and it is expected to reach RMB63.76 billion in 2028, representing a CAGR of 3.94% from 2023 to 2028. In terms of sales volume, China's stainless steel watch market size reached 32.44 million in 2023, and is estimated to grow to 39.71 million in 2028 with a CAGR of 4.12% from 2023 to 2028. In terms of GMV, the market size for other watches was RMB5.53 billion in 2018 and was RMB5.74 billion in 2023, and it is projected to reach RMB7.04 billion in 2028, with the expected CAGR of 4.17% from 2023 to 2028. The sales volume of other watches was 3.07 million in 2023, and it is estimated to arrive at 3.79 million in 2028, with a CAGR of 4.33% from 2023 to 2028.

Market size of the watch industry, by the primary material of the case, in terms of GMV, China, 2018–2028E

CAGR	2018–2023	2023–2028E
Precious metal watch	7.06%	9.29%
Stainless steel watches	1.03%	3.94%
Others	0.75%	4.17%
Total	**2.83%**	**5.90%**



Source: China Horologe Association, CIC Report

Note: The figures of the chart have been rounded up to two decimal places.

Domestic watch brands compete with foreign watch brands in China's watch market. In China's watch market, domestic brands have been progressively increasing their market share, while the market share of foreign brand's watch in China, in terms of GMV, was 60.44% in 2018 and decreased from 78.85% in 2021 to 75.34% in 2023. Notably, according to Federation of the Swiss Watch Industry (瑞士鐘錶工業聯合會), Swiss watch exports value to China was CHF1,717.2 million in 2018, and decreased from CHF2,966.9 million in 2021 to CHF2,762.5 million in 2023, and is expected to shrink in the following years due to the weak consumer demand for luxury goods. The market share of domestic brands, in terms of GMV, has risen from 21.15% in 2021 to 24.66% in 2023. This growth is attributed to the rapid growth of domestic watch brands, driven by their competitive pricing, the integration of Chinese aesthetic elements into their designs, and a growing alignment with local consumer preferences. Capitalising on cost advantages, domestic brands typically offer more affordable products. Furthermore, as younger consumer segments increasingly seek products that reflect individuality, traditional foreign watch designs have proven less responsive to these emerging demands. In contrast, domestic brands have successfully incorporated distinctive Chinese cultural elements into their designs, which have resonated with local consumers. By 2028, China's domestic brand's watch market sizes are expected to reach RMB43.84 billion with the CAGR of 15.02% from 2023 to 2028, in terms of GMV.

OVERVIEW OF PRECIOUS METAL WATCH AND GOLD WATCH INDUSTRY

Definition and classification of the precious metal watch

A precious metal watch is a timepiece the case of which case is crafted from precious metals and alloy materials. These metals typically include gold, platinum, and silver, which are prized for their rarity, aesthetic appeal, and intrinsic value. Precious metal watches not only serve as functional accessories but also as symbols of status and investment assets. The precious metal watch can be categorised based on the precious metals and their alloys used as the primary material for the case and can be classified into gold watches, platinum watches, and silver watches.

Gold watches are valued for their premium appearance, durability, and the value of the gold used in their construction. The gold used in these watches can vary in purity, with common types being 24K gold (with a purity of 999‰ or more) and non-24K gold (an alloy where the gold content is less than 999‰). 24K gold is typically unsuitable for direct use on its own in product manufacturing due to its softness and malleability. Therefore, most watch manufacturers usually combine gold with other metals in order to harden it and enable it to be used in mass production of watches. However, this process typically reduces the purity of gold to less than 99.9%. Given it is challenging to develop gold hardening technologies and apply them in practice, there are currently less than 10 watch manufacturers in China that are able to develop technologies that overcome this technical challenge and meet the group standard T/CGA 41-2023 and has achieved the application of 24K gold in mass watch production in China's watch market. Platinum watches have a naturally white, lustrous appearance, which gives them a sleek and elegant look. Platinum watches are prized for their weight and are also highly resistant to wear and corrosion, making them not only opulent but also incredibly durable. Silver watches are popular for their timeless appeal and versatility, and are often more affordable than gold or platinum watches.

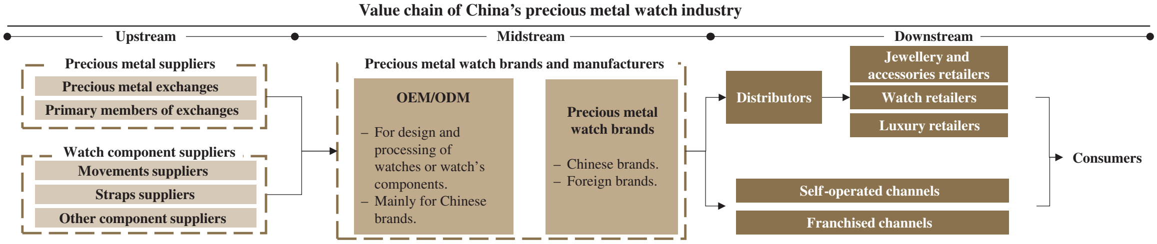
Value chain of China's precious metal watch industry

The upstream of China's precious metal watch industry includes precious metal suppliers and watch component suppliers. As an industry practice, precious metals are mainly supplied by exchanges and their primary members. Taking gold as an example, purchasing gold and gold leasing are two main ways to obtain gold. In case of purchasing gold, the exchanges typically supply the majority of the gold in China. The Shanghai Gold Exchange is the largest gold exchange for gold trading, controlling a large portion of the gold resources. Primary members of the Gold Exchange have the option to conduct transactions either on-site or remotely, and sell the gold from exchanges to gold watch manufacturers directly. Under the model where the Shanghai Gold Exchange serves as the gold supplier, primary members only charge the manufacturers commission fee for purchasing precious metals, while the receipt of the gold is issued by the exchange to the manufacturers. Some corporations secure gold supplies through leasing arrangements facilitated by the Shanghai Gold Exchange or its primary members. Borrowers make lease payments at approximately 4%-5% of the contract value, and gold leasing has become a popular hedging and investment approach for many gold-related enterprises, increasingly establishing itself as an industry norm. Watch component suppliers provide essential components such as movements, straps, and dials. The movements are predominantly sourced from Japan or Switzerland, while straps, dials, and other raw materials are sourced from a variety of specialised suppliers.

The midstream of the precious metal watch industry includes watch brands and watch manufacturers. Foreign watch brands, such as those from Switzerland, Japan, and Germany, typically complete the manufacturing and assembly of their watches at their manufacturing origin before importing them into China for sale. This approach allows them to leverage established expertise in their home countries and maintain their own quality standards. On the other hand, some Chinese precious metal watch brands (who may not have the technical know-how and expertise to carry out their own manufacturing of high quality watches) may choose to outsource production to ODM or OEM. By outsourcing manufacturing and assembly, brands can concentrate on design, marketing, and other strategic areas, leveraging the production capabilities of their ODM or OEM partners, while some Chinese brands rely on in-house manufacturing, handling production, processing, and assembly. This model provides greater control over the watch production process, quality, and brand consistency.

In China, precious metal watches typically reach end consumers through both distribution and direct sales channels, with distribution being the more prevalent model. By leveraging distributors, brands can reduce the costs associated with building their own sales channels. In the distribution model, distributors primarily target retailers specialising in precious metal jewellery and accessories, watch retailers, and luxury retailers. Direct sales channels, including self-operated and franchised outlets, enable brands to enhance their brand positioning, cultivate stronger consumer relationships, and obtain valuable feedback while collecting detailed data on consumer purchasing behaviours.

Value chain of China's precious metal watch industry

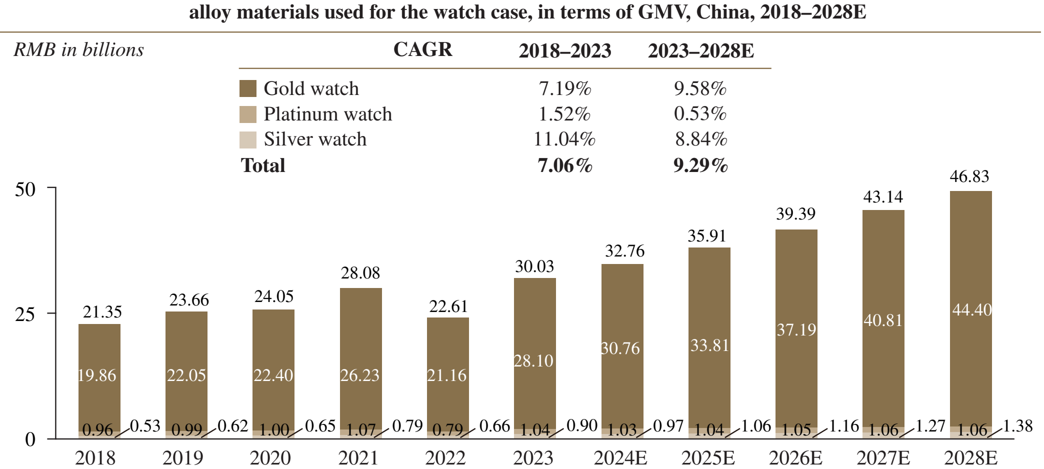


The precious metal watch and gold watch industries in China

The precious metal watch market size was RMB21.35 billion in 2018, and increased to RMB30.03 billion in 2023 in terms of GMV, indicating a CAGR of 7.06% from 2018 to 2023. 2022 saw a temporary drop in the market size, with the figure declining to RMB22.61 billion in terms of GMV, which was primarily due to the adverse impact of the COVID-19 pandemic. The market size of China's precious metal watch industry is expected to arrive at RMB46.83 billion in 2028 with a CAGR of 9.29% from 2023 to 2028.

In China's precious metal watch market, the gold watch market occupies the largest market share, with a market size of RMB28.10 billion in 2023, accounting for 93.55% of China's precious metal watch market. By 2028, China's gold watch market is expected to reach RMB44.40 billion.

Market size of the precious metal watch industry, by the precious metals and alloy materials used for the watch case, in terms of GMV, China, 2018–2028E

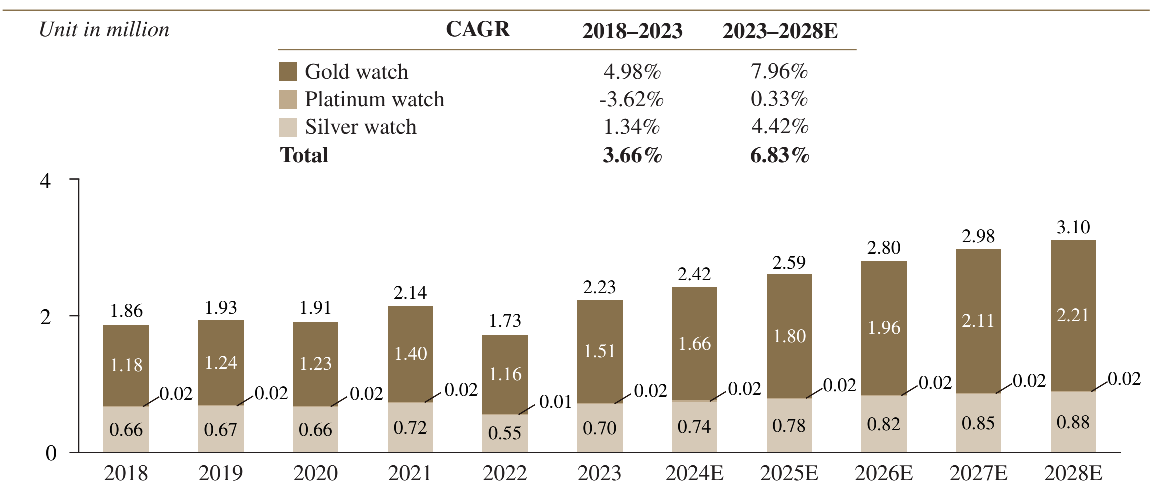


Source: China Horologe Association, China Gold Association, CIC Report

Note: The figures of the chart have been rounded up to two decimal places.

In terms of sales volume, 1.51 million gold watches were sold in 2023, rebounding from 2022 when the figure was 1.16 million, which was primarily due to the adverse impact of by the COVID-19 pandemic. Gold watches' sales volume is estimated to arrive at 2.21 million in 2028, representing a CAGR of 7.96% from 2023 to 2028. The market share of domestic gold watch brands in China's gold watch market, in terms of sales volume, has risen from 16.31% in 2018 to 28.93% in 2023, while the figure of foreign gold watch brands was 83.69% in 2018 and decreased to 71.07% in 2023. Within the gold watch industry market, domestic brands have differentiated themselves by innovating the 24K gold watch category and leveraging technological advancements. This has satisfied the demand for gold timepieces among Chinese consumers at affordable prices and allowed domestic gold watch brands to effectively compete with foreign brands' offerings, most of which are 18K gold watches. In 2023, the market share of first-tier cities' gold watch market in China's gold watch market was approximately 45.61% in terms of sales volume, while second- and other-tier cities' gold watch markets share in China's gold watch market were approximately 21.08% and 33.31%, respectively. However, the interest shown for 24K gold watches are more pronounced in third-tier and lower-tier cities as 24K gold watches effectively satisfy the demand for gold products among third-tier and lower-tier cities' consumers, offering a high gold purity preference that aligns with their purchasing power, and most of 24K gold watches are provided by domestic brands. In China's domestic gold watch market in 2023, the market share of first-tier, second-tier, and other-tier cities was 12.64%, 31.75%, 55.61%, respectively, in terms of sales volume.

Market size of the precious metal watch industry, by the precious metals and their alloy materials used for the watch case, in terms of sales volume, China, 2018–2028E



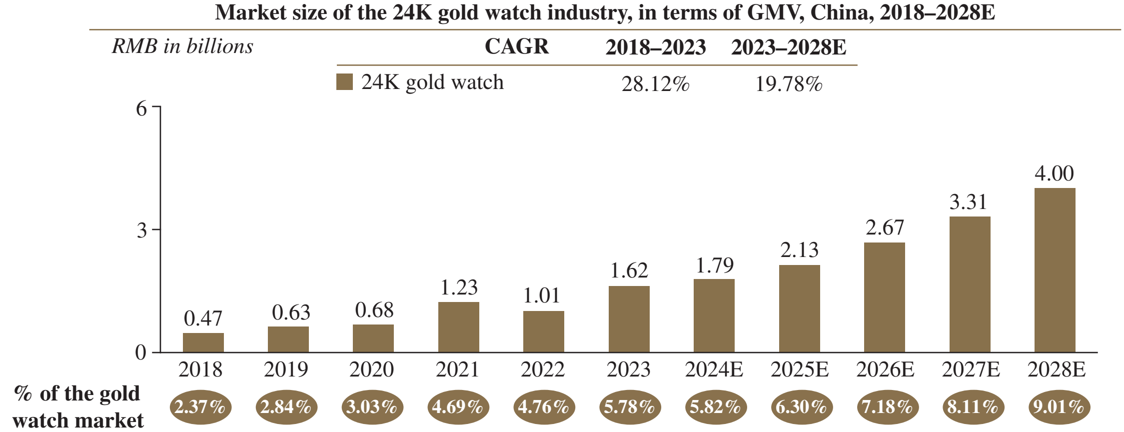
Source: *China Horologe Association, China Gold Association, CIC Report*

Note: The figures of the chart have been rounded up to two decimal places.

The 24K gold watch market grew faster than the non-24K watch market. In 2018, 24K gold watches held a market share of 2.37% in terms of GMV within the gold watch industry. Its GMV amounted to RMB0.47 billion. By 2023, the market share had increased to 5.78% for GMV, with GMV reaching RMB1.62 billion. The rapid growth of the 24K gold watch market is largely attributed to the enhanced consumer interest in high-purity gold products given the increasing gold price and the higher investment value of the high-purity gold products in recent years. Moreover, given the pronounced gold culture in northern regions in China, consumers there exhibit a higher propensity to purchase gold watches, particularly 24K gold watches. In 2023, north-eastern China, northern China, and north-western China ranked first, second and fourth in terms of regional 24K gold watch consumption by GMV in China, with their combined market share surpassing 60%, significantly contributing to China's 24K gold watch market. In terms of GMV, the figure of these regions is expected to grow at a CAGR of approximately 20% from 2023 to 2028. From 2023 to 2028, the market share of 24K gold watches when compared with the gold watch market as a whole is projected to further expand to 9.01% for GMV, with GMV expected to grow to RMB4.00 billion, reflecting a CAGR of 19.78% during the period.

As for non-24K gold watches, the 18K gold watches are more favoured by consumers, primarily driven by foreign brands that have been established in the Chinese market for many years and have conducted extensive market education for this category. The appeal of 14K gold watches is relatively weaker for consumers seeking high-purity gold for value retention and appreciation. As a result, the competitiveness of 14K gold watches has been gradually declining in comparison to 24K and 18K gold watches. Accordingly, in China's non-24K gold watch market, 18K gold watches denominate with the larger market share compared with 14K gold watches. In 2023, 18K gold watches accounted for over 97% in terms of the GMV of China's non-24K gold watch segment, while 14K gold watches accounted for less than 3%.

Market size of the 24K gold watch industry, in terms of GMV, China, 2018–2028E



Source: *China Gold Association, CIC Report*

Note: The figures of the chart have been rounded up to two decimal places.

Drivers of the gold watch market in China

Consumer's willingness to purchase gold increases gradually. Gold has maintained a distinguished role in Chinese culture for centuries, consistently symbolising wealth, prosperity, and status. Its enduring value and stability have established gold as a vital instrument for wealth preservation and generational wealth succession. The cultural significance of gold extends to its prominent use in weddings and other ceremonial occasions, where it is frequently given or worn as a token of good fortune and enduring commitment. As the market presence and promotional strategies of gold product brands continue to escalate, consumer's disposable income per capita, acceptance and demand for gold have notably increased, catalysing robust growth in the gold market and related sectors, including gold watches.

The rise in gold prices highlights the investment value of gold and stimulates consumers' interest. China's spot prices of gold show steady growth from RMB271.10 per gram in 2018 to RMB449.67 in 2023, achieving a CAGR of 10.65% over the past five years. The increase in gold prices underscores the investment value of gold, making it a more attractive option for consumers and creating a favourable environment for the growth of the gold watch market.

Gold products such as gold watches are gaining popularity. Compared to gold coins and bars, gold watches and other consumer products with gold design elements or key constituent materials are increasingly favoured by consumers due to their aesthetic appeal and strong design elements. Gold watches not only offer the value preservation function of gold but also provide a stylish and practical accessory. Additionally, the design and brand prestige of gold watches have made them a symbol of taste and status. The popularity of gold watches demonstrates a growing consumer inclination towards gold products that offer both investment value and artistic appeal.

The younger generation gradually become the key consumer segment for gold watches. Gold watches exhibit a strong visual presence, appealing to the distinct aesthetic inclinations of younger consumers, who place increasing importance on products that possess multiple qualities, particularly those that amalgamate visual allure, utility, and potential for return on investment. Gold watches, with their blend of opulent design and investment value, are progressively becoming the preferred choice for this group. As the market continues to innovate and diversify gold watch designs, offerings that better match the style and tastes of younger consumers are likely to further stimulate their purchasing desires, ultimately contributing to the growth of the gold watch market in China.

The 24K gold watch industry is expanding its role as a growth engine of the gold watch market. With advancements in production technology, the 24K gold watch market has rapidly developed, becoming a new growth driver in the gold watch market in China, with the market share in terms of GMV of the 24K gold watch market increasing from 2.37% in 2018 to 5.78% in 2023. Brands that possess cutting-edge technological capabilities, high-quality product standards, comprehensive after-sales service systems, stable relationships with leading gold product retailers, and exceptional brand reputations are typically more likely to stand out and become significant drivers of growth in the 24K gold watch market in China.

Trends of the gold watch market in China

The gold watch is continuously showing smart features. As technology progresses and consumer interest in smart products intensifies, gold watches equipped with intelligent features have emerged as a new trend in the market. Smart gold watches now incorporate advanced sensors that track various health metrics, such as heart rate, sleep patterns, and physical activity, catering to the increasing consumer focus on wellness and personal health. In addition, these watches are equipped with mobile payment capabilities, allowing users to make secure transactions directly from their wrist, enhancing convenience and modernity.

Some gold watches seamlessly integrate traditional cultural elements with modern fashion aesthetics. The gold watch market has increasingly embraced the trend of incorporating Chinese traditional cultural elements, highlighting the fusion of traditional culture with modern fashion. Brands infuse traditional Chinese elements into their designs, endowing the watches with unique cultural significance. This approach enhances the distinctiveness and competitiveness of gold watches in China's watch market.

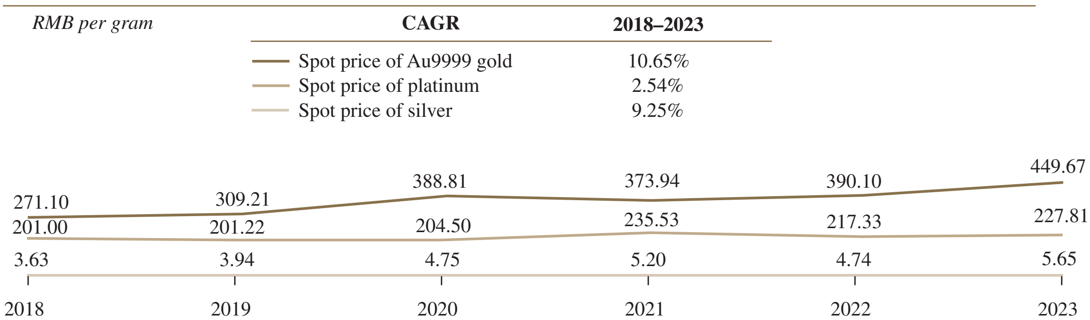
Leading Chinese gold watch brands expand into international markets, further enhancing brand strength. Leveraging increasingly sophisticated manufacturing techniques and innovative design styles, Chinese gold watch brands have been gradually expanding their business into overseas markets, including the Middle East and Southeast Asia. These regions have indicated significant growth potential in the gold watch market. The market size of the Middle East and Southeast Asia gold watch market are expected to be RMB6.85 billion and RMB5.91 billion in terms of GMV by 2028, respectively, indicating a CAGR of 9.24% and 8.52% from 2023 to 2028, respectively. As most countries in the Middle East and Southeast Asia are key regions along the Belt and Road Initiative, they exhibit a strong recognition of Chinese brands, making it easier for Chinese gold watch brands to gain favour in these markets.

Price of raw materials in China's precious metal watch industry

Precious metals constitute the primary cost for precious metal watches. The use of materials with high intrinsic value such as gold, platinum, and silver is central to the production of these watches, significantly impacting their overall cost structure. In the case of the gold watch, the price of gold used are crucial factors in determining the final price. China's gold prices have surged from 2018 to 2023 due to global geopolitical tensions and economic instability. Trade conflicts, political unrest, and inflation have driven investors towards gold as a safe-haven asset. From 2018 to 2023, the spot price of Au9999 gold in China rose from RMB271.10 per gram to RMB449.67 per gram, with a CAGR of 10.65% from 2018 to 2023. The precious metal commission rate is also one of the costs. In 2023, the commission rate from precious metal exchanges for Au9999 gold was 0.03% of its spot price.

Other precious metals, such as platinum, have shown more stable prices. Platinum's price increase from 2018 to 2023 has been relatively moderate, influenced by fluctuations in downstream industrial demand. In 2018, the spot price of platinum was RMB201.00 per gram, and by 2023, it had risen to RMB227.81 per gram, reflecting a CAGR of 2.54% from 2018 to 2023. Silver prices are significantly lower than those of gold and platinum. The spot price of silver was RMB3.63 per gram in 2018 and increased to RMB5.65 per gram by 2023.

Spot prices of Au9999 gold, platinum and silver in China, 2018–2023



Source: *Shanghai Gold Exchange, CIC Report*

Note: The spot prices are the average settlement prices of each year. The figures of the chart have been rounded up to two decimal places.

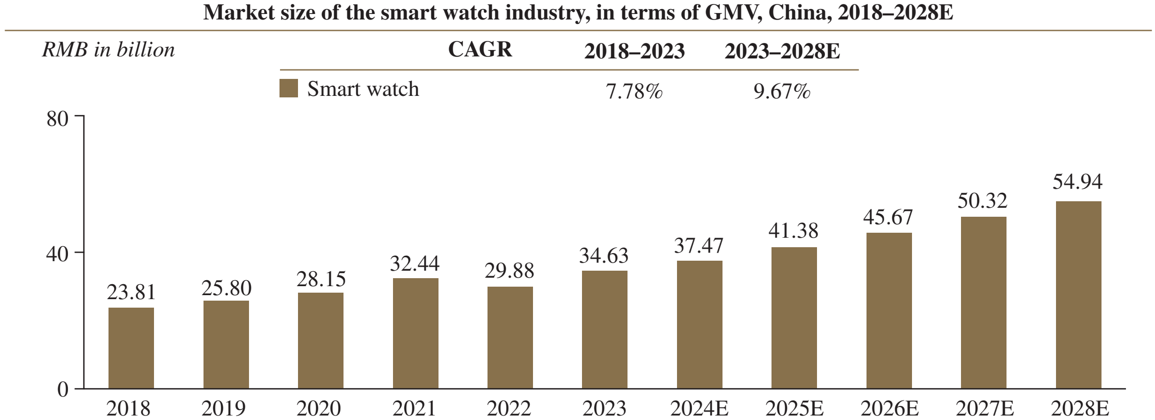
The movement is also a significant cost component in watchmaking. Switzerland and Japan have long been global leaders in the production of watch movements. The movement prices were steady from 2018 to 2023, and take mechanical movement as an example, in 2023, the average price of Swiss mechanical movement in China reached approximately RMB1,500 per unit while the average price of Japanese mechanical movements in China in 2023 was approximately RMB1,000 per unit. The average price of domestically produced mechanical movements in China is more economical, approximately RMB300 per unit.

OVERVIEW OF CHINA'S SMART WATCH INDUSTRY

The smart watch and smart 24K gold watch industries in China

As consumers are increasingly interested in tracking their fitness and health metrics, and the demand for smart wearables increases, China's smart watch market has experienced rapid growth in recent years. In 2018, the market size was RMB23.81 billion and reached RMB34.63 billion in 2023 in terms of GMV, with a CAGR of 7.78% during the period. In 2028, the smart watch industry's market size in China is expected to reach RMB54.94 billion, while its CAGR is estimated to be 9.67% from 2023 to 2028.

Market size of the smart watch industry, in terms of GMV, China, 2018–2028E



Source: *China Horologe Association, CIC Report*

Note: The figures of the chart have been rounded up to two decimal places.

The incorporation of precious metals into smart watches exemplifies leading-edge design and elegance while at the same time delivering an advanced and intelligent experience to users. As technological advancements in wearable devices continue to progress and the consumer demand for products that harmonise precious metals and technology steadily increases, the market for smart precious metal watch is experiencing rapid expansion, with substantial growth potential in the future. By 2028, the market size of smart precious metal watches in China is expected to be RMB0.74 billion, with a CAGR of approximately 90% from 2023 to 2028. Gold watch is the first precious metal watch category to incorporate smart features, and more categories of smart precious metal watches may appear in the future. As the consumer base for gold watches continues to expand, there is a growing demand for smart features. Advancements in mass production technologies from leading companies, such as gold hardening and weight control, have enabled gold watches to lead the way as the first precious metal watch category to incorporate smart functions.

In China, the smart 24K gold watch industry is in its nascent stage, with leading companies actively refining production processes, technological capabilities, and manufacturing efficiency while consistently propelling product innovation. The industry is gradually shifting to a fast-growing market distinguished by a fusion of quality and design excellence. In the realm of the smart 24K gold watch market, brands that possess substantial production capacities and an extensive network of distribution channels are inherently better positioned to swiftly capture a larger share of the market. The ability to undertake large-scale production facilitates prompt responses to market demands, whereas a broad distribution network facilitates the swift nationwide dissemination of smart 24K gold watches, thereby ensuring a substantial market presence.

OVERVIEW OF CHINA'S JEWELLERY AND ACCESSORIES INDUSTRY

Definition and classification of the jewellery and accessories

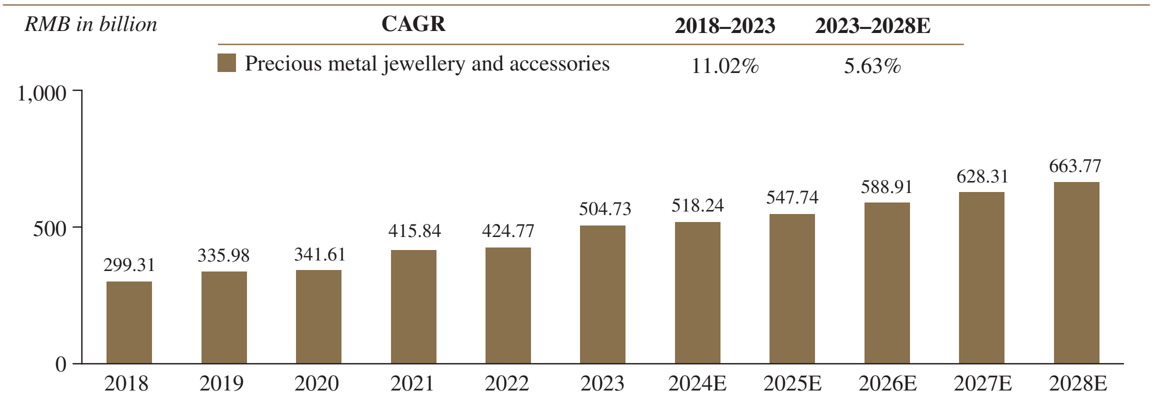
Jewellery and accessories are decorative products worn for personal adornment, comprising necklaces, rings, bracelets, earrings, brooches and others, and exclude watches. These pieces are intended to embellish various body parts, such as the head, neck, chest, hands, and feet. Beyond their ornamental purpose, these objects frequently encapsulate distinctive symbolic connotations derived from their constituent materials. The category of smart jewellery and accessories has also begun to emerge, integrating advanced technology with traditional adornments. These innovative pieces combine the elegance of fine jewellery and accessories with smart functionalities, such as health monitoring, fitness tracking, and connectivity features.

The market size of the precious metal jewellery and accessories industry in China

Precious metal jewellery and accessories occupy a large market share within the jewellery and accessories industry in China. Precious metals such as gold, silver, and platinum have strong value-preserving properties, making them highly sought after for their investment appeal. Additionally, the high malleability of precious metals allows designers to create intricate innovations in craftsmanship, producing a diverse range of accessories to meet the needs of various consumers.

From 2018 to 2023, China's precious metal jewellery and accessories market size was RMB299.31 billion and RMB504.73 billion, with a CAGR of 11.02% from 2018 to 2023, in terms of GMV and it is expected to reach RMB663.77 billion in 2028 with a CAGR of 5.63% from 2023 to 2028.

Market size of the precious metal jewellery and accessories industry, in terms of GMV, China, 2018–2028E



Source: Gems & Jewellery Trade Association of China, CIC Report

Note: The figures of the chart have been rounded up to two decimal places.

The jewellery and accessories markets in the Middle East and Southeast Asia are also showing strong growth momentum, with consumers exhibiting a clear preference for 24K gold and exquisite designs. The cultural traditions in these regions, along with the demand for precious metal products, are driving the continued expansion of the jewellery and accessories industry. In the Middle East and Southeast Asia, precious metal jewellery and accessories, especially gold jewellery and accessories, are traditionally considered a symbol of wealth and status due to its significance in Buddhist and Islamic cultures and often used in weddings and major religious festivals. The market size of the jewellery and accessories market in Middle East and Southeast Asia are expected to be RMB79.74 and RMB147.13 billion in terms of GMV by 2028, respectively, indicating a CAGR of 10.09% and 8.57% from 2023 to 2028, respectively.

COMPETITIVE LANDSCAPE OF PRECIOUS METAL WATCH AND GOLD WATCH MARKETS

Overview of competitive landscape

In 2023, there are approximately 1,500 enterprises in the Chinese watch industry. Within the gold watch sector, foreign brands primarily produce non-24K gold watches, while 24K gold watches are mainly manufactured by domestic brands. By 2023, the number of retail outlets, including counters, that are suitable for selling 24K gold watches was over 60,000, which fall into three main categories:

(1) **Jewellery and accessories retail outlets:** These constitute the largest proportion of outlets. They sell products from specialised 24K gold watch brands, including the Company's 24K gold watches, as well as their own sub-brand's 24K gold watches, which are typically produced by third-party manufacturers.

(2) **Specialised 24K gold watch retail stores:** These are retail stores dedicated to 24K gold watch brands, usually operating as franchise channels.

(3) **International luxury brand stores:** These stores generally do not have their line of 24K gold watches, but may carry a very limited selection of such watches from other brands.

Rankings of the China's domestic brand gold watch market

The domestic brand gold watch industry was highly concentrated in 2023, the top five domestic brands collectively hold 37.48% of China's domestic brand gold watch market in terms of GMV. In 2023, our Brand was the largest domestic brand in China's domestic brand gold watch industry in terms of GMV, and the figure was RMB581.50 million, representing a market share of 24.98%.

Ranking of domestic gold watch brands in terms of GMV, China 2023

Ranking	Brand	GMV, RMB million, 2023	Market share
1	**Our Brand**	**581.50**	**24.98%**
2	**Brand A**	132.46	5.69%
3	**Brand B**	63.87	2.74%
4	**Brand C**	56.92	2.44%
5	**Brand D**	37.76	1.62%

Source: CIC Report

Notes:

Brand A: Founded in 1848 in China, which offers a wide range of precious metal accessories and is publicly listed on the Shanghai Stock Exchange. Its gold watch products include 24K gold watches and 18K gold watches.

Brand B: A watch brand founded in 2020 in China, primarily engaged in the production and sale of 24K gold watches.

Brand C: Established in 1984 in China, which mainly operates the mining, refining, processing and sale of precious metal jewellery and is publicly listed on the Shanghai Stock Exchange. Its gold watch products include 24K gold watches.

Brand D: A watch brand founded in 2017 in China, primarily engaged in the production and sale of 24K gold watches.

The figures of the table have been rounded up to two decimal places.

Rankings of the China's 24K gold watch market

Our Brand, as the first brand in China to produce 24K gold watches, which has positioned ourself as the largest 24K gold watch brand in China in terms of GMV in 2023, occupying 35.83% of the market share in the 24K gold watch industry.

As a leading participant in the 24K gold watch industry, our Brand is the first to develop a proprietary supramolecular hard gold technology, which lies at the core of manufacturing 24K gold watches, thereby establishing our Brand as the first to achieve mass production of 24K gold watches.

Ranking of 24K gold watch brands in terms of GMV, China 2023

Ranking	Brand	GMV, RMB million, 2023	Market share
1	**Our Brand**	**581.40**	**35.83%**
2	**Brand A**	128.69	7.93%
3	**Brand B**	63.87	3.93%
4	**Brand C**	56.92	3.51%
5	**Brand D**	37.76	2.33%

Source: CIC Report

The figures of the table have been rounded up to two decimal places.

With the rapid advancement of intelligence, our Brand has proactively positioned itself in the smart products sector. We are the first globally to release a smart 24K gold watch with Huawei smart movements, and we are the first precious metal watch brand to release the smart dual-wearable gold watch in China.

Entry barriers of the precious metal watch and gold watch markets in China

Significant capital investment. Companies must secure a substantial supply of raw materials, such as gold and other precious metals, as well as invest in advanced manufacturing equipment to meet production requirements. This upfront investment is crucial to ensure the availability of high-quality materials and state-of-the-art technology necessary for efficient production and product excellence. Additionally, the establishment and enhancement of brand equity, which entails comprehensive advertising, marketing strategies, and market expansion initiatives, demands significant financial commitment.

High-calibre talent team. In the precious metal watch and gold watch industries, maintaining a high-quality talent team is a critical entry barrier. Companies must establish a procurement team skilled in dynamically adjusting the purchase volumes of precious metals and other raw materials based on market fluctuations. Additionally, the presence of exceptional watch designers and engineering professionals is crucial. These experts are responsible for creating innovative and aesthetically appealing designs while ensuring the highest standards of craftsmanship and technical precision. Moreover, having professionals with extensive experience in both the precious metals and horology sectors is vital for effective day-to-day operations.

Precision manufacturing capabilities and scalable production capacity. The manufacturing of precious metal watches, especially those made from gold, demands exceptionally high levels of precision. Even minor deviations in the production process can adversely affect the quality and functionality of the final product. This level of precision is essential to ensure that each timepiece adheres to stringent quality standards. To achieve such precision, companies must have advanced manufacturing technologies and implement rigorous quality control measures. This involves utilising cutting-edge machinery and sophisticated production techniques to meet the exact specifications required for high-calibre timepieces. Additionally, it is crucial for companies to have scalable production capabilities, which ensure efficient scaling of manufacturing operations to meet varying levels of demand while maintaining consistent quality.

Diversified sales channels. To effectively expand market presence and engage with end consumers, brands must employ a diversified approach to their sales channels. This involves strategically positioning their products through multiple distribution methods. Engaging with a network of authorised distributors and retailers, some of which may also be household names who have their own brand appeal, allows brands to leverage established market relationships and tap into existing customer bases. These partners play a crucial role in reaching various geographic regions and market segments. Implementing direct sales strategies, such as direct-operated stores and franchised stores, enables brands to have a direct connection with consumers. This approach facilitates better control over brand presentation, customer service, and pricing strategies.

Brand loyalty. Established precious metal and gold watch brands that have cultivated strong customer loyalty create formidable barriers to entry for new competitors. These brands have secured a solid position in the precious metal and gold watch market through a long-standing reputation, consistent quality assurance, and the establishment of an emotional connection with consumers. This deep-rooted brand loyalty not only facilitates sustained repurchase rates and reduces customer acquisition costs for these brands but also raises the entry barriers for newcomers, thereby making it increasingly challenging for them to attract and retain customers.

Stable partnerships with suppliers. The long-term cooperative relationship established between precious metal and gold watch manufacturers and reliable raw material suppliers often constitutes a significant market entry barrier for new entrants. This collaborative relationship is not only based on mutual trust and common interests between the two parties, for example, mature precious metal and gold watch manufacturers may sign long-term supply contracts with suppliers, or even engage in equity cooperation, thereby enhancing their control over the supply of raw materials.

Intellectual property asset. The precious metals and gold watch industry is heavily dependent on advanced technologies and patented innovations, which establishes significant barriers to entry for new market entrants. New companies entering the market with precious metal and gold watch products must comply with laws governing intellectual property rights. If their products infringe upon the rights of established brands–such as trademark, patent, copyright, or trade secret rights–they may face legal claims from the rights holders. In such cases, new entrants may be required to compensate rights holders for direct economic losses and cover reasonable expenses incurred to stop the infringement, resulting in additional financial liabilities.

Key success factors of the precious metal watch and gold watch markets in China

Cutting-edge technology. To maintain a leading position in the precious metal watch and gold watch industry, companies must continuously invest in the research and development of innovative products and manufacturing processes. Advanced technology plays a crucial role in achieving high levels of precision and craftsmanship. By utilising state-of-the-art machinery, adopting the latest techniques, and integrating cutting-edge materials, companies can ensure that their manufacturing processes meet the highest standards. This commitment to technological advancement not only enhances product quality but also allows companies to stay ahead of competitors and respond effectively to evolving market demands.

Premium product quality. Ensuring superior product quality is fundamental for success in the precious metal watch and gold watch market. Companies must adhere to stringent industry standards for every component and production process. This involves rigorous quality control measures at each stage of manufacturing, from sourcing raw materials to final assembly. By implementing comprehensive quality assurance protocols and employing skilled craftsmen, companies can guarantee that their products meet or exceed industry benchmarks, thus ensuring the watches' desirability and maintaining their appeal to customers and potential customers. High product quality not only enhances the brand's reputation but also builds consumer trust and loyalty, making it a crucial factor for competitive differentiation.

Comprehensive after-sales service system. A well-established after-sales service system is essential for maintaining customer satisfaction and loyalty. Brands should implement clear service standards and set up dedicated service centres to handle customer inquiries and issues efficiently. This includes offering repair and maintenance services, providing warranties, and ensuring timely support. An effective after-sales service system helps resolve consumer problems swiftly, improves the overall customer experience, and strengthens brand trust. By addressing customer concerns and providing exceptional service, companies can encourage repeat purchases and foster long-term relationships with their clientele.

Stable partnerships with leading retailers. Building and maintaining stable relationships with top jewellery retailers is critical for ensuring product sales stability. Leading jewellery retailers often have extensive store networks and high customer traffic, which can significantly impact product visibility and sales performance. Establishing strong, long-term partnerships with these prominent players enables companies to leverage their established market presence and distribution capabilities. This collaboration ensures consistent product availability, enhances market reach, and provides a reliable channel for driving sales.

Outstanding brand reputation. In the Chinese precious metal watch and gold watch industry, brand reputation is a critical determinant of market success. An exceptional brand reputation enhances market recognition, making it easier for consumers to trust and choose the brand, thereby driving increased sales and market share. Moreover, a well-established brand influence allows for significant pricing power, as consumers are willing to pay a premium for the perceived quality and prestige associated with the brand. By cultivating a strong brand presence, customer loyalty is reinforced, turning consumers into long-term advocates who support the brand's broader product lines. Additionally, a powerful brand identity fosters cultural resonance, embedding the brand within consumers' personal and cultural expression.

Our business operations are located in the PRC. This section summarises certain aspects of the principal laws, regulations and rules of the PRC in relation to our business operations.

LAWS AND REGULATIONS RELATED TO THE GOLD JEWELLERY INDUSTRY

According to the Decision of the State Council in Relation to the Cancellation of the Second Batch of Administrative Approval Items and Amendment to the Management Method of Certain Administrative Approval Items (《國務院關於取消第二批行政審批項目和改變一批行政審批項目管理方式的決定》) promulgated and implemented by the State Council in 27 February 2003, the PRC officially cancelled the approval system of the PBOC for the production, processing and circulation of gold, including: (1) the gold purchase permit; (2) the approval of gold products production, processing and wholesale business; (3) the approval of gold supply; (4) the approval of gold products retail business.

LAWS AND REGULATIONS RELATED TO THE IMPORT AND EXPORT CONTROL OF GOLD AND GOLD PRODUCTS

Foreign Trade

Pursuant to the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》) (the ''**Foreign Trade Law**") enacted by the Standing Committee of the NPC (the "**SCNPC**") on 12 May 1994, which was last amended and implemented on 30 December 2022, the PRC government permits free import and export of commodities and technologies, unless otherwise provided by laws and administrative regulations. Other than completion of the procedures for industrial and commercial registration or other business practices, no further filing or registration is required for foreign trade operators. Prior to 30 December 2022, under the pre-amendment Foreign Trade Law, foreign trade operators engaged in the import and export of commodities or technologies shall process the filing and registration with the competent foreign trade authorities under the State Council or its delegated authorities, unless otherwise required by laws, administrative regulations, and the competent foreign trade authorities under the State Council. Where a foreign trade operator fails to process the filing and registration in accordance with the provisions, the Customs Department shall not carry out customs clearance of imported or exported commodities.

Import and Export Licensing System for Gold and Gold Products

Pursuant to the relevant provisions of the Administrative Regulations on Gold and Silver of the PRC (《中華人民共和國金銀管理條例》) promulgated and implemented by the State Council on 8 January 2011, and the Measures for the Administration of the Import and Export of Gold and Gold Products (《黃金及黃金製品進出口管理辦法》) issued by the PBOC and the General Administration of Customs of the PRC on 30 March 2015, which was implemented on 1 April 2015 and last amended in April 2020 with effect from the same date, the PRC implements a permit system for the import and export of gold and gold products (where gold refers to unforged gold, and gold products refer to semi-manufactured gold, manufactured gold products, etc.). The PBOC may, according to the needs of macroeconomic regulation and control of the government, grant restrictive approval on the quantity of gold and gold products to be imported and exported.

The PBOC, in cooperation with the General Administration of Customs, has formulated, adjusted and issued the Catalogue of Commodities for Management of Import and Export of Gold and Gold Products (《黃金及黃金製品進出口管理商品目錄》). When handling the import or export customs clearance for the gold and gold products listed in the Catalogue of Commodities for Management of Import and Export of Gold and Gold Products (《黃金及黃金製品進出口管理商品目錄》), the PBOC Import and Export Permit for Gold and Gold Products issued by the PBOC and its branches shall be submitted to the Customs.

Customs

Pursuant to the Customs Law of the PRC (《中華人民共和國海關法》) enacted by the SCNPC on 22 January 1987, which was last amended on 29 April 2021 with effect from the same date, the PRC Customs is the entry and exit customs supervision and administration authority of the government. In accordance with the relevant laws and administrative regulations, the Customs supervises the transportation vehicles, goods, luggage, postal articles and other articles entering and leaving the borders, collects customs duties and other taxes and fees, prevents and counters smuggling, compiles customs statistics and handles other customs operations.

In accordance with the Administrative Regulations of the Customs of the PRC on the Filing of Customs Declaration Entities (《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 on 19 November 2021 and implemented on 1 January 2022, customs declaration entities refer to consignees and consignors of import and export goods and customs declaration enterprises recorded with the Customs. If the consignees and consignors of import and export goods and customs declaration enterprises apply for recordation, they shall obtain the qualification of market entities; among them, if the consignees and consignors of import and export goods apply for recordation, they shall also obtain the recordation of the foreign trade operators. The recordation of the customs declaration entities is permanently valid, while the temporary recordation is valid for one year. Upon expiration, re-application of recordation can be made.

LAWS AND REGULATIONS RELATED TO PRODUCTION

Production Safety

Pursuant to the Work Safety Law of the PRC (《中華人民共和國安全生產法》) enacted by the SCNPC on 29 June 2002, which was last amended on 10 June 2021 and implemented on 1 September 2021, the emergency management authority of the State Council implements the comprehensive national supervision and administration of work safety, while production and operating entities are required to enforce such national standards or industry standards as legally formulated to ensure work safety, and establish the sound employee work safety accountability system and work safety regulations and systems. Production and operating entities that fail to comply with work safety conditions are prohibited from engaging in any production and operation activities. Furthermore, employees of production and operating entities shall be provided with work safety education and training sessions, ensuring that they are in possession of the required work safety knowledge and provided with personal protection equipment that aligns with the national or industrial standards.

Fire Safety

Pursuant to the Fire Safety Law of the PRC (《中華人民共和國消防法》) enacted by the SCNPC on 29 April 1998, which was last amended on 29 April 2021 with effect from the same date, as well as 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 on 1 April 2020, which was last amended on 21 August 2023 and implemented on 30 October 2023, construction entities shall bear the primary responsibilities for fire safety design and construction quality of construction projects. The fire safety inspection and acceptance system is implemented for special construction projects, the availability of which is prohibited if they have failed to complete fire safety inspection and acceptance or failed to pass fire safety inspection and acceptance. Construction projects other than special construction projects shall be subject to the filing and sampling system, and therefore construction entities shall be required to complete the fire safety acceptance filing with the competent housing and urban-rural development authorities following acceptance of such other construction projects. The competent housing and urban-rural development authorities shall conduct random inspections on the fire safety acceptance of other construction projects filed. If such construction projects are disqualified, their service shall cease.

LAWS AND REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) enacted by the SCNPC, which was last amended on 24 April 2014 and implemented on 1 January 2015, the competent environmental protection authorities under the State Council implement the national centralised supervision and administration for environmental protection. Commencement of any construction project without the environmental impact assessment conducted according to law is prohibited. The pollution prevention and control facilities in construction projects shall be designed, built and commissioned along with the principal part of the project at the same time. Such pollution prevention and control facilities shall meet the requirements specified in the approved documents regarding the environmental impact assessment and shall not be dismantled or left idle without authorization. The government implements the pollution discharge permit administration system in accordance with the law.

In accordance with the Administrative Measures for Pollution Discharge Permits (《排污許可管理辦法》) promulgated by the Ministry of Ecology and Environment on 10 January 2018, which was last amended on 1 April 2024 and implemented on 1 July 2024, enterprises, public institutions and other production and operating entities shall be subject to the key administration of pollutant discharge permits, simplified administration and management of pollution discharge registration based on the amount of pollutants generated, pollutant discharge amount, the extent of environmental impacts and other factors. Enterprises, public institutions and other production and operating entities (hereinafter referred to as "**Discharge Entities**") that are subject to the administration of pollutant discharge permits as required by law shall apply for and obtain pollutant discharge permits in accordance with the law, and discharge pollutants in accordance with the provisions of the pollutant discharge permits, in which case no pollutant discharge is permitted without a pollutant discharge permit. Enterprises, public institutions and other production and operating entities (hereinafter referred to as "**Registered Discharge Entities**") that are required by law to fill in the pollution discharge registration form shall register their pollution discharge on the national pollutant discharge permit management information platform. Discharge Entities shall apply for a pollutant discharge permit from the ecological and environmental department of the local People's government at or above the municipal level in the region where their production and operation premises are located prior to occurrence of the actual pollution discharge. Registered Discharge Entities shall fill in the pollution discharge registration form on the national discharge permit management information platform prior to occurrence of the actual pollution discharge, and the registration number and return receipt will be generated immediately after their submissions, which will be maintained in their own custody. Registered Discharge Entities shall be responsible for the truthfulness, accuracy and completeness of the reported information. The pollution discharge registration form takes effect from the date when the registration number is received, the effective term of which shall proceed in accordance with the relevant laws and regulations.

Pursuant to the Environment Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) enacted by the SCNPC on 28 October 2002, which was last amended and implemented on 29 December 2018, the government implements an environmental impact assessment to classify construction projects according to the impact of the construction projects on the environment. Construction entities shall prepare an environmental impact report, or an environmental impact statement, or fill out the environmental impact registration form according to the following rules: (i) for projects with potentially serious environmental impacts, an environmental impact report shall be prepared to provide a comprehensive assessment of their environmental impacts; (ii) for projects with potentially mild environmental impacts, an environmental impact statement shall be prepared to provide an analysis or specialised assessment of the environmental impacts; and (iii) for projects with very small environmental impacts, an environmental impact statement is not required but an environmental impact registration form shall be completed.

LAWS AND REGULATIONS RELATED TO PRODUCT QUALITY AND CONSUMER PROTECTION

Pursuant to the Product Quality Law of the PRC (《中華人民共和國產品質量法》) enacted by the SCNPC on 22 February 1993, which was last amended and implemented on 27 August 2009, sellers shall be responsible for repair, replacement or return, and compensate for the damages done to consumers in case of any of the following conditions: (i) products do not have the functions use which it should have and there is no prior explanations; (ii) products do not conform to the standards specified on the products or on their packages; (iii) products do not conform to the quality specified in the instruction for use or with the quality of samples provided.

Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》) (hereinafter referred to as "**Civil Code**") enacted by the NPC on 28 May 2020 and implemented on 1 January 2021, producers or sellers shall be liable for any personal injury or property loss caused by defective products. Where a defective product causes damage to another person, the aggrieved party may claim compensation from the producer or seller. Where the product defect is caused by the producer, the seller is entitled to recover damages from such producer after making compensation. Where the product defect is caused by the fault of the seller, the producer is entitled to recover damages from the seller after making compensation.

Pursuant to the Law on Protection of Consumers' Rights and Interests of the PRC (《中華人民共和國消費者權益保護法》) enacted by the NPCSC on 31 October 1993, which was last amended on 25 October 2013 and implemented on 15 March 2014, the government protects the legitimate rights and interests of consumers from infringement. All operators must comply with the said law when providing consumers with such goods as produced or sold by them or such services as provided by them to consumers. Operators shall ensure that the goods or services so provided meet the requirements for the protection of personal and property safety. Operators shall provide consumers with true and comprehensive information on the quality, performance, use and expiration date of goods or services, without make any false or misleading promotion.

LAWS AND REGULATIONS RELATED TO THE SALE OF PRODUCTS

Anti-unfair Competition

Pursuant to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) enacted by the SCNPC on 2 September 1993, which was last amended and implemented on 23 April 2019, the government has established several measures to combat unfair competition and safeguard the market order. These measures include prohibiting acts such as violation of trade secrets, unfair prize promotions, the performance of confusing acts, fabrication or dissemination of false information or misleading information. Operators are not permitted to bribe any employees of the transaction counterparties, any units or personnel entrusted by the transaction counterparties for dealing with related business matters, or influence the units or personnel of such transaction counterparties through their power or influence. In addition, operators may openly pay discounts to the transaction counterparties or commissions to intermediaries in their trading activities. When giving discount to a transaction counterparty or paying commission to an intermediary, the operators shall truthfully record the discount or commission in its accounts. Operators who receive discount or commission shall truthfully record the discount or commission in their accounts as well. For operators who violate the relevant provisions of the said law, the regulatory authority can order such operators to cease their illegal conduct, or have their illegal gains confiscated, and penalties ranging from RMB50,000 to RMB3,000,000 may be imposed, depending on the severity of the circumstances. In severe cases, their business licenses may be revoked.

Advertising

Pursuant to the Advertisement Law of the PRC (《中華人民共和國廣告法》) enacted by the SCNPC on 27 October 1994, which was last amended and implemented on 29 April 2021, advertisements must be true, lawful, and free from false contents, without deceiving or misleading consumers. Advertisers shall be responsible for the truthfulness of the advertising contents, and the market supervision and administration authorities shall discharge their duties of advertising supervision and administration. If operators violate the provisions of the said law by disseminating false advertisements deceiving or misleading consumers, which prejudice the legitimate rights and interests of consumers that purchase commodities or receive services, the advertisers shall bear the civil liabilities according to the law, and the market supervision and administration authorities shall order the advertisers to cease the publication of the advertisements, require them to eliminate the impact within the corresponding scope, impose fines of three to five times the advertising expenses. If the advertising expenses cannot be calculated or are significantly understated, fines of no less than RMB200,000 and no more than RMB1,000,000 shall be imposed. For those who commit violations three or more times within two years or have other serious circumstances, fines of five to ten times the advertising expenses shall be imposed. If the advertising expenses cannot be calculated or are significantly understated, fines of no less than RMB1,000,000 and no more than RMB2,000,000 may be imposed. In such cases, business licenses may be revoked, and the advertising review authority may revoke the approval documents for advertising review and not accept their advertising review applications for one year. If any violation constitutes a crime, criminal liability may be pursued.

E-commerce

Pursuant to the E-commerce Law of the PRC (《中華人民共和國電子商務法》) enacted by the SCNPC on 31 August 2018 and implemented on 1 January 2019, e-commerce operators engaged in business activities should adhere to the principles of voluntariness, equality, fairness, and good faith. They must also comply with the law and business ethics, participate fairly in market competition, fulfil obligations related to consumer rights protection, environmental protection, intellectual property protection, network security and personal information protection, and assume responsibility for the quality of products and services. When selling goods or providing services, e-commerce operators that fail to fulfil contractual obligations or do not meet the agreed-upon terms thereunder or cause harm to others shall bear civil liability under the law. E-commerce operators who violate the said law and engage in business activities without obtaining relevant administrative permits, sell or provide goods or services prohibited by laws or administrative regulations, or fail to fulfil their information provision obligations as prescribed under the said law shall be subject to penalties by the market supervision and management authorities in accordance with relevant laws and administrative regulations.

Anti-money Laundering

Pursuant to the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) enacted by the SCNPC on 31 October 2006 and implemented on 1 January 2007, anti-money laundering refers to relevant measures adopted in accordance with the provisions of the said law to prevent money laundering activities by various means to cover up and conceal the sources and natures of gains and other profits from drug offences, organised crime of a triad nature, terrorism offences, smuggling offences, corruption and bribery offences, offences involving disruption of financial management order, financial fraud, etc. Anyone who violates the provisions of the said law and constitutes a crime shall be held criminally responsible in accordance with the law.

LAWS AND REGULATIONS RELATED TO INTELLECTUAL PROPERTY

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》) enacted by the SCNPC on 23 August 1982, which was last amended on 23 April 2019 and implemented on 1 November 2019, as well as the Implementation Regulations for the Trademark Law of the PRC (《中華人民共和國商標法實施條例》) promulgated by the State Council on 3 August 2002, which was last amended on 29 April 2014 and implemented on 1 May 2014, trademarks approved and registered by the trademark bureau are registered trademarks, including commodity trademarks, service marks and collective trademarks, certification marks. Trademark registrants are entitled to exclusive rights to use trademark and are protected by the law.

The validity period of a registered trademark shall be ten years from the date of registration and may be renewed for another ten years from the day following the expiration of the previous validity period of such trademark. The renewal formalities must be completed within 12 months prior to the date of expiration and may be extended for six months. The trademark bureau will announce the registered trademarks subject to renewal of registration. Any trademark registrant may, by entering into a trademark licensing contract, authorise others to use the registered trademark, but the licensed use of a registered trademark shall be filed with the trademark bureau for record. Non-filing of the licensing of a trademark shall not be contested against a good faith third party. Without the permission of the trademark registrant, the use of trademarks identical or similar to the registered trademark on the same kind of goods, or the use of trademarks identical or similar to the registered trademark on similar goods, which could possibly cause confusion, shall be regarded as an infringement upon the exclusive right to use the registered trademark.

Patents

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》) enacted by the SCNPC on 12 March 1984, which was last amended on 17 October 2020 and implemented on 1 June 2021, as well as the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》) promulgated by the China Patent Office on 19 January 1985, which was last amended by the State Council on 9 January 2010 and implemented on 1 February 2010, the "invention-creation" as referred to under the said law means "invention", "utility model" and "design". "Invention" refers to any new technical solution to a product, a process or improvement thereof; "utility model" refers to any new technical solution to the shape, structure, or their combination, of a product, which is suitable for practical use; "design" refers to a new design that is aesthetic and suitable for industrial application for the overall or partial shape, pattern or its combination of products, as well as the combination of colour, shape and pattern. The patent administration department under the State Council, which is responsible for the patent work nationwide, receives and examines patent applications and grants patent rights in accordance with law. The validity period of patent for an "invention" is 20 years, while the validity period of patent for a "utility model" is 10 years and that of a "design" is 15 years, from the date of application.

Patentable inventions or utility models must be novel, inventive, and practical. The exterior design for which a patent is granted should not be an existing design, and the exterior design for which a patent is granted should be conspicuously distinguishable from an existing design or a combination of features of existing designs. The rights of patent holders are protected by law, permitting others to use the patent only under proper authorisation. Unauthorised use of such patent of the patent holder constitutes patent infringement unless specified by law.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) enacted by the SCNPC on 7 September 1990, which was last amended on 11 November 2020 and implemented on 1 June 2021, Chinese citizens, legal persons or unincorporated organisations shall, whether published or not, enjoy copyright in their works in accordance with the law. Unless otherwise provided in the Copyright Law of the PRC (《中華人民共和國著作權法》) and other related system and laws and regulations, reproduction, distribution, performance, display, broadcast or compilation of works or dissemination of the same to the public via an information network without permission from the owner of the copyright therein, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, assume the civil liabilities in respect of cessation of the infringement, elimination of impacts, and offer of apologies, compensation for damages. Where the infringement also prejudices the public interest, the competent copyright authorities shall order the cessation of such infringement, issue a warning, and confiscate illegal proceeds, while infringing copies will be confiscated, innocuously destroyed and disposed of along with any such materials, tools and equipment as mainly used for making infringing copies. Furthermore, penalties will be imposed. In case of criminal offence, criminal liabilities will be incurred according to the law.

In accordance with the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》) issued by the Ministry of Machine Building and Electronics Industry (currently incorporated into the Ministry of Industry and Information Technology of the PRC, hereinafter referred to as the "**MIIT**") on 6 April 1992, which was last amended by the National Copyright Administration on 20 February 2002 and implemented on the same date, and the Regulations on Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on 4 June 1991, which was last amended on 30 January 2013 and implemented on 1 March 2013, the State Copyright Administration shall be responsible for the administration of software copyright registration nationwide, and the China Copyright Protection Centre is recognised as the software registration authority. Applicants of computer software copyright satisfying the requirements of the Measures for the Registration of Computer Software Copyright and the Regulations on Protection of Computer Software will issue a registration certificate by the China Copyright Protection Centre.

Domain Names

In accordance with the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) which was promulgated by the MIIT on 24 August 2017 and implemented on 1 November 2017, the Implementing Rules for the Registration of National Top-level Domain Names (《國家頂級域名註冊實施細則》) and Procedural Rules for Resolution of Disputes over National Top-level Domain Names (《國家頂級域名爭議解決程序規則》) which were promulgated by China Internet Network Information Centre on 18 June 2019 and implemented on the same date, the domain name registration services shall in principle implement the "first-apply-first-register" practice. Where the corresponding detailed rules for domain name registration stipulate otherwise, such provisions shall prevail. The validity period of domain name registration will not exceed ten years. The applicant with successful registration will be considered as the owner of such domain name. The domain name disputes shall be accepted and solved by a domain name dispute resolution body as recognised and authorised by the China Internet Network Information Center.

In accordance with the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》), which was promulgated by the MIIT on 27 November 2017 and implemented on 1 January 2018, domain names used by internet-based information service providers in providing internet-based information services must be registered and owned by such providers in accordance with the law. Internet access service providers shall verify the identity of each internet information service provider, and shall not provide services to any internet information service provider who fails to provide real identity information.

LAWS AND REGULATIONS RELATED TO LABOUR

Labour

Pursuant to the provisions of the Labour Law of the PRC (《中華人民共和國勞動法》) enacted by the SCNPC on 5 July 1994, which was last amended and implemented on 29 December 2018, an employee shall have equal right to employment and choice of occupation, the rights to remuneration for labour, to rest and vacations, to protection of occupational safety and health, to training in vocational skills, to social insurance and welfare, and to submission of labour disputes for settlement, and other rights relating to labour stipulated by law. The employer shall establish and improve rules and regulations in accordance with the law so as to ensure that employees enjoy the right to work and fulfil labour obligations.

Pursuant to the Law of the PRC on Labour Contracts (《中華人民共和國勞動合同法》) enacted by the SCNPC on 9 June 2007, which was last amended on 28 December 2012 and implemented on 1 July 2013, and the Regulations on the Implementation of the Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council on 18 September 2008 and implemented on the same date, the said law applies to the conclusion, performance, amendment, cancellation or termination of a labour contract between employers such as enterprises and employees within the PRC. When hiring employees, employers are required to inform the employees about their job duties, working conditions, working places, occupational hazards, production safety conditions, remuneration and other matters which the employees may be concerned with. To establish a labour relationship, a written labour contract shall be concluded. The labour contract shall contain the following terms: the name, address and legal representative or principal person in charge, and the name, address and resident identification card number or other valid identity document number of the employee, the term of the labour contract, work content, work location, working hours, rest and vacations, remuneration, social insurance, labour protection, working conditions, occupational hazard protection, and other matters that shall be included in the labour contract as stipulated by law and regulation.

Social Insurance and Housing Provident Fund

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) enacted by the SCNPC on 28 October 2010, which was last amended and implemented on 29 December 2018, and the Interim Regulations on the Collection of Social Insurance Fees (《社會保險費徵繳暫行條例》) issued by the State Council on 22 January 1999, which was last amended and implemented on 24 March 2019, the government establishes the basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance, maternity insurance and other social insurance systems. Employees should participate in basic pension insurance, basic medical insurance, occupational injury insurance, unemployment insurance and maternity insurance, in which case employers and employees jointly contribute to the basic pension, medical and unemployment insurance premiums, while employers contribute to the occupational injury insurance and maternity insurance premiums, which do not require any contribution from employees.

Pursuant to the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), employers are required to register social insurance at the same time as they proceed with the registration formalities. Where an employer fails to register its employees for social insurance, the social insurance agency will assess the social insurance premiums to be duly paid. Employers who fail to register for social insurance shall be ordered by the social insurance administrative department to rectify such failure within a prescribed period. Those who fail to rectify within the prescribed period shall be liable for a fine one to and three times the amount of the payable social insurance premiums, and the directly responsible supervisors and other directly responsible personnel shall be liable for a fine ranging from RMB500 to RMB3,000. Employers who fail to pay social insurance premiums in full and on time shall be ordered by the social insurance premium collection agency to pay or make up the payment within a prescribed period. From the date of the arrears, a late fee of 0.05% per day will be charged; if no rectification was made upon expiry of such prescribed period, the relevant administrative department may impose a fine of one to three times the amount of the arrears.

Pursuant to the Notice of the General Office of the State Council on Issuing the Plan for the Pilot Program of Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees (Guo Ban Fa [2017] No.6) (《國務院辦公廳關於印發生育保險和職工基本醫療保險合併實施試點方案的通知》(國辦發[2017]6號)) promulgated by the General office of the State Council on 19 January 2017 and implemented on the same date, and the Opinions of the General Office of the State Council on Comprehensively Promoting the Implementation of the Combination of Maternity Insurance and Basic Medical Insurance for Employees (Guo Ban Fa [2019] No. 10) (《國務院辦公廳關於全面推進生育保險和職工基本醫療保險合併實施的意見》(國辦發[2019]10號)) promulgated on and 6 March 2019, incumbent employees that participate in the employee basic medical insurance shall synchronously participate in the maternity insurance. Maternity insurance fund and employee basic medical insurance fund are consolidated for the purposes of centralised contribution.

Pursuant to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) promulgated by the State Council on 3 April 1999, which was last amended and implemented on 24 March 2019, foreign-invested enterprises, private enterprises in cities and towns, and other business entities shall be required to register with the housing provident fund management centre for housing provident fund contribution, and complete the procedures for opening housing provident fund accounts for their employees. Employers shall regularly and timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Any entity that fails to make payment and deposit registration of housing provident fund or go through the procedures for opening housing provident fund accounts for its employees will be ordered by the housing provident management centre to process the foregoing within prescribed period, otherwise it will be imposed a fine ranging from RMB10,000 to RMB50,000. Any entity that fails to make payment of housing provident fund timely or have shortfall in payment of housing provident fund will be ordered by the housing provident management centre to make the payment within the prescribed time limit, or otherwise, application for compulsory enforcement will be submitted to the People's court.

Pursuant to the Reform Plan of the State Tax and Local Tax Collection Administration System (《國稅地稅徵管體制改革方案》), which was promulgated by the General Office of the Communist Party of China and the General Office of the State Council on 20 July 2018, from 1 January 2019, all the social insurance premiums, including the premiums of the basic pension insurance, unemployment insurance, maternity insurance, occupational injury insurance and basic medical insurance, will be collected by the tax authorities. In accordance with the Notice on Conducing the Relevant Work Concerning the Administration of Collection of Social Insurance Premiums in a Steady, Orderly and Effective Manner (Shui Zong Ban Fa [2018] No. 142) (《關於穩妥有序做好社會保險費徵管有關工作的通知》(稅總辦發[2018]142號)) promulgated by the General Office of the State Taxation Administration on 13 September 2018, and the Urgent Notice on Implementing the Spirit of the Executive Meeting of the State Council in Stabilizing the Collection of Social Insurance Premiums (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated by the General Office of the Ministry of Human Resources and Social Security on 21 September 2018, centralised collection of historical unpaid social insurance contributions from enterprises is strictly prohibited. In accordance with the Notice on Implementing the Several Measures to Further Support and Serve the Development of Private Economy (Shui Zong Fa [2018] No. 174) (《關於實施進一步支持和服務民營經濟發展若干措施的通知》(稅總發[2018]174號)) promulgated by the State Administration of Taxation on 16 November 2018, it is reiterated that no tax authorities at all levels are permitted to organise the centralised collection of arrears of insurance premium payers including private enterprises in the previous years.

LAWS AND REGULATIONS RELATED TO TAX

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》), which was enacted by the SCNPC on 16 March 2007 and latest amended and implemented on 29 December 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and amended and implemented on 23 April 2019, enterprises are divided into resident enterprises and non-resident enterprises. Resident enterprises are enterprises which are set up in the PRC in accordance with the law, or which are set up in accordance with the law of a foreign country (region) but are actually under the administration of institutions in the PRC. Non-resident enterprises are enterprises which are set up in accordance with the law of a foreign country (region) and whose actual administrative institution is not in the PRC, but which have institutions or establishments in the PRC, or have no such institutions or establishments but have income generated from inside the PRC. Resident enterprises shall pay enterprise income tax on all income sourced within and outside the PRC at the tax rate of 25%. Qualified small enterprises with thin profit will be levied enterprise income tax at a reduced tax rate of 20%; high-tech enterprises receiving key support from the State will be levied enterprise income tax at a reduced tax rate of 15%.

In accordance with the Administrative Measures on Accreditation of High-tech Enterprises (Guo Ke Fa Huo [2016] No. 32) (《高新技術企業認定管理辦法》(國科發火[2016]32號)) which was promulgated by the Ministry of Science and Technology, the Ministry of Finance and the State Taxation Administration on 14 April 2008, which was amended on 29 January 2016 and implemented on 1 January 2016, high-tech enterprises referred to in the said Measures shall mean resident enterprises registered in mainland China (excluding Hong Kong SAR, Macau SAR and Taiwan) which are continuously engaging in research and development and technology commercialization within the realm of the Regions of Advanced Technologies Strongly Supported by the PRC, forming the core independent intellectual property of the enterprise, and carrying out business activities on such basis, which accredited pursuant to these Measures may declare and claim tax incentives pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) and its Implementation Regulations, the Administrative Law of the PRC on the Levying and Collection of Taxes (《中華人民共和國稅收徵收管理法實施細則》) and its Implementation Rules etc. The Ministry of Science and Technology, the Ministry of Finance and the State Taxation Administration shall be responsible for the guidance, administration and supervision of the high-tech enterprise accreditation nationwide, and the qualifications of a high-tech enterprise shall be valid for three years from the date of certification. Accredited as a high-tech enterprise, the enterprise will enjoy tax incentives from the year in which the high-tech enterprise certificate is issued, and may apply for tax incentives from the competent tax authorities.

Value-Added Tax

In accordance with the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993, and last amended and implemented on 19 November 2017, and the Detailed Rules for the Implementation for the Provisional Regulations the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on 25 December 1993 and last amended on 28 October 2011 and implemented on 1 November 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services (hereinafter referred to as the "**Labour Services**"), sales services, intangible assets and real estate and the importation of goods inside of the PRC shall pay value-added tax. Unless otherwise specified, the VAT rates, for sales of goods and labour services, provision of leasing of tangible movable assets or importation of goods, and for sales services and intangible assets, are 17% and 6%, respectively, while the VAT rate for export of goods is nil.

According to the Notice on Fully Launch of the Pilot Scheme for the Conversion of 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) (Cai Shui [2016] No. 36) issued by the Ministry of Finance and the State Administration of Taxation on 23 March 2016, which was implemented on 1 May 2016, and amended on 11 July 2017 and 20 March 2019, respectively, the pilot change from business tax to value-added tax was fully implemented within the PRC on 1 May 2016. All taxpayers of business tax in construction industry, real estate industry, financial industry and living service industry have been included in the scope of the pilot and should pay value-added tax instead of business tax.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (Cai Shui [2017] No. 37) (《關於簡併增值稅稅率有關政策的通知》財稅[2017]37號) issued by the Ministry of Finance and the State Administration of Taxation on 28 April 2017 and implemented on 1 July 2017, the structure of value-added tax rates will be simplified and consolidated from 1 July 2017, and the 13% value-added tax rate shall be cancelled. The scope of sales or import of goods with 11% value-added tax rate and the provisions for deducting input tax are specified.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32) issued by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and implemented on 1 May 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively, with effect from 1 May 2018.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) (2019 No. 39 of MOF, SAT and General Administration of Customs), issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and implemented on 1 April 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.

Urban Maintenance and Construction Tax

Pursuant to Urban Maintenance and Construction Tax Law of the PRC (中華人民共和國城市維護建設稅法) which was enacted by the SCNPC on 11 August 2020 and implemented on 1 September 2021, and the Notice on Harmonizing the Urban Maintenance and Construction Tax and Educational Surcharges for Chinese and Foreign-funded Enterprises and Individuals (國務院關於統一內外資企業和個人城市維護建設稅和教育費附加制度的通知) which was promulgated by the State Council on 18 October 2010 and implemented on 1 December 2010, entities and individuals which are subject to VAT and consumption tax within the PRC shall pay urban maintenance and construction tax. The tax rate is 7% for a taxpayer who is domiciled in a downtown area, and 5% for a taxpayer who is domiciled in a county or town, and 1% for a taxpayer who is domiciled outside a downtown area, county or town. The payments of urban maintenance and construction taxes are based on the actual amounts of VAT and consumption tax paid by the taxpayers and shall be paid synchronously along with the VAT and consumption tax, respectively.

Dividend Distribution

Pursuant to the Company Law of the PRC (《中華人民共和國公司法》) enacted by the SCNPC on 29 December 1993, which was last amended on 29 December 2023 and implemented on 1 July 2024, a company is required to set aside at least 10% of its respective accumulated profits to its statutory common reserve where it distributes its after-tax profits of the current year, until the accumulative amount of such reserve reaches 50% of its registered capital. If the aggregate balance of the company's statutory common reserve is insufficient to make up for the losses of such company of the previous year, the current year's profits shall first be used for making up the losses before the statutory common reserve is drawn. Unless otherwise provided for in the articles of association, the profit after tax remaining after the company has made up for its losses and withdrawn the statutory common reserve shall be distributed by the joint-stock company in proportion to the number of shares held by the shareholders.

LAWS AND REGULATIONS RELATED TO CYBERSECURITY AND PERSONAL INFORMATION PROTECTION

Cybersecurity

According to the Decision on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) issued by the SCNPC on 28 December 2000, which was amended and implemented on 27 August 2009, in order to maintain the socialist market and economic order and the social order, criminal sanctions will be imposed against any following internet activity that constitutes an criminal offence according to the laws of the PRC: (i) use the internet to market fake and substandard products or carry out false publicity for any commodity or service; (ii) use the internet for the purpose of damaging the commercial goodwill and product reputation of any other person; (iii) use the internet for the purpose of infringing on the intellectual property of any other person; (iv) use the internet for the purpose of fabricating and spreading false information that affects the trading of securities and futures or otherwise jeopardises the financial order; or (v) create any pornographic website or webpage on the internet, provide links to pornographic websites, or disseminate pornographic books and magazines, movies, audiovisual products, or images.

In accordance with the Administrative Measures for the Hierarchical Protection of Information Security (Gong Tong Zi [2007] No. 43) (《信息安全等級保護管理辦法》(公通字[2007]43號)), which was promulgated and implemented by the Ministry of Public Security, the National Administration of State Secrets Protection, the State Cryptography Administration, and the Informatization Office of the State Council (abolished) on 22 June 2007, the security protection hierarchy of an information system is categorised into five levels based on the extent of damages caused to such information system after it has been damaged, where those that will cause damage to the legitimate rights and interests of citizens, legal persons and other organisations, without prejudicing the national security, social order, and public interest, are the first level; those that will cause material damage to the legitimate rights and interests of citizens, legal persons and other organisations or cause damage to social order and public interests, but will not damage national security, are the second level; those that will cause material damage to social order and public interests or will cause damage to national security, are the third level; those that will cause particularly material damage to social order and public interests or will cause material damage to national security, are the fourth level; and those that will cause particularly material damage to national security are the fifth level. Information system operators and users should protect their information systems in accordance with the Measures and relevant technical standards. New information systems above the second level, shall, within 30 days after its operation, be filed by the operator or user with the public security organ at or above the municipal level where it is located. Subsequent to the filing of such information system, the public security organ shall examine the filing status of the information system, and shall issue a filing certificate for information system security level protection within 10 working days upon the date of receipt of the filing materials, if such information system meets the requirements of the level of protection. Where it is found to be inconsistent with the Measures and the relevant standards, the filing entity shall be notified of the rectification within 10 working days upon the date of receipt of the filing materials. Where it is found that the level is erroneously identified, the filing entity shall be notified of the re-examination and identification of the level within 10 working days upon the date of receipt of the filing materials.

According to the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》) (hereinafter referred to as "**Cybersecurity Law**") enacted by the SCNPC on 7 November 2016 and implemented on 1 June 2017, the national cyberspace administration shall be responsible for the overall planning and coordination of cybersecurity work and relevant supervision and administration. The competent telecommunications department of the State Council, public security departments and other relevant authorities shall be responsible for cybersecurity protection, supervision and administration within the scope of their respective functions. Provision of services through the internet requires technical measures and other necessary measures to be taken in accordance with the provisions under laws and administrative regulations, as well as the mandatory requirements of the national and industrial standards, to ensure the secure and stable operation of the network, effectively cope with cyber security events, prevent criminal activities committed on the network, and protect the integrity, confidentiality and availability of network data. Any individuals and organisations that use networks must not endanger network security or use networks to engage in activities that prejudice national security, honour and interests, disrupt economic order and social order through fabrication or dissemination of false information, or infringe upon the reputation, privacy, intellectual property rights and other legitimate rights and interests of others.

In accordance with the Cybersecurity Review Measures (《網絡安全審查辦法》) jointly promulgated by the Cyberspace Administration of China, the NDRC, the MIIT, the Ministry of Public Security, the Ministry of State Security, the Ministry of Finance, the Ministry of Commerce, the PBOC, the State Administration for Market Regulation, the National Radio and Television Administration, the CSRC, National Administration of State Secrets Protection and the State Cryptography Administration on 28 December 2021 and implemented on 15 February 2022, the purchase of network products and services by critical information infrastructure operator and the data processing activities carries out online platform operators, which affects or may affect national security, shall be subject to cybersecurity review according to the said measures. The Cybersecurity Review Office under the Cyberspace Administration of China is responsible for developing institutions and norms on cybersecurity review and organising cybersecurity reviews. For the purposes of listing overseas, an online platform operator who possesses the personal information of more than 1 million users shall declare to the Office of Cybersecurity Review for cybersecurity review. The Cybersecurity Review Office shall conduct cybersecurity review over such network products and services and data processing activities that are deemed by the members of the cybersecurity review working mechanism to affect or may affect national security.

Data Security

Pursuant to the Data Security Law of the PRC (《中華人民共和國數據安全法》) enacted by the SCNPC on 10 June 2021 and implemented on 1 September 2021, activities involving data processing (including the collection, storage, use, processing, transmission, sharing and disclosure of data) shall proceed in compliance with laws and regulations, and shall not endanger national security, the public interest, or individuals' and organisations' legitimate rights and interests. The government shall establish a data classification and hierarchical protection system, under which classification and hierarchical protection of data is implemented, and a data security review system is established, for the purposes of conducting national security review of data processing activities that affect or may affect national security. Data processing activities to be conducted through the internet and other information networks shall, subject to the provisions of laws and regulations, require the establishment of a sound whole-process data security management system, the organisation and provision of data security education and training, and the adoption of corresponding technical measures and other necessary measures to safeguard data security. As for organisations and individuals that engage in data processing activities fail to fulfil the data security protection obligations as prescribed under the said Law, administrative penalties may be imposed, including the order for corrective actions, warnings, fines, suspension of relevant business, business closure for rectification, revocation of relevant business permits or revocation of business licenses.

In accordance with the Measures for the Security Assessment of Data Cross-border Transfer (Decree No.11 by CAC) (《數據出境安全評估辦法》(國家互聯網信息辦公室令第11號)) promulgated by the Cybersecurity Administration of China on 7 July 2022 and implemented on 1 September 2022, data processors that provide overseas recipients with the important data and individual data collected and generated from their operations within the PRC shall be required to perform commensurate security assessment. Data processors providing overseas recipients with data and falling under any of the following circumstances apply for the security assessment of cross-border data transfer by the national cybersecurity authority through its local counterpart: (i) where data processors provide overseas recipients with important data; (ii) where the critical information infrastructure operator and any data processor who has processed personal information of more than 1,000,000 people provide overseas recipients with personal information; (iii) where any data processor who has provided personal information of 100,000 people or sensitive personal information of 10,000 people to overseas recipients accumulatively since January 1 of the last year provides personal information overseas, and (iv) other circumstances where the security assessment of data cross-border transfer is required as prescribed by the national cyberspace administration.

In accordance with the Provisions on Promoting and Regulating Cross-border Flow of Data (Decree No. 16 by the CAC) (《促進和規範數據跨境流動規定》), which was promulgated and implemented by the Cybersecurity Administration of China on 22 March 2024, data processors that provide overseas recipients with personal information (excluding important data) may be exempted from reporting security assessment of data cross-border transfer, entering into a standard contract for the export of personal information, or passing a personal information protection certification, if one of the following conditions is met: (i) where it is necessary for the conclusion and performance of a contract to which an individual is a party; (ii) where it is necessary to provide employees' personal information overseas for the purpose of conducting cross-border human resources management pursuant to the employment rules and regulations formulated and collective contracts concluded in accordance with the law; (iii) where it is necessary to provide personal information overseas in an emergency to protect the life, health and property safety of a natural person; or (iv) where a data processor other than a critical information infrastructure operator provides overseas the personal information (sensitive personal information excluded) of no more than 100,000 persons accumulatively, as of 1 January of the current year. Data processors other than critical information infrastructure operators, which cumulatively provide personal information without any sensitive personal information of more than 100,000 individuals but less than 1 million individuals or sensitive personal information of less than 10,000 individuals since 1 January of the current year, shall, subject to law, enter into a standard contract for the export of personal information with overseas recipients or pass the personal information protection certification, without the necessity of reporting the security assessment of data export. Where critical information infrastructure operators provide overseas recipients with personal information or important data, or data processors other than critical information infrastructure operators provide overseas recipients with important data or provide overseas recipients with personal information without any sensitive personal information of more than 1 million individuals or sensitive personal information of more than 10,000 individuals, as of 1 January of the currently, such data processors shall report the security assessment of data cross-border transfer to the national cybersecurity administration through the provincial counterparts in the place where such data processors are located. The Guidelines for Declaration for Security Evaluation for Transfer of Data to Foreign Countries (Second Edition) (《數據出境安全評估申報指南(第二版)》) promulgated and implemented by the Cybersecurity Administration of China on 22 March 2024 further clarifies the applicable scope, and reporting methods and procedures in respect of the security assessment of data cross-border transfer.

In accordance with the Regulations on Administration of Network Data Security (《網絡數據安全管理條例》) promulgated by the State Council on 24 September 2024 and implemented on 1 January 2025, network data processors (i.e., individuals and organisations that independently decide on the processing purposes and models for network data processing activities) shall, subject to the provisions of laws, administrative regulations and the mandatory requirements of the national standards, strengthen the security protection of network data on the basis of network security level protection, and establish a sound network data security management system. Technical measures, including encryption, backup, access control, security authentication, and other necessary measures shall be adopted to protect network data from being tampered with, destroyed, leaked, illegally accessed, or unlawfully utilised. In addition, network data security incidents shall be resolved, and illegal and criminal activities targeting at and utilising network data shall be prevented. Furthermore, they shall be mainly responsible for the security of the processed network data. Network data processors shall establish sound emergency plans for network data security incidents. In the event of network data security incidents, they shall immediately activate the plans, take measures to prevent the expansion of harm, eliminate hidden security risks, and report to the relevant competent authorities in accordance with the regulations. In addition, a network data processor that carries out network data processing activities that affect or may affect national security shall conduct national security review in accordance with relevant government regulations. Network data processors may provide overseas recipients with personal information, if one of the following conditions is met, among others: (i) where they have passed the security assessment of cross-border data transfer organised by the national cybersecurity administration; (ii) where they have been certified by a professional organisation for the protection of personal information in accordance with the requirements of the national cybersecurity administration; (iii) where they comply with the requirements of the standard contract for cross-border data transfer as formulated by the national cybersecurity administration; (iv) where it is necessary to provide overseas recipients with personal information for the purpose of concluding and performing contracts to which the individual is a party; (v) where it is necessary to provide employees' personal information overseas for the purpose of conducting cross-border human resources management pursuant to the employment rules and regulations formulated and collective contracts concluded in accordance with the law; (vi) where it is necessary to provide overseas recipients with personal information for the purpose of fulfilling statutory duties or obligations; and (vii) where it is necessary to provide personal information overseas in an emergency to protect the life, health and property safety of a natural person; (viii) other conditions as prescribed by laws, administrative regulations or the national cybersecurity administration. Prior to processing personal information, a network data processor shall be required to provide a list of such personal information, by formulating rules on the handling of personal information to inform an individual of the purpose, manner and type of collection and provision of personal information to other network data processors as well as the information of network data recipients. Furthermore, network data processors that process personal information of minors under the age of 14 shall also formulate specialised rules on the handling of personal information.

Personal Information Protection

In accordance with the Decision on Strengthening the Protection of Network Information (《關於加強網絡信息保護的決定》) issued and implemented by the SCNPC on 28 December 2012, the government protects electronic information that can identify citizens' personal identities and involves citizens' personal privacy. When collecting and using citizens' personal electronic information in their business activities, network service providers and other enterprises and business entities shall, subject to the principles of lawfulness, propriety and necessity, expressly state the purpose, manner and scope of collection and use of such information, obtain the consent of the person being collected, and shall not collect or use the information in violation of the provisions of the laws and regulations and the agreements between the two parties. In addition, personal electronic information collected in the course of business activities shall be kept strictly confidential, and shall not be leaked, tampered with, or damaged, nor shall it be sold or illegally provided to others. Technical measures and other necessary measures shall be taken to ensure information security and to prevent the leakage, damage, or loss of the personal electronic information collected in the course of business activities. In the case of the occurrence of, or the likelihood of the occurrence of, the leakage, damage, or loss of the information, remedial measures shall be taken immediately. No organisation or individual shall steal or acquire citizens' personal electronic information by other illegal means, or sell or illegally provide citizens' personal electronic information to others.

In accordance with the Certain Provisions on Regulating the Market Order of Internet Information Services (《規範互聯網信息服務市場秩序若干規定》) promulgated by the MIIT on 29 December 2011 and implemented on 15 March 2012, without the consent of the user, internet information service providers shall not collect information related to the user that can be used to identify the user separately or in combination with other information, and shall not provide the aforesaid user's personal information to others, except as otherwise provided in the laws and administrative regulations. Where an internet information service provider collects a user's personal information with the user's consent, it shall clearly inform the user of the manner, content and use of the user's personal information to be collected and processed, and shall not collect information other than that which is necessary for the provision of the services, nor shall it use the user's personal information for purposes other than those for which the service is to be provided. Besides properly maintaining users' personal information, internet information service providers shall immediately take remedial measures when such information is leaked or likely to be leaked, and shall immediately report to the telecommunication administration organisation that grants them the internet information service license or filing when such leakage causes or is likely to cause serious consequences. Furthermore, cooperation is required with the relevant departments in the investigation.

In accordance with the Provisions on the Protection of Personal Information of Telecommunications and Internet Users (Decree No. 24 of the MIIT) (《電信和互聯網用戶個人信息保護規定》(工業和信息化部令第24號)) promulgated by the MIIT on 16 July 16 2013 and implemented on 1 September 2013, personal information of users refers to the information that can identify users separately or in combination with other information, such as their names, dates of birth, identity card numbers, addresses, telephone numbers, accounts and passwords, and the time and location of users' use of services, etc., which are collected by telecommunications service operators and internet information service providers in the process of providing services. Telecommunications service operators and internet information service providers shall follow the principles of lawfulness, propriety and necessity in collecting and using users' personal information in the course of providing services. Telecommunications service operators and internet information service providers: (i) shall not collect or use users' personal information without consent by such users; (ii) shall not collect users' personal information other than what is necessary for the provision of services or use the information for any other purposes other than the provision of services; (iii) shall maintain strict confidentiality of the users' personal information collected or used; and (iv) take a series of specific measures to prevent the disclosure, destruction, alteration or loss of users' personal information.

The Cybersecurity Law clearly stipulates that: (i) network operators shall observe the principles of lawfulness, reasonableness and necessity in the collection and use of personal information, publicise the rules of collection and use, and expressly state the purpose, manner and scope of collection and use of the information, as well as the consent obtained from the person to be collected; (ii) network operators shall not collect personal information not related to the services they provide, or collect and use personal information in violation of the provisions of laws, administrative regulations and agreements of the parties, in which case, personal information so stored shall be processed in accordance with the laws, administrative regulations, and agreements with such users; (iii) network operators shall not disclose, tamper with or destroy the personal information collected by them, which cannot be provided to other people without the consent of the person from whom the information has been collected, except for those that cannot identified as part of a specific individual and cannot be recovered; (iv) network operators shall take technical measures and other necessary measures to ensure the security of the personal information collected by them and to prevent the information from being leaked, damaged or lost. Violation of the network security protection obligations as prescribed in the Cybersecurity Law may result in the network operator being subject to administrative penalties such as warnings, fines, suspension of relevant business, business closure for rectification, closure of website, revocation of relevant business permits or revocation of business licenses.

Pursuant to the Civil Code, the personal information of natural persons is protected by law. Any organisation or individual who needs to obtain personal information about another person shall obtain and ensure the security of such information in accordance with the law, and shall not unlawfully collect, use, process or transmit personal information about another person, or unlawfully trade, provide or disclose personal information about another person to the public.

In accordance with the Provisions on the Cyber Protection of Children's Personal Information (《兒童個人信息網絡保護規定》) promulgated by the Cybersecurity Administration of China on 22 August 2019 and implemented on 1 October 2019, no organisation or individual shall create, publish, or disseminate information that infringes upon the personal information security of children (which refers to minors under the age of 14). Network operators shall formulate rules and user agreements specialised for the protection of children's personal information and designate a person responsible for the protection of children's personal information. Network operators shall inform children's guardians of the collection, use, transfer and disclosure of children's personal information in a conspicuous and clear manner, and shall obtain the consent of the children's guardians.

Pursuant to the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (hereinafter referred to as the "**Personal Information Protection Law**") enacted by the SCNPC on 20 August 2021 and implemented on 1 November 2021, personal information refers to any kind of information related to an identified or identifiable individual as electronically or otherwise recorded but excluding the anonymized information. The processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information. A personal information processor may process the personal information of this individual only under any one of the following circumstances: (i) where consent is obtained from the relevant individual; (ii) where it is necessary for the execution or performance of a contract to which the individual is a party, or where it is necessary for carrying out human resource management pursuant to employment rules legally adopted or a collective contract legally concluded; (iii) where it is necessary for performing a statutory responsibility or statutory obligation; (iv) where it is necessary in response to a public health emergency, or for protecting the life, health or property safety of a natural person in the case of an emergency; (v) where the personal information is processed within a reasonable scope to carry out any news reporting, supervision by public opinions or any other activity for public interest purposes; (vi) where the personal information, which has already been disclosed by an individual or otherwise legally disclosed, is processed within a reasonable scope; and (vii) any other circumstance as provided by laws or administrative regulations.

LAWS AND REGULATIONS RELATED TO FOREIGN EXCHANGE CONTROL

Pursuant to the Regulations on the Control of Foreign Exchange of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996, last amended on 5 August 2008 and implemented on the same date, domestic entities or individuals who directly make overseas investment or involve in distribution or trade of foreign securities or derivative products, shall go through the formalities for registration in accordance with the provisions of the foreign exchange administration department of the State Council. The entities or individuals shall file an application for approval or recordation before registration if the State requires them to get approval or make filings before registration. Foreign exchange payments under capital account items, including capital transfer, direct investment, investment in securities, derivative products and loans, shall, pursuant to the administrative provisions of the foreign exchange control department of the State Council on payments of foreign currencies and purchase of foreign currencies, be made using self-owned foreign currency or foreign currency purchased from financial institutions engaging in conversion and sale of foreign currencies by presenting the valid document. With respect to those that are required to be approved by foreign exchange control agencies by the state, approval formalities shall be gone through before making such foreign exchange payments.

According to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (Hui Fa [2014] No. 54) (《關於境外上市外匯管理有關問題的通知》(匯發[2014]54號)) issued and implemented by the SAFE on 26 December 2014, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its establishment. A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a "special account for overseas listing of domestic company" 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. 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 prospectus and other disclosure documents.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (Hui Fa [2015] No. 13) (《關於進一步簡化和改進直接投資外匯管理政策的通知》(匯發[2015]13號)) issued by the SAFE on 13 February 2015 and implemented on 1 June 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been cancelled. Instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and foreign exchange registration under overseas direct investment.

According to the Notice on Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (Hui Fa [2015] No. 19) (《關於改革外商投資企業外匯資本金結匯管理方式的通知》(匯發[2015]19號)) issued by the SAFE on 30 March 2015 and implemented on 1 June 2015, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretionary Foreign Exchange Settlement, which means that the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution have been confirmed by the foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes: (i) directly or indirectly used for payments beyond the business scope of the enterprises or payments as prohibited by the relevant laws and regulations; (ii) directly or indirectly used for investment in securities unless otherwise provided by the laws and regulations; (iii) directly or indirectly used for granting entrust loans in Renminbi (unless permitted by the scope of business), repaying inter-enterprise borrowings (including advances by the third-party) or repaying the bank loans in Renminbi that have been sub-lent to third parties; or (iv) directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

According to the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (Hui Fa [2017] No. 3) (《關於進一步推進外匯管理改革完善真實合規性審核的通知》(匯發[2017]3號)) issued and implemented by the SAFE on 26 January 2017, domestic entities must retain income to account for previous years' losses before remitting any profits. Where a bank handles outward remittance of profits for a domestic institution equivalent to more than US$50,000, the bank shall check whether the transaction is genuine by reviewing board resolutions regarding profit distribution (or the profit distribution resolutions of partners), original copies of tax filing records, audited financial statements and stamp with the outward remittance sum and date on the original copies of tax filing records.

According to the Notice on Further Promoting the Facilitation of Cross-border Trade and Investment (Hui Fa [2019] No. 28) (《關於進一步促進跨境貿易投資便利化的通知》(匯發[2019]28號)) issued by the SAFE on 23 October 2019, which was amended and implemented on 4 December 2023, non-investment foreign-invested enterprises shall be allowed to make domestic equity investments with capital funds in accordance with the law, provided that they do not violate the existing special administrative measures for access to foreign investment (the Negative List) and that the projects invested in the PRC are genuine and legal.

Pursuant to the Circular on Optimizing Foreign Exchange Administration to Support the Development of Foreign-related Business (Hui Fa [2020] No. 8) (《關於優化外匯管理支持涉外業務發展的通知》(匯發[2020]8號)) issued and implemented by the SAFE on 10 April 2020, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Under the prerequisite of ensuring true and compliant use of funds and compliance and complying with the prevailing administrative provisions on use of income from capital projects, enterprises which satisfy the criteria are allowed to use income under the capital account, such as capital funds, foreign debt and overseas listing, etc., for domestic payment, without the need to provide proof materials for veracity to the bank beforehand for each transaction.

LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT

Pursuant to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) enacted by the NPC on 15 March 2019 and implemented on 1 January 2020, as well as the Implementing Rules of Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on 26 December 2019 and implemented on 1 January 2020, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organisations, including the following: (i) foreign investors establishing foreign-invested enterprises in the PRC alone or collectively with other investors; (ii) foreign investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (iii) foreign investors investing in new projects in the PRC alone or collectively with other investors; and (iv) foreign investors investing through other ways prescribed by laws and administrative regulations or the State Council. The "foreign-invested enterprises" refer to enterprises that are wholly or partly invested by foreign investors and registered within the territory of the PRC under the Chinese laws. Foreign-invested enterprises and wholly Chinese-funded enterprises shall equally participate in the development and revision of national standards, industry standards, local standards, and group standards in accordance with the law. Foreign-invested enterprises may legally raise funds within or outside the PRC by means such as the public offerings of stocks, corporate bonds, and other securities, the public or non-public offerings of other financing instruments, and external debts. Foreign investors' capital contributions, profits, capital gains, income from asset disposals, intellectual property royalties, compensation or indemnification obtained legally and gains from liquidation can be freely remitted in or out of the PRC in RMB or foreign exchange. The State implements a management system comprising pre-access national treatment along with a negative list with respect to foreign investment. Foreign investors shall not invest in any field prohibited by the negative list. For any field with investment restricted by the negative list, foreign investors shall meet the special management measures for restricted investment stipulated under the negative list, such as the requirements on shareholding and senior management members.

In accordance with the Special Management Measures for Foreign Investment Access (Negative List) (2024 Edition) (hereinafter referred to as the "**Negative List**") promulgated by the NDRC and MOFCOM on 6 September 2024 and implemented on 1 November 2024, the Negative List uniformly set out special administrative measures for foreign investment access regarding equity requirements and requirements for senior management. Sectors not covered in the Negative List shall be subject to administration in accordance with the principle of equal treatment for domestic and foreign investments. Domestic enterprises engaged in businesses in fields prohibited from investment mentioned in the Negative List shall be examined and approved by the relevant competent authorities of the state for issuing shares abroad and going public for trading; overseas investors shall not participate in the operation and management of the enterprises, and their equity ratio shall be governed by reference to the relevant regulations on the management of domestic securities investment of overseas investors. The production and sales of gold watches, gold jewellery and smart wearable devices are not included in the Negative List.

In accordance with the Measures for the Reporting of Foreign Investment Information (No. 2 Order [2019] of the MOFCOM and the State Administration for Market Regulation) (《外商投資信息報告辦法》) (商務部、市場監管總局令2019年第2號) promulgated by the MOFCOM and the State Administration for Market Regulation on 30 December 2019 and implemented on 1 January 2020, foreign investors who directly or indirectly carry out investment activities in the PRC shall submit investment information to the competent commercial department through the enterprise registration system and the National Enterprise Credit Information Publicity System. Foreign investors or foreign-invested enterprises shall report investment information in a timely manner, follow the principles of truthfulness, accuracy, and completeness, shall not make false or misleading reports, and shall not have major omissions.

Pursuant to the National Security Law of the PRC (《中華人民共和國國家安全法》) enacted by the SCNPC on 22 February 1993, which was last amended and implemented on 1 July 2015, the government shall establish the rules and mechanisms for national security review and supervision, and conduct national security review of foreign investment, particular materials and key technologies, network information technology products and services that affect or may affect national security, construction projects that involve national security matters, and other major matters and activities.

In accordance with the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》) promulgated by the NDRC and the MOFCOM on 19 December 2020 and implemented on 18 January 2021, the office of the working mechanism for the security review of foreign investments is set up under the NDRC, which is led by the NDRC and the MOFCOM to undertake the routine work of the security review of foreign investments. Foreign investors or relevant parties in the PRC shall proactively declare the security review of foreign investments prior to (i) the investments in the military industry, military industrial supporting and other fields relating to the security of national defence, and investments in areas surrounding military facilities and military industry facilities; and (ii) investments in important agricultural products, important energy and resources, important equipment manufacturing, important infrastructure, important transport services, important cultural products and services, important information technology and Internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain the actual control in the investee.

LAWS AND REGULATIONS RELATING TO OVERSEAS LISTING

In accordance with the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (《境內企業境外發行證券和上市管理試行辦法》) (China Securities Regulatory Commission Announcement [2023] No. 43, hereinafter referred to as the "**Trial Administrative Measures**") and the relevant five guidelines promulgated by the CSRC on 17 February 2023 and implemented on 31 March 2023, the PRC domestic companies engaging in overseas offering and listing activities shall be in strict compliance with laws and regulations on national security in terms of foreign investment, cybersecurity, data security and etc., and duly fulfil their obligations to safeguard national security. Where security review is involved, they shall fulfil the relevant security review procedures in accordance with the law before submitting their applications for overseas offering and listing to overseas securities regulatory authorities or stock exchanges. Circumstances where domestic companies are prohibited from overseas offering and listing include: (i) such offering and listing of shares is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the proposed offering and listing of shares may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with laws; (iii) the domestic company intending to be listed or offer securities in overseas markets, or its controlling shareholder(s) and the actual controller, have committed crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to be listed or offer securities in overseas markets is currently under investigations for suspicion of criminal offences or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

Furthermore, the Trial Administrative Measures explicitly state that the PRC domestic companies intending to directly or indirectly issue securities overseas or list their securities for trading overseas shall file with the CSRC, submitting a filing report, legal opinions and other relevant materials. PRC domestic companies undertaking their first overseas public offering or listing shall file with the CSRC within three working days after submitting overseas offering and listing application documents. If a domestic company fails to complete the filing procedure, falsifies any content, contains any misleading statement or omits any material fact in its filing documents, such domestic company may be subject to administrative penalties, such as order to rectify, warnings, fines, and its controlling shareholders, actual controllers, the person directly in charge and other directly liable persons may also be subject to administrative penalties, such as warnings and fines.

LAWS AND REGULATIONS RELATED H SHARE "FULL CIRCULATION"

According to the Guidelines for the "Full Circulation" Program for Domestic Unlisted Shares of H-share Listed Companies (CSRC Announcement [2019] No. 22) (《H股公司境內未上市股份申請「全流通」業務指引》(證監會公告[2019]22號)) promulgated by the CSRC on 14 November 2019, which was revised and implemented on 10 August 2023, "full circulation" refers to the listing and circulation of domestic unlisted shares of an H-share listed company (including domestic unlisted A-shares held by domestic shareholders prior to overseas listing, domestic unlisted A-shares additionally issued in the mainland after overseas listing, and unlisted shares held by foreign shareholders) on the Hong Kong Stock Exchange. Shareholders 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 laid down in the relevant laws and regulations and set out in the policies for state-owned asset administration, foreign investment and industry regulation are met, and the corresponding H-share listed company may be entrusted to file with the CSRC. Domestic companies limited by shares that have not been listed may file with the CSRC for the "Full circulation" at the time of their initial public offering and listing overseas. Shareholders of domestic unlisted shares shall perform the share transfer registration in accordance with the relevant business rules of China Securities Depository and Clearing Corporation Limited (hereinafter referred to as the "**CSDC**"), perform the share registration, listing and other procedures in accordance with the relevant regulations of the Hong Kong market, and disclose information in accordance with the laws and regulations. After domestic unlisted shares are listed and circulated on the Hong Kong Stock Exchange, they may not be transferred back to the PRC. Shareholders of domestic unlisted shares may reduce or increase their holdings of shares in the H-share listed company that are circulating on the Hong Kong Stock Exchange in accordance with relevant business rules.

According to the Notice on Issuing the Measures for Implementation of H-share "Full Circulation" Business (《關於發佈<H股「全流通」業務實施細則>的通知》) issued by CSDC and the Shenzhen Stock Exchange on 31 December 2019 and implemented on the same date, all cross-border transfer registration, maintenance of depository and holding details, transaction entrustment and transmission of orders, settlement, management of settlement participants, services of nominal holders, etc. involved in H-share "full circulation" are subject to the Measures for Implementation. After having completed relevant information disclosure, the H-share listed companies with the approval of the CSRC to engage in the H-share "full circulation" business shall re-register the fully circulated H-shares which are not pledged, frozen, restricted to transfer to the share register institutions in Hong Kong. Such shares shall become eligible for listing and circulation on the Hong Kong Stock Exchange. Relevant securities shall be centrally deposited with CSDC, which, as the nominee for the above securities, shall be responsible for the maintenance of depository and holding details, cross-border clearing and settlement business involved in the "full circulation" of H-shares and provide nominal holder services for investors. H-share listed companies shall obtain authorization from the investor to select a domestic securities company to participate in the "full circulation" business of H-shares. Investors shall submit trading orders for "full circulation" of H-shares through the domestic securities companies. The domestic securities company shall select a Hong Kong securities company through which the investor's trading orders will be reported to the Hong Kong Stock Exchange for trading. Upon completion of the transaction, CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited shall handle the cross-border clearing and settlement of the relevant shares and funds. The settlement currency for the H-share "full circulation" transaction business shall be Hong Kong dollars.

The Guide of Shenzhen Branch of China Securities Depository and Clearing Corporation Limited to the Program for "Full Circulation" of H-shares (CSDC Shen Ye [2024] No. 66) (《中國證券登記結算有限責任公司深圳分公司H股「全流通」業務指南》(中國結算深業[2024]66號)) and the Guide of China Securities Depository and Clearing (Hong Kong) Company Limited to the Program for "Full Circulation" of H-shares (CSDC Gang Ye [2024] No. 1) (《中國證券登記結算(香港)有限公司H股「全流通」業務指南》(中國結算港業[2024]1號)), which were issued by the Shenzhen Branch of CSDC and China Securities Depository and Clearing (Hong Kong) Company Limited on 20 September 2024 and implemented on 23 September 2024, respectively, standardise the processing of related businesses of CSDC, including business preparations, cross-border transfer registration, initial maintenance of overseas depository and domestic holding details, changes to domestic holding details, corporate action handling, clearing and settlement, and risk management, and regulate the procedures for China Securities Depository and Clearing (Hong Kong) Company Limited in handling maintenance of depository and holding details, cross-border settlement, and agency services related to H-share "full circulation" securities on behalf of the CSDC.

OUR HISTORY

Overview

Our Company was founded in 2013. We are a leading designer, manufacturer and brand-owner of precious metal watches in China. According to the CIC Report, in 2023, our proprietary flagship brand, HIPINE, was the largest domestic gold watch brand in China's domestic brand gold watch industry in terms of GMV and the largest 24K gold watch brand in terms of GMV in China. As a leading designer and manufacturer of previous metal watches, we have established strong market reputation for meticulously crafted products that are attuned to the evolving preferences of the market.

As at 27 November 2024, our Controlling Shareholders, comprising Mr. Li YZ, Mr. Hu Shaohua, Mr. Li Shuo and Mr. Li Linmao, held 29,700,833 Shares in aggregate, representing approximately 61.60% of equity interest in our Company.

OUR BUSINESS MILESTONES

The following is a summary of our Group's key business development milestones:

Year	**Milestone**
2013	Established Shenzhen Zunshang Clock & Watch Co., Ltd. (深圳市尊尚鐘錶有限公司)
2014	We launched China's first mass-producible 24K gold watch
2016	Obtained National High-tech Enterprise (國家高新技術企業) certification
2017	Commenced strategic co-operation with Lao Feng Xiang (老鳳祥) Watch, our first ODM customer
	Fujian Xipu, one of our subsidiaries, was set up in Fujian Province
2020	Collaborated with "New Classic: Forbidden City" (上新了•故宮) to launch "Zhenxi" (珍熹) series of watches
2021	Recognised as the "Guangdong Province High Hardness Precious Metal Precision Smart Watch Engineering Technology Research Center" (廣東省高硬度貴金屬精密智能腕錶工程技術研究中心)

Year	Milestone
2022	HIPINE Gold Watch was admitted as a "Shenzhen Famous Brand" (深圳知名品牌)
	Recognised as a "Specialised, Sophisticated, Distinctive and Innovative Small and Medium-sized Enterprise in Shenzhen" (深圳市專精特新中小企業)
	The "ZEN·Sunrise" Watch (ZEN·日出而作) won the German iF Design Award and the US IDEA Design Award
2023	Commenced cooperation with Huawei in the PRC
2024	We won the 23rd "Shenzhen Enterprise Innovation Record" (深圳企業創新記錄)
	The original design "Shenzhen-Shenzhen 2024" (深圳-深圳2024) won the 2024 American MUSE Design Award Gold Award (2024美國繆斯設計獎金獎), the 2024 American Good Design AGD Platinum Award (2024美國好設計AGD最高鉑金獎) and the 2024 FDA French Design Award (First Prize) (2024 FDA法國設計獎(一等獎))
	The original design "Millennium of Movable Type" (活字千年) won the 2024 American MUSE Design Award Gold Award (2024美國繆斯設計獎金獎), the 2024 American Good Design AGD Gold Award (2024美國好設計AGD最高金獎) and the 2024 FDA French Design Award (Second Prize) (2024 FDA法國設計獎(二等獎))

OUR GROUP COMPANIES AND THEIR CORPORATE DEVELOPMENT

Our Company

Establishment of Our Company in July 2013

Our Company was founded under its former name, Shenzhen Zunshang Clock & Watch Co., Ltd. (深圳市尊尚鐘錶有限公司), as a limited company in the PRC on 15 July 2013 with an initial registered capital of RMB3 million, all of which was contributed by Mr. Hu.

Capital Increase in November 2015

On 25 November 2015, the registered capital of our Company was increased from RMB3,000,000 to RMB33,000,000, and the increased capital was subscribed for by Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM, Qianhai Zunshang, Mr. Li YJ and Ms. Wang Qingqing (王清清), our former employee and former Director. The subscription monies were fully settled on 1 December 2015.

Upon completion of the above capital increase, the shareholding structure of our Company was as follows:

Shareholders	**Registered Capital Subscribed for** *(RMB)*	**Corresponding Equity Interest in our Company** *(%)*
Mr. Li YZ[(1)]	9,900,000	30.00
Mr. Hu[(1)]	6,600,000	20.00
Mr. Li Shuo[(1)]	6,600,000	20.00
Mr. Li LM[(2)]	6,600,000	20.00
Qianhai Zunshang[(3)]	2,953,500	8.95
Mr. Li YJ[(1)]	297,000	0.90
Ms. Wang Qingqing[(4)]	49,500	0.15
Total	**33,000,000**	**100**

Notes:

1. Mr. Li YZ, Mr. Hu and Mr. Li YJ are our executive Directors. Mr. Li Shuo is our deputy general manager. For more details, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

2. Mr. Li LM is one of our Controlling Shareholders. For more details, please refer to the section headed "Relationship with our Controlling Shareholders" in this document.

3. Qianhai Zunshang was set up as an employee shareholding platform in the PRC on 13 November 2015. Mr. Li YJ (our executive Director and a member of senior management) is the general partner of Qianhai Zunshang and is responsible for the management of Qianhai Zunshang. As of the Latest Practicable Date, Qianhai Zunshang has five limited partners, namely, Mr. Chen Jiazhi (陳嘉智), Ms. Li Lijin (李荔金), Ms. Qin Yan (欽豔), Ms. Wang Qingqing (王清清) and Mr. Zou Jianping (鄒建平). Mr. Chen Jiazhi is our employee and the nephew of Mr. Li YZ. Ms. Li Lijin is our employee and the sister of Mr. Li YZ. Ms. Qin Yan and Mr. Zou Jianping are employees and Supervisors of our Company. As at the Latest Practicable Date, Mr. Li YJ could exercise all the voting rights of Qianhai Zunshang in our Company.

4. Ms. Wang Qingqing is our former employee and former Director. As at the Latest Practicable Date, she was an Independent Third Party.

Conversion into a Joint Stock Limited Company

Pursuant to the shareholders' resolutions and the promoters' agreement both dated 22 January 2016, the then shareholders of our Company agreed to convert our Company into a joint stock limited liability company with a registered capital of RMB33,000,000 divided into 33,000,000 shares with a nominal value of RMB1 each. The then shareholders and their respective equity interest in our Company remained unchanged immediately before and after the said conversion.

Upon completion of the registration with Shenzhen Municipal Administration for Market Regulation (深圳市市場監督管理局) on 1 February 2016, our Company was renamed to Shenzhen Junson Gold&Silver-Inlaid Technology Co., Ltd (尊尚(深圳)穿金戴銀技術股份有限公司).

Quotation on the NEEQ in August 2016 and subsequent share subscriptions and share transfers

On 28 July 2016, our Company received the approval to quote our Shares on the NEEQ. On 12 August 2016, all issued Shares of our Company were quoted for trading on the NEEQ (then stock code: 838948) (the "**First NEEQ Quotation**"). During the period of our First NEEQ Quotation, the following material changes to our shareholdings occurred.

(a) Share Subscription in January 2017

On 18 November 2016, Xianyou Oak, an Independent Third Party investor, agreed to subscribe for 3,666,667 Shares, representing 10.00% of the enlarged share capital of our Company, at a consideration of RMB50,001,238, the consideration of which was determined based on arm's length negotiation among the parties and with reference to the prospect of our business at that time, our market comparables and our net asset value as at 30 June 2016.

Upon completion of the said share subscription on 9 January 2017, the shareholding structure of our Company was as follows:

Shareholders	Number of Shares held	Corresponding Equity Interest in our Company *(%)*
Mr. Li YZ	9,900,000	27.00
Mr. Hu	6,600,000	18.00
Mr. Li Shuo	6,600,000	18.00
Mr. Li LM	6,600,000	18.00
Xianyou Oak	3,666,667	10.00
Qianhai Zunshang	2,953,500	8.05
Mr. Li YJ	297,000	0.81
Ms. Wang Qingqing	49,500	0.14
Total	**36,666,667**	**100**

(b) Change of Shareholding in November and December 2017

On 27 November 2017, Qushi Yuling purchased from Xianyou Oak 1,018,000 Shares at a consideration of RMB14,984,960. On 8 December 2017, Yiling Zhicheng purchased from Xianyou Oak 2,648,667 Shares at a consideration of RMB38,988,378.24. The transfers were conducted by the buyers and Xianyou Oak through the NEEQ system, and as far as our Company is aware, each of the buyers was an Independent Third Party investor and the considerations were determined based on arm's length negotiation among the Xianyou Oak and the buyers with reference to the consideration paid in the Share subscription in January 2017. Subsequent to the equity transfers, Xianyou Oak ceased to have any equity interest in our Company.

(c) Share Subscription in May 2018

On 22 January 2018, Ms. Fan Rongfang (范蓉芳) ("**Ms. Fan**"), an Independent Third Party investor, agreed to subscribe for 1,913,333 Shares (representing 4.96% of our enlarged Share Capital) at a consideration of RMB28,164,261.76, which was determined after arm's length negotiation between Ms. Fan and our Company with reference to our net asset value as at 31 December 2016, and the consideration paid in the changes in shareholding in November and December 2017. The consideration was fully settled by 13 February 2018. Upon completion of the said Share subscription on 29 May 2018, the registered capital of our Company was RMB38,580,000 divided into 38,580,000 Shares with a nominal value of RMB1 each, and the shareholding structure of our Company was as follows:

Shareholders	**Number of Shares held**	**Corresponding Approximate Equity Interest in our Company** *(%)*
Mr. Li YZ	9,900,000	25.66
Mr. Hu	6,600,000	17.11
Mr. Li Shuo	6,600,000	17.11
Mr. Li LM	6,600,000	17.11
Qianhai Zunshang	2,953,500	7.65
Yiling Zhicheng(1)	2,648,667	6.86
Ms. Fan	1,913,333	4.96
Qushi Yiling(2)	1,018,000	2.64
Mr. Li YJ	297,000	0.77
Ms. Wang Qingqing	49,500	0.13
Total	**38,580,000**	**100**

Notes:

1. Yiling Zhicheng was established as a limited partnership in the PRC on 14 June 2017. As at the Latest Practicable Date, Yiling Zhicheng is owned as to 5.77% by Yiling (Beijing) Asset Management Co., Ltd. (翊翎(北京)資本管理有限公司) ("**Yiling Asset Management**"), an Independent Third Party, as its general partner, and 94.23% owned by eight limited partners which are Independent Third Parties. And none of the limited partners holds more than one third of partnership interests.

2. Qushi Yiling was established as a limited partnership in the PRC on 7 July 2017. As at the Latest Practicable Date, Qushi Yiling is owned as to 1.00% by Yiling Asset Management as its general partner and 99% owned by its 43 limited partners which are Independent Third Parties and none of the limited partners holds more than one third of partnership interests.

(d) Share Subscription in September 2018

On 15 June 2018, Lanxi Jiuhe, an Independent Third Party investor, agreed to subscribe for 1,600,000 Shares at a consideration of RMB23,552,000, and Deyue Jiufan, an Independent Third Party investor, agreed to subscribe 400,000 Shares issued by our Company at a consideration of RMB5,888,000, representing approximately 3.94% and 0.99% of our issued Share capital as enlarged by the share subscription. The considerations were determined after arm's length negotiation among the parties with reference to our net asset value as at 31 December 2017, and the consideration paid in the Share subscription in May 2018. The considerations were fully settled by 27 July 2018. Immediately after the Share subscription, the registered capital of our Company increased to RMB40,580,000 divided into 40,580,000 Shares with a nominal value of RMB1 each.

Withdrawal from the NEEQ in May 2019 and Name Change

For the purpose of preparing for a potential **[REDACTED]** on a PRC securities exchange, the then Shareholders resolved on 21 January 2019 to withdraw from quotation on the NEEQ (the "**First NEEQ Withdrawal**"). Immediately prior to the First NEEQ Withdrawal, the then shareholding structure of our Company was as follows:

Shareholders	**Number of Shares held**	**Corresponding Approximate Equity Interest in our Company**
		(%)
Mr. Li YZ	9,900,000	24.40
Mr. Hu	6,600,000	16.26
Mr. Li Shuo	6,600,000	16.26
Mr. Li LM	6,600,000	16.26
Qianhai Zunshang	2,953,500	7.28
Yiling Zhicheng	2,648,667	6.53
Ms. Fan	1,913,333	4.72
Lanxi Jiuhe	1,600,000	3.94
Qushi Yiling	1,018,000	2.51
Deyue Jiufan	400,000	0.99
Mr. Li YJ	297,000	0.73
Ms. Wang Qingqing	49,500	0.12
Total	**40,580,000**	**100**

The First NEEQ Withdrawal took effect on 14 May 2019.

On 13 April 2020, our Company changed its name to Shenzhen Chuanjindaiyin Technology Co., Ltd. (深圳穿金戴銀科技股份有限公司).

The preparations for a potential **[REDACTED]** on the Shenzhen Stock Exchange ChiNext market in the PRC commenced around the same time of our First NEEQ Withdrawal. However, taking into account a number of factors including (i) the general sentiments of the PRC domestic capital market at the time, (ii) the then industry condition, the **[REDACTED]** plan was suspended. No formal **[REDACTED]** application was made with the said PRC securities exchange.

We subsequently commenced preparations for seeking a **[REDACTED]** of our Shares on the Beijing Stock Exchange (the "**BSE**"). According to the Stock Listing Rules of the Beijing Stock Exchange (《北京證券交易所股票上市規則》), **[REDACTED]** applicants on the BSE are required to be listed on the NEEQ Innovation Tier continuously for at least 12 months. To fulfill the prerequisite for **[REDACTED]** on the BSE, the then Shareholders resolved to apply for the quotation of our Shares on the NEEQ.

NEEQ Quotation in August 2022

On 29 July 2022, our Company received the approval to quote our Shares on the NEEQ, and on 18 August 2022, all issued Shares of our Company were quoted for trading on NEEQ (then stock code: 873888) (the "**Second NEEQ Quotation**"). During the period of the Second NEEQ Quotation, the following major changes to our shareholdings occurred.

(a) Transfer of Shares in October 2022

On 19 October 2022, Ms. Fan transferred 750,000 Shares in our Company through the NEEQ system to Jingcheng Times, an Independent Third Party investor, at a consideration of RMB13,305,000. According to information available to our Company, the consideration was determined based on arm's length negotiation among the parties, with reference to our net asset value as at 31 December 2021, and the consideration was fully settled on the same date.

(b) Share Subscription and Transfer of Shares between April and June 2023

Pursuant to equity transfer agreements dated 20 April 2023, Jinyingu Investment, an Independent Third Party investor, acquired 1,600,000 Shares and 400,000 Shares in our Company from Lanxi Jiuhe and Deyue Jiufan at considerations of RMB25,632,000 and RMB6,408,000, respectively. The considerations were determined reference to the subscription price of our Shares paid by Jinyingu Investment in the subscription as described below. The considerations were fully settled on 26 April 2023 and 27 April 2023, respectively.

On 18 April 2023, Jinyingu Investment agreed to subscribe for not more than 7,645,000 Shares (representing 15.85% of our enlarged Share capital after completion of the subscription) at a consideration of not more than RMB122,472,900 with reference to the valuation of our Group as at 30 September 2022 based on a valuation report prepared by an independent valuer. The RMB122,472,900 consideration was fully settled on 16 June 2023 and 7,645,000 Shares were issued to Jinyingu Investment.

As a result of the subscription of Shares by Jinyingu Investment, the registered capital of our Company increased to RMB48,225,000 divided into 48,225,000 Shares with a nominal value of RMB1 each. Subsequent to the equity transfers, Lanxi Jiuhe and Deyue Jiufan ceased to be our Shareholders.

Upon completion of the disposals by Ms. Fan, Share subscription by Jinyingu Investment and transfer of Shares on 11 July 2023, the shareholding structure of our Company was as follows:

Shareholders	**Number of Shares held**	**Corresponding Approximate Equity Interest in our Company** *(%)*
Mr. Li YZ	9,900,000	20.53
Jinyingu Investment(1)	9,645,000	20.00
Mr. Hu	6,600,000	13.69
Mr. Li Shuo	6,600,000	13.69
Mr. Li LM	6,600,000	13.69
Qianhai Zunshang	2,953,500	6.12
Yiling Zhicheng	2,648,667	5.49
Ms. Fan	1,163,333	2.41
Qushi Yiling	1,018,000	2.11
Jingcheng Times(2)	750,000	1.55
Mr. Li YJ	297,000	0.62
Ms. Wang Qingqing	49,500	0.10
Total	**48,225,000**	**100**

Notes:

1. Based on information available to our Company, Jinyingu Investment is ultimately owned by the State-owned Assets Supervision and Administration Commission of Putian Municipal People's Government (莆田市人民政府國有資產監督管理委員會).

2. Jingcheng Times is an Independent Third Party investor.

Withdrawal from the NEEQ in November 2024

For the reasons described in "– Previous PRC **[REDACTED]** Application Tutorings" below, we adjusted our **[REDACTED]** plan to seek a **[REDACTED]** on the Stock Exchange instead of the BSE, and on 21 August 2024, the shareholders' resolutions regarding the voluntary withdrawal of our Company from the NEEQ (the "**Second NEEQ Withdrawal**") were passed at a shareholders' general meeting.

During the period of our Second NEEQ Quotation, some new minority Shareholders purchased our Shares in the secondary market. Below table shows the then shareholding structure of our Company immediately prior to the Second NEEQ Withdrawal:

Shareholders	**Number of Shares held**	**Corresponding Approximate Equity Interest in our Company** *(%)*
Mr. Li YZ[(1) (7)]	9,900,000	20.53
Jinyingu Investment	9,645,000	20.00
Mr. Hu[(1)]	6,600,000	13.69
Mr. Li Shuo[(1)]	6,600,000	13.69
Mr. Li LM[(2)]	6,600,000	13.69
Qianhai Zunshang[(3)]	2,953,500	6.12
Yiling Zhicheng[(4)]	2,023,771	4.20
Qushi Yiling[(5)]	1,018,000	2.11
Jingcheng Times	750,000	1.55
Ms. Chen Qiuhong (陳秋紅)[(6)]	663,586	1.38
Mr. Li YJ[(1)]	297,000	0.61
Ms. Fan	236,128	0.49
Ms. Wang Qingqing[(6)]	49,500	0.10
Other Shareholders[(6) (7)]	888,515	1.84
Total	**48,225,000**	**100**

Notes:

1. Mr. Li YZ, Mr. Hu and Mr. Li YJ are our executive Directors. Mr. Li Shuo is our deputy general manager. For more details, please refer to the section headed "Directors, Supervisors and Senior Management" in this document.

2. Mr. Li LM is one of our Controlling Shareholder. For more details, please refer to the section headed "Relationship with our Controlling Shareholders" in this document.

3. Qianhai Zunshang was set up as an employee shareholding platform in the PRC on 13 November 2015. Mr. Li YJ (our executive Director and a member of senior management) is the general partner of Qianhai Zunshang and is responsible for the management of Qianhai Zunshang. As of the Latest Practicable Date, Qianhai Zunshang has five limited partners, namely, Mr. Chen Jiazhi (陳嘉智), Ms. Li Lijin (李荔金), Ms. Qin Yan (欽豔), Ms. Wang Qingqing (王清清) and Mr. Zou Jianping (鄒建平). Mr. Chen Jiazhi is our employee and the nephew of Mr. Li YZ. Ms. Li Lijin is our employee and the sister of Mr. Li YZ. Ms. Qin Yan and Mr. Zou Jianping are employees and Supervisors of our Company. Ms. Wang Qingqing is our former employee and former Director. As at the Latest Practicable Date, Mr. Li YJ could exercise all the voting rights of Qianhai Zunshang in our Company.

4. Yiling Zhicheng was established as a limited partnership in the PRC on 14 June 2017. As at the Latest Practicable Date, Yiling Zhicheng is owned as to 5.77% by Yiling Asset Management, an Independent Third Party, as its general partner, and 94.23% owned by eight limited partners which are Independent Third Parties. None of the limited partners holds more than one third of partnership interests.

5. Qushi Yiling was established as a limited partnership in the PRC on 7 July 2017. As at the Latest Practicable Date, Qushi Yiling is owned as to 1.00% by Yiling Asset Management as its general partner and 99% owned by its 43 limited partners which are Independent Third Parties and none of the limited partners holds more than one third of partnership interests.

6. To the best knowledge of our Directors after making due enquiries, Ms. Fan, Ms. Chen Qiuhong (陳秋紅), Ms. Wang Qingqing and the other 17 Shareholders as at the date of the Second NEEQ Withdrawal were Independent Third Parties.

7. Subsequent to the Second NEEQ Withdrawal, 833 Shares held by eight other Shareholders has been repurchased by Mr. Li YZ, one of our Controlling Shareholders, which has been completed on 27 November 2024.

The Second NEEQ Withdrawal was implemented around the time we commenced our preparation of our **[REDACTED]** on the Stock Exchange. On 15 November 2024, our Shares were withdrawn from quotation on the NEEQ. As a protective measure for minority shareholders of the Company who did not vote for the Second NEEQ Withdrawal, Mr. Li YZ repurchased an aggregate of 833 Shares from eight Shareholders who decided not to continue with their investments in the Company, representing approximately 0.0017% of the entire issued Share capital of the Company as at the date of the Second NEEQ Withdrawal, at a total repurchase price of RMB42,280. Such considerations were determined based on arm's length negotiations between Mr. Li YZ and the individual Shareholders who participated in the repurchase with reference to the latest quoted prices of the Company prior to the Second NEEQ Withdrawal and taking into account the said Shareholders' wishes to recoup the value of their individual investments into our Company. The considerations were fully settled on 27 November 2024. Upon completion of the Second NEEQ Withdrawal and as at 27 November 2024, the shareholding structure of our Company was as follows:

Shareholders	**Number of Shares held**	**Corresponding Approximate Equity Interest in our Company** *(%)*
Mr. Li YZ[(1) (7)]	9,900,833	20.53
Jinyingu Investment	9,645,000	20.00
Mr. Hu[(1)]	6,600,000	13.69
Mr. Li Shuo[(1)]	6,600,000	13.69
Mr. Li LM[(2)]	6,600,000	13.69
Qianhai Zunshang[(3)]	2,953,500	6.12
Yiling Zhicheng[(4)]	2,023,771	4.20
Qushi Yiling[(5)]	1,018,000	2.11
Jingcheng Times	750,000	1.55
Ms. Chen Qiuhong (陳秋紅)[(6)]	663,586	1.38
Mr. Li YJ	297,000	0.61
Ms. Fan[(6)]	236,128	0.49
Ms. Wang Qingqing[(6)]	49,500	0.10
Other Shareholders[(6) (7)]	887,682	1.84
Total	**48,225,000**	**100**

Note: Please refer to notes as mentioned in "– Withdrawal from the NEEQ in November 2024" above. Save as disclosed in this document, each of Shareholders is an Independent Third Party.

Our Subsidiaries

Since the establishment of our Company in 2013, we have sought to expand our presence in the PRC and to enhance our manufacturing and research and development capabilities. We have established various subsidiaries primarily to manage our production and sales base in Fujian Province, and to expand our sales network in Hainan province.

The details of our subsidiaries from the start of the Track Record Period and up to the Latest Practicable Date are as follows:

Company Name	Place and date of Establishment and registered capital	Principal Activity	Equity interest held by our Company	Major shareholding changes during the Track Record Period
Fujian Xipu	PRC, 9 May 2017, RMB102 million	Manufacturing and sales of accessories	100%	None
Hainan Hipine	PRC, 7 November 2023, RMB18 million	No business operation	100%	None

There has been no change to the registered capital of the above subsidiaries since the dates of their respective establishment.

COMPLIANCE WITH LAWS AND REGULATIONS

All the abovementioned capital increases and equity transfers of our Company and our subsidiaries are effective, legally completed, duly settled and in compliance with the PRC laws and regulations, and all permits, authorisations, approvals and consents necessary for the above transactions have been obtained from the relevant PRC governmental authorities.

REASONS FOR THE FIRST AND SECOND NEEQ WITHDRAWAL

The First NEEQ Withdrawal was initiated with an aim to seek a **[REDACTED]** on a PRC securities exchange, however the planned application to listing did not proceed further due to factors as mentioned in "– Withdrawal from the NEEQ in May 2019 and Name Change" above.

After due consideration by the Directors and after discussions among the Shareholders, our Company decided to prepare for a listing on the BSE in the beginning of 2022. The Directors ultimately decided in the first half of 2024 that the **[REDACTED]** venue for our Shares should be the Stock Exchange in lieu of the BSE, and the Directors believed that if **[REDACTED]** on the Stock Exchange, this would allow our Company to benefit from the following advantages: (a) our competitive strengths can be compared with its peers that are also **[REDACTED]** on the Stock Exchange and be more readily recognised by **[REDACTED]**, (b) our Company would be able to more readily raise funds, either in equity or in debt, to continuously support our business growth, (c) our **[REDACTED]** would be more readily able to execute on market disposal to realise their **[REDACTED]**, (d) the Company would be able to align itself with national policies that encourages PRC enterprises to **[REDACTED]** on the Stock Exchange, and (e) the Company would be able to leverage on the international status of the Stock Exchange to better implement its business strategy to expand into overseas markets. Taking into account numerous factors including the compliance obligations after our **[REDACTED]** on the Stock Exchange, the Directors decided to withdraw the quotations of our Shares on the NEEQ.

As confirmed by our PRC Legal Advisers, the withdrawal from the NEEQ was duly completed and all applicable approvals have been obtained, our Company, its subsidiaries and their then directors had not been subject to any disciplinary action by any relevant law enforcement authority or regulator.

Our Directors confirmed that during our quotations on the NEEQ, (i) our Company had been operating in compliance with all applicable PRC securities laws and regulations as well as rules and regulations of the NEEQ in all material respects; (ii) our Company, the Directors and subsidiaries had not been subject to any administrative penalty by the NEEQ or the CSRC; and (iii) there has not been any matter that should be brought to the attention of the Stock Exchange and the Shareholders.

Based solely on the facts known to the Sole Sponsor through conducting reasonable due diligence in the circumstances, namely: (a) with the assistance of the PRC legal adviser to the Sponsor, reviewing relevant filings and announcements published on the website of the NEEQ during the two periods of our quotation on the NEEQ up to our Second NEEQ Withdrawal; (b) with the assistance of the PRC legal adviser to the Sole Sponsor, reviewing the background search results on our Company conducted by an independent search agent; (c) making due diligence enquires with our Company with a view to understanding the rationale for the First and Second NEEQ Withdrawal and confirming whether there have been any non-compliance incidents in relation to the quotations on and the withdrawals from the NEEQ; and (d) with the assistance of the PRC legal adviser to the Sole Sponsor, reviewing the PRC legal opinion prepared by our PRC Legal Adviser, according to which we had not been subject to administrative penalty by the NEEQ or the CSRC during the periods of our **[REDACTED]** on the NEEQ up to the Second NEEQ Withdrawal, and on the basis that there was no misrepresentations or omissions to the Sole Sponsor's due diligence inquiries, nothing has come to the attention of the Sole Sponsor that would lead it to cast doubts on the Directors' confirmations or the views of our PRC Legal Adviser above.

PREVIOUS PRC LISTING APPLICATION TUTORINGS

As mentioned in "– Withdrawal from the NEEQ in May 2019 and Name Change" above, to explore the possibility of listing our Shares on a securities exchange in the PRC, between December 2019 and July 2023, we engaged Minsheng Securities Co., Ltd. (民生證券股份有限公司) as a tutoring agency to explore the possibility of listing our Shares on the Shenzhen Stock Exchange ChiNext market in the PRC and also for our Second NEEQ Quotation. In the view of our strategic development and completion of our Second NEEQ Quotation in July 2023, we terminated our engagement with Minsheng Securities Co., Ltd. and engaged Guoyuan Securities Company Limited (國元證券股份有限公司) as a tutoring agency to provide guidance and preliminary compliance advice with regard to the requirements of the CSRC and the BSE, the notices of which were published on the NEEQ in August and September 2023 (together the "**PRC Listing Plan**").

However, for the reasons as set out in "– Reasons for the First and Second NEEQ Withdrawal" in this section, we decided not to proceed with the preparation for listing on the BSE, and voluntarily terminated our tutoring with Guoyuan Securities Company Limited by way of entering into a tutoring termination agreement dated 19 November 2024. The aforesaid preliminary tutoring filings were an administrative step for listing preparation and did not constitute formal listing applications.

As at the Latest Practicable Date, save for filings made for the NEEQ Quotations in August 2016 and August 2022, we had not filed any formal listing application with the CSRC, any stock exchange or any other regulatory authority in the PRC. To the best of their knowledge, information and belief, our Directors have confirmed that there are no disagreements with the tutoring agencies of the PRC Listing Plan, and they are not aware of any other matters that need to be brought to the attention of the Stock Exchange and investors in relation to preliminary tutoring filing or the PRC Listing Plan.

Based on the independent due diligence work conducted and the information and representation given to the Sole Sponsor, the Sole Sponsor is not aware (i) any material issues relating to the PRC Listing Plan which may materially and adversely affect the Company's suitability for the **[REDACTED]**, or (ii) any other matter which need to be brought to the attention of the Stock Exchange regarding the PRC Listing Plan.

CONCERT PARTY AGREEMENTS

Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM have been acting in concert with each other and collectively controlled, managed and supervised the entire business, operation, financial and other key aspects of our Group since Mr. Li YZ, Mr Li Shuo and Mr. Li LM became our Shareholders in November 2015, with Mr. Hu being the founder of our Company.

They entered into the Concert Party Agreement on 22 January 2016 and Supplemental Concert Party Agreements in 1 January 2021 and 12 July 2023 (collectively, the "**Concert Party Agreements**"). Pursuant to the Concert Party Agreements, Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM agreed to act in concert at shareholders' meetings of our Company since the date of the Concert Party Agreement. If they fail to reach a consensus, Mr. Li YZ has the final decision-making power.

As at the Latest Practicable Date, Mr. Li YZ, Mr. Hu, Mr. Li Shuo and Mr. Li LM were entitled to exercise the voting rights attaching to approximately 20.53%, 13.69%, 13.69% and 13.69% of the total issued Shares of our Company, respectively. Immediately after the completion of the **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM will be collectively entitled to exercise the voting rights attaching to approximately **[REDACTED]**% of the total issued Shares of our Company. As such, Mr. Li YZ, Mr. Hu, Mr. Li Shuo and Mr. Li LM, as a group of shareholders acting in concert pursuant to the Concert Party Agreements will be our Controlling Shareholders upon **[REDACTED]**. For further details, refer to "Relationship with our Controlling Shareholders" in this document.

CONVERSION OF DOMESTIC SHARES INTO H SHARES

Our Company has, at per of the instructions of the Shareholders, applied for the conversion of all Domestic Shares into H Shares. The conversion of Domestic Shares into H Shares will involve an aggregate of **[REDACTED]** Domestic Shares held by all of our Shareholders. The conversion of Domestic Shares into H Shares has been approved by the CSRC on [●].

SHAREHOLDING STRUCTURE OF OUR COMPANY

The table below is a summary of the shareholding structure of our Company (i) as at 27 November 2024 and (ii) following the completion of the **[REDACTED]** and the Conversion of Domestic Shares into H Shares (assuming the **[REDACTED]** is not exercised):

Shareholder	As at 27 November 2024 Number of Shares	As at 27 November 2024 Approximate Percentage of Shareholding in the Domestic Shares (%)	Immediately following the completion of the [REDACTED] and Conversion of the Domestic Shares into H Shares (Assuming the [REDACTED] is not exercised) Number of Shares	Immediately following the completion of the [REDACTED] and Conversion of the Domestic Shares into H Shares (Assuming the [REDACTED] is not exercised) Approximate Percentage of Shareholding in the H Shares (%)
Mr. Li YZ(1)(7)	9,900,833	20.53%	**[REDACTED]**	**[REDACTED]**
Jinyingu Investment	9,645,000	20.00%	**[REDACTED]**	**[REDACTED]**
Mr. Hu(1)	6,600,000	13.69%	**[REDACTED]**	**[REDACTED]**
Mr. Li Shuo(1)	6,600,000	13.69%	**[REDACTED]**	**[REDACTED]**
Mr. Li LM(2)	6,600,000	13.69%	**[REDACTED]**	**[REDACTED]**
Qianhai Zunshang(3)	2,953,500	6.12%	**[REDACTED]**	**[REDACTED]**
Yiling Zhicheng(4)	2,023,771	4.20%	**[REDACTED]**	**[REDACTED]**
Qushi Yiling(5)	1,018,000	2.11%	**[REDACTED]**	**[REDACTED]**
Jingcheng Times	750,000	1.55%	**[REDACTED]**	**[REDACTED]**
Ms. Chen Qiuhong (陳秋紅)(6)	663,586	1.38%	**[REDACTED]**	**[REDACTED]**
Mr. Li YJ	297,000	0.61%	**[REDACTED]**	**[REDACTED]**
Ms. Fan(6)	236,128	0.49%	**[REDACTED]**	**[REDACTED]**
Ms. Wang Qingqing(6)	49,500	0.10%	**[REDACTED]**	**[REDACTED]**
Other Shareholders	887,682	1.84%	**[REDACTED]**	**[REDACTED]**
[REDACTED] H Shareholders **[REDACTED]** H Shares under the **[REDACTED]**	–	–	**[REDACTED]**	**[REDACTED]**

Note: Please refer to notes as mentioned in "– Withdrawal from the NEEQ in November 2024" above.

MAJOR ACQUISITIONS, MERGERS AND DISPOSALS

Throughout the Track Record Period and as of the Latest Practicable Date, we did not conduct any major acquisitions, mergers or disposals.

LOCK-UP PERIODS

See "Share Capital – Lock-up Periods" for lock-up arrangements of our existing Shareholders after the **[REDACTED]**.

CSRC FILING

On 17 February 2023, the CSRC promulgated the CSRC Filing Rules. The New Regulations will comprehensively improve and reform the existing regulatory regime for overseas offering and listing of the PRC domestic companies' securities and will regulate both direct and indirect overseas offering and listing of PRC domestics companies' securities by adopting a filing-based regulatory regime. Pursuant to the CSRC Filing Rules, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfil the CSRC Filings procedure with the CSRC and report relevant information. According to our PRC Legal Adviser, we are subject to the filing procedure and reporting with the CSRC according to the CSRC Filing Rules.

On 3 December 2024, we submitted the CSRC Filings to the CSRC to apply for the **[REDACTED]** of the H Shares (including H Shares to be converted from Domestic Shares) on the Stock Exchange and the **[REDACTED]**, and the CSRC accepted the CSRC Filings on 28 January 2025. The CSRC published the notification on completion of the CSRC Filings procedures on [●]. By issuing such notification, the CSRC only confirms the completion of the CSRC Filings procedures by the Company, but does not provide any confirmation as to the **[REDACTED]** of the H Shares or the **[REDACTED]** to the **[REDACTED]**. The CSRC does not accept any responsibility for the accuracy or completeness of any of the statements made or opinions expressed in the CSRC Filings or this document.

As advised by our PRC Legal Adviser, we [have completed] all relevant CSRC filings for the **[REDACTED]** of **[REDACTED]** and **[REDACTED]**, and no other approval from the CSRC is required to be obtained before the **[REDACTED]**. See "Regulatory Overview – Laws and Regulations Relating to Overseas Listing" for further details.

PUBLIC FLOAT

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the Shares held by our core connected persons, representing **[REDACTED]**% of the issued share capital of our Company, will not be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules after the **[REDACTED]** (assuming the **[REDACTED]** is not exercised). Details of Share capital that will not be regarded as public float are set out below:

(a) Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM, being our Controlling Shareholders, are core connected persons of our Company, and will hold approximately **[REDACTED]**% in aggregate of the total issued Shares of our Company;

(b) Jinyingu Investment, being our substantial Shareholder, is a core connected person of our Company, and will hold approximately **[REDACTED]**% of the total issued Shares of our Company;

(c) Mr. Li YJ is a Director and therefore a core connected person of our Company, will hold approximately **[REDACTED]**% of the total issued Shares of our Company; and

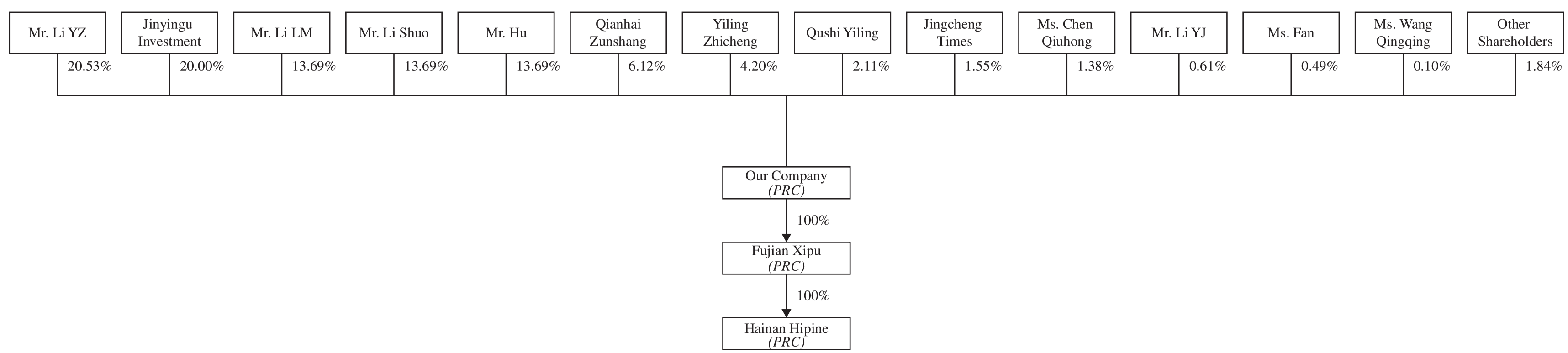
(d) Qianhai Zunshang, by virtue of Mr. Li YJ being able to exercise all of its voting rights in our Company, is an associate of Mr. Li YJ, and Qianhai Zunshang will hold approximately **[REDACTED]**% of the total issued Shares of our Company.

Assuming that the **[REDACTED]** are **[REDACTED]** and **[REDACTED]** to **[REDACTED]** Shareholders, and assuming that the **[REDACTED]** is not exercised, at least **[REDACTED]**% of our Company's total number of issued Shares will be held by the public upon completion of the **[REDACTED]** in accordance with Rule 8.08(1)(a) of the Listing Rules.

CORPORATE STRUCTURE

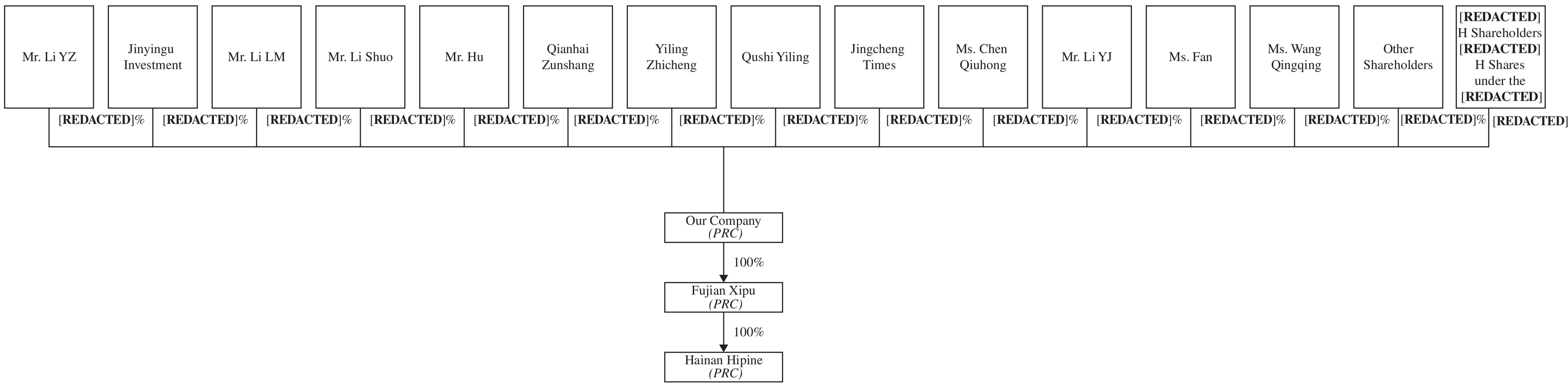
Corporate Structure as at 27 November 2024

The following chart sets forth our corporate structure as at 27 November 2024:



Corporate Structure Immediately Following the [REDACTED]

The following chart sets forth our corporate structure immediately after completion of the **[REDACTED]**, assuming the **[REDACTED]** is not exercised:



OVERVIEW

We are a leading designer, manufacturer and brand-owner of precious metal watches in China. During the Track Record Period, our revenue was primarily derived from the sales of precious metal watches designed and manufactured under our flagship proprietary brand "HIPINE" (西普尼). Our self-branded products are principally sold through our distribution network, supplemented by sales through, among others, our self-operated online stores, third-party online store operators and retail stores. We also derived revenue by serving as an ODM manufacturer for third-party domestic jewellery brands and wholesalers, including developing and manufacturing precious metal watches and accessories under their labels and providing subcontract processing services to them. During the Track Record Period, our ODM customers included various renowned domestic jewellery brands, such as Lao Feng Xiang, Sino Gem and Chow Tai Seng, with whom we have formed long-term and stable supply relationships. According to CIC, in 2023, HIPINE was the largest domestic gold watch brand in terms of GMV and the largest 24K gold watch brand in terms of GMV in China, with market shares of 24.98% and 35.83% in terms of GMV of domestic brand gold watches and GMV of 24K gold watches, respectively.

Guided by our brand mission (品牌使命) to "Reconceptualise gold through technological innovation" (技術創新、重構黃金) in order to become the trusted and favourite gold watch brand of the masses (成為老百姓值得信賴和喜愛的金錶品牌), we focus on creating products that go beyond mere inheritance of the past, and are dedicated to integrating traditional watchmaking with contemporary design and materials, which is supported by our technical expertise and production experience, to produce new products which are catered to the latest consumer demands and market trends. At the heart of our watchmaking expertise lies our proprietary technology for hardening 24K gold (i.e. our supramolecular gold hardening technology (超分子硬金技術)). This technology, among others, has enabled us to overcome the inherent softness and malleability challenges of 24K gold, allowing for the precise and consistent manufacturing of gold watches. According to CIC, we are the first brand owner in China who (i) specialises in the design and manufacturing of 24K gold watches; and (ii) has applied supramolecular gold hardening technology to the manufacturing of 24K gold watches. Remarkably, leveraging our advanced technological capabilities in hardening 24K gold, a landmark achievement was reached with our launch of China's first mass-producible 24K gold watch in 2014. We believe this has established our leading position in the domestic brand gold watch and 24K gold watch making industries in China. Riding on the emerging new trend of gold watches equipped with intelligent features in the PRC as technology progresses and consumer interest in smart products intensified according to CIC, we achieved another breakthrough in 2023 by launching a new collection of 24K gold smart watches incorporated with smart movements of Huawei, which is a leading global Chinese technology company recognised for its cutting-edge 5G technology.

Our unwavering commitment to R&D and innovation is evidenced by the numerous patents our products and technologies have received over the years. Specifically, as at 31 December 2024, we had a portfolio of 23 invention patents, 57 utility model patents and 117 design patents. See "– Intellectual Property" for details. Furthermore, since 2022, we have been recognised as a high-tech enterprise (高新技術企業) by the Shenzhen Science and Technology Innovation Commission (深圳市科技創新委員會), Shenzhen Municipal Finance Bureau (深圳市財政局) and State Taxation Administration Shenzhen Tax Bureau (國家稅務總局深圳稅務局), and a "Specialised, Sophisticated, Distinctive and Innovative SME in Shenzhen" (深圳市專精特新中小企業) by the Shenzhen Municipal Industry and Information Technology Bureau (深圳市工業和信息化局). Our R&D efforts have also enabled us to launch a range of innovative smart watch collections in 2023 and 2024. This include 24K gold, silver, platinum and gemstone models, all of which feature smart movements of Huawei.

We also actively engage in the development of national and industry guidelines, playing a pivotal role in shaping crucial standards including "24K Gold Watches" (《足金手錶》), "Watches Using Gemstones and Precious Metals" (《使用寶石和貴金屬的手錶》), "General Requirements and Test Methods for Watch Case Components Made of Hard Materials" (《計時儀器硬材料製造的手錶外觀件一般要求和試驗方法》), "Reliability Test Methods for Watch Movements" (《手錶機心的可靠性試驗方法》), and "Technical Specifications for After-Sales Repair and Maintenance Services" (《鐘錶售後維修服務技術規範》). Our active involvement in these industry-shaping efforts reflects our expertise in gold watchmaking technologies and quality control processes, and our commitment to elevating standards across the gold watch manufacturing sector in China.

Our product portfolio is centred around our flagship proprietary watch brand, HIPINE 西普尼金表 HIPINE, which has been recognised as a "Shenzhen Top Brand" (深圳知名品牌) by the Shenzhen Top Brand Evaluation Committee (深圳知名品牌評價委員會) since 2022, and the 3rd Shenzhen Top Hundred Brands (第三屆深圳品牌百強企業) by the Shenzhen Quality Promotion Association (深圳市質量強市促進會) in 2024. Our HIPINE brand is dedicated to showcasing the pinnacles of fine craftsmanship and innovative design. We are committed to fuse precious metal watches with innovation, artisanship and culture resonance, which is evidenced by the numerous design awards we won throughout our operating history, including but not limited to the Paris DNA Design Award in 2020, the German iF Design Award and the US International Design Excellence Award (IDEA) (2022 Finalist) in 2022, and the 2024 MUSE Design Awards – Gold Winner (2024美國繆斯設計獎金獎), the 2024 American Good Design Gold and Platinum Awards (2024美國好設計AGD金獎及最高鉑金獎) and the 2024 French Design Award (2024 FDA法國設計獎) in 2024. Our relatively new line of smart precious metal watches was also honoured with both the "Technology Innovation Award" (科技創新獎) and the "Technology Public Welfare Award" (科技公益獎) by the Shenzhen Association for Promoting High-Tech Enterprise Collaborative Innovation (深圳市高科技企業協同創新促進會) in 2024. Moreover, we obtained exclusive intellectual property rights to incorporate cultural elements from The Palace Museum of Beijing and other renowned museums and galleries into our watch and accessories collections, and we were the designated producer of precious metal licensed products for the 2022 Beijing Winter Olympic Games. We believe that these accolades and achievements are testaments to the recognition of well-known institutions of our Group's focus on design innovation, technical mastery and craftsmanship.

We believe we have built a robust and scalable business model centred around the sale of our self-branded products through an extensive network of domestic distributors. Our relationship with our primary distributors is principal-to-principal in nature, and our distribution model is underpinned by the arrangement whereby we sell our OBM products directly to our primary distributors, which principally distribute the merchandise to sub-distributors and retail store operators. This strategic approach has allowed us to efficiently access a geographically dispersed customer base, with our OBM products distributed through over 3,000 offline Retail Outlets nationwide during the Track Record Period. Over the years, we have also cultivated a mutual feedback mechanism with our primary distributors, which has enabled us to receive market insights from our distributors in a timely manner, remain sensitive to changes in end consumer preferences and market trends, and effectively leverage our distribution channels to rapidly respond to these changes and optimise operational efficiency. We believe this broad distribution footprint will continue to facilitate deep market penetration and enhance brand visibility of our products across China's diverse consumer landscape.

In addition to our domestic efforts, we have been actively exploring opportunities to expand our presence into overseas markets. In FY2024, we took a significant step forward by partnering with an experienced distributor and retailer in Malaysia for the distribution and retail of our HIPINE watch products throughout the country. Building on this overseas expansion momentum, over the next few years we will seek to expand our footprint in the Middle East.

Our revenue increased from RMB323.70 million in FY2022 to RMB445.48 million in FY2023, and further increased to RMB456.6 million in FY2024. We recorded net profit of RMB24.54 million, RMB52.10 million and RMB49.3 million in FY2022, FY2023 and FY2024, respectively. The following table sets forth a breakdown of our revenue generated by product type for the years indicated:

	FY2022		**FY2023**		**FY2024**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Watches[1]						
– Traditional precious metal watches	289,361	89.4	402,734	90.4	322,754	70.7
– Smart watches	4	0.0	337	0.1	28,025	6.1
	289,365	89.4	403,071	90.5	350,779	76.8
Accessories[2]						
– Precious metal accessories and products	21,875	6.8	23,532	5.3	92,321	20.2
– Watch straps and other watch accessories	12,464	3.8	18,874	4.2	13,456	3.0
	34,339	10.6	42,406	9.5	105,777	23.2
Total	323,704	100.0	445,477	100.0	456,556	100.0

**Notes:*

(1) For the avoidance of doubt, as defined in "Glossary of Technical Terms", traditional precious metal watches as presented above do not include any precious metal watch with smart functions, and smart watches as presented above include both smart precious metal watches and other smart watches.

(2) Our accessories product portfolio includes (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories.

Looking ahead, we will continue to drive innovation in product design and manufacturing, expand our brand presence both domestically and in the overseas, and leverage the growing consumer demand for high-end precious metal products. China's precious metal watch market has grown from RMB21.35 billion in 2018 to RMB30.03 billion in 2023 (representing a CAGR of 7.06% from 2018 to 2023), and is forecasted to further reach RMB46.83 billion by 2028 (representing a CAGR of 9.29% from 2023 to 2028). In 2023, China's gold watch market achieved a GMV of RMB28.10 billion, accounting for 93.55% of the total GMV of China's precious metal watch market. By 2028, the market size in terms of GMV of China's gold watch market is expected to reach RMB44.40 billion (representing a CAGR of 9.58% from 2023 to 2028). Supported by our proven track record, our R&D and product design capabilities and favourable industry trends, we believe we are well-positioned to capture the significant growth opportunities in China's gold watch and jewellery and accessories industries.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success:

A leading gold watch manufacturer in terms of GMV of domestic brand gold watches and 24K gold watches in China with strong growth momentum

We are a leading domestic brand gold watch and 24K gold watch manufacturer in China with over 10 years of proven track record. According to the CIC Report, in 2023, our proprietary flagship brand, HIPINE, was (i) the largest domestic gold watch brand in China's domestic brand gold watch industry in terms of GMV, representing a market share of 24.98%; and (ii) the largest 24K gold watch brand in China's 24K gold watch industry in terms of GMV in 2023, representing a market share of 35.83%.

Moreover, according to the China Gold Jewellery Market Report 2023 (中國黃金首飾市場報告2023) released by the China Gold Industry Association (中國黃金協會), we ranked first in the national processing volume of 24K gold watches (全國足金手錶加工量), based on both (i) processing volume (加工量), in terms of the number of watches processed and (ii) gold usage (用金量), in terms of the weight of gold used, in 2022. We were honoured by the Guangdong Province Horologe Industry Association (廣東省鐘錶行業協會) as the Most Promising Enterprise in the Guangdong Province Horologe Industry (廣東省鐘錶行業協會最具潛力企業) and recognised by the China Gold Association (中國黃金協會) as one of the Top Five Key Enterprises in National 24K Gold Watch Processing (中國足金手錶加工五大重點企業) in 2022.

According to CIC, China's precious metal watch market rose from RMB21.35 billion in 2018 to RMB30.03 billion in 2023 (representing a CAGR of 7.06% from 2018 to 2023), and is projected to reach RMB46.83 billion by 2028 (representing a CAGR of 9.29% from 2023 to 2028). Moreover, CIC noted that in 2023, China's gold watch market achieved a GMV of RMB28.10 billion, which accounted for 93.55% of the total GMV of China's precious metal watch market in the same year. By 2028, the market size in terms of GMV of China's gold watch market is expected to reach RMB44.40 billion (representing a CAGR of 9.58% from 2023 to 2028).

Moreover, China's 24K gold watch market has surged in recent years. According to CIC, the market size of China's 24K gold watch market in terms of GMV has grown from RMB0.47 billion in 2018 to RMB1.62 billion in 2023 (representing a CAGR of 28.12% from 2018 to 2023), and is forecasted to increase significantly to RMB4.00 billion by 2028 (representing a CAGR of 19.78% from 2023 to 2028). With such rapid growth, the market share of 24K gold watches in China's gold watch market in terms of GMV, has increased from 2.37% in 2018 to 5.78% in 2023, and is expected to further increase to 9.01% in 2028.

CIC has also noted that China's domestic gold watch brands have experienced robust sales growth in recent years. Specifically, the total sales volume of domestic gold watch brands grew from 0.19 million in 2018 to 0.44 million in 2023 (representing a CAGR of 17.72% from 2018 to 2023), and is projected to reach 0.97 million by 2028 (representing a CAGR of 17.27% from 2023 to 2028). Leveraging our leading position in both the domestic brand gold watch market and the 24K gold watch market in China, and the positioning of our flagship proprietary brand, HIPINE, as a domestic gold watch brand, we believe that we have the capability, experience, resources, and competitive strengths to capitalise the abovementioned rapid growth in these markets to further deepen our market penetration and expand our market share. With the positive industry outlook, our Directors believe that demand for gold watches, will continue to increase.

Craftsmanship and designs

At the core of our success and proven track record is our uncompromising commitment to craftsmanship and designs that align with market needs. As a leading designer and manufacturer of precious metal watches, we have established strong market reputation for well-crafted products that are attuned to the evolving preferences of the market. We believe our ability to identify and respond to market trends, and to create designs that resonate with customers and align with customer preferences is a key driver of our continued success.

Our manufacturing process is imbued with a deep reverence for traditional techniques that have been perfected over generations. From the intricate engraving work adorning the watch cases to the precise application of coloured enamel glaze on the gold surfaces of different watch components, each stage is undertaken with care and attention to detail by our team of craftsmen. For details of our craftsmanship, please see "– Our Business Model – (iii) Manufacturing – Our craftsmanship". Complementing such craftsmanship is our sensitivity to market trends and the evolving preferences of our clientele. As the traditional watch and jewellery and accessories industries have become increasingly commoditised, we have embraced the growing demand for personalised, high-value products by consistently pushing the boundaries of design and craftsmanship.

We believe our portfolio of nearly 3,000 unique watch and accessories creations launched and/or marketed during the Track Record Period is a testament to our design capabilities and ability to continuously introduce new products to the market. We have successfully incorporated iconic artistic and cultural elements from esteemed institutions, such as The Palace Museum of Beijing and the Rong Bao Zhai art gallery (榮寶齋), into our designs, resonating with customers and reinforcing our brand's unique positioning. Also, we believe that the HIPINE 10th Anniversary & Year of the Dragon Tourbillon Limited Edition Gold Watch (西普尼十週年&龍年生肖陀飛輪限量金錶) launched in 2023 showcases our design and craftsmanship capabilities, particularly in its incorporation of the auspicious dragon motif, and reflects our sensitivity to the market trend that increasingly appreciates Chinese domestic art and culture.

Furthermore, our sensitivity to market trends regarding smart wearables has driven us to launch a new collection of 24K gold smart watches incorporated with smart movements of Huawei, a leading global Chinese technology company recognised for its cutting-edge 5G technology, in 2023. We have also developed and introduced smart silver watch series and smart gemstone watch series, both integrated with this company's smart movements, in 2024.

By continuing to strive to deliver well-crafted products that align with market needs, we are confident in our ability to attract a growing customer base, further deepen our market presence and increase sales, and solidify our standing as a preeminent player in the precious metal watch segment. We therefore believe we are well-positioned to capitalise on the growth opportunities in the precious metal watch market in China going forward.

R&D capabilities, commitment to innovation and ability to convert R&D results into products and commercialise them

We believe that at the core of our competitive edge lies our commitment to continuously improve our product offerings through innovation and R&D. Over the years, we have been dedicated to invest in R&D infrastructure, fostering a culture of innovation, and assembling a team of talented designers and engineers. Our in-house R&D department, in particular our design and engineering team, constantly strives to push the boundaries of precious metal watch craftsmanship, adopting advanced technology to create timepieces that seek to captivate and inspire our customers. As at 31 December 2024, our R&D department consisted over 35 members, who had experience and/or knowledge in the areas of, among others, watchmaking, quality management, R&D management, BOM (Bill of Materials) coding and engineering drawing. We believe our technical know-how serves as a significant barrier to entry by competitors, reinforcing our leadership position in the domestic brand gold watch and 24K gold watch markets in China.

Our commitment to innovation has been the driving force behind our industry-leading achievements. For instance, one of the key challenges in the traditional gold watchmaking industry has been the relatively soft nature of 24K gold (with a Vickers hardness number of approximately 34–40). This has often resulted in issues such as rapid wear and tear, as well as deformation of the watch case, hindering the precision required for intricate component assembly and high-precision manufacturing. We have tackled this industry-wide challenge through the development of an innovative, proprietary high-hardness gold alloy formula and advanced vacuum melting technology. By leveraging these self-developed core technologies, we have been able to produce gold watch cases with a Vickers hardness number exceeding 90, without compromising the purity of Au999 gold. We believe this breakthrough has effectively solved the longstanding issues of poor wear resistance of traditional 24K gold watch components, setting a new standard for durability and precision in the premium watchmaking segment.

Moreover, we have developed industry-leading expertise and proprietary technologies that enable us to precisely control the weight of our gold watches throughout the entire manufacturing process. By applying such techniques to standard machining, polishing, and finishing operations, we strive to ensure a relatively high level of consistency in the weight of gold in our watch and accessories products and maintain the inherent value of gold components in our products. We believe this has helped us provide our customers with confidence in the specified weight and gold content of our products, solidifying our standing as a trusted brand among China's sophisticated consumer base.

We also aspire to drive forward the standards for the gold watches segment in China. To this end, we actively participate in the formulation of national and industry standards, contributing to the creation or revision of key specifications such as "24K Gold Watches" (《足金手錶》), "Watches Using Gemstones and Precious Metals" (《使用寶石和貴金屬的手錶》), "General Requirements and Test Methods for Watch Case Components Made of Hard Materials" (《計時儀器硬材料製造的手錶外觀件一般要求和試驗方法》), "Reliability Test Methods for Watch Movements" (《手錶機心的可靠性試驗方法》), and "Technical Specifications for After-Sales Repair and Maintenance Services" (《鐘錶售後維修服務技術規範》). We collaborate closely with relevant industry leaders and experts to promote the establishment of more scientific, rigorous and comprehensive industry standards, with a view to contributing to the development of high-quality, durable and responsibly-crafted timepieces within the industry.

The success of our R&D efforts has been recognised within the industry over the years. Our project, "research and application of a novel ultra-high hardness gold watch manufacturing process" (《一種超分子高硬度黃金手錶生產工藝的研發與應用》) was awarded a third-class prize in the science and technology category by the China Gold Association (中國黃金協會科學技術獎, 科學技術成果類三等獎) in 2022. Furthermore, our Shenzhen R&D Centre was recognised as a "high-hardness and precise smart precious metal watch engineering and technology research centre" (高硬度貴金屬精密智能腕錶工程技術研究中心) by the Guangdong Provincial Department of Science and Technology (廣東省科學技術廳) in the same year. We believe that these accolades are testaments to our technological leadership in the premium watchmaking segment, providing a solid foundation for our competitive edge.

Crucially, we have successfully converted our R&D results, including but not limited to our proprietary supramolecular gold hardening technology (超分子硬金技術), into products and commercialised them for mass production. During the Track Record Period, we generated revenue from over 3,000 products that leveraged our R&D achievements. We believe our ability to take innovative ideas from concept to market could also be demonstrated by our launch of the smart 24K gold watch series integrated with smart movements of Huawei, a leading global Chinese technology company recognised for its cutting-edge 5G technology, in 2023. We also launched silver, platinum and gemstone smart watch collections incorporating the smart movements of Huawei in 2024. These watch collections were developed by our design and engineering team under our R&D department. These achievements showcase our capability to leverage our technical expertise to create innovative products that cater to evolving consumer preferences and capture growth opportunities in the smart device and accessories market.

Looking ahead, we are committed to further strengthening our competitive position through relentless R&D efforts. We will continue to invest in the R&D of innovative watch designs, smart watch development, and novel alloy formulations, with a view to further pushing the boundaries of precious metal watchmaking and solidifying our reputation as the industry's premier innovator.

Extensive, diversified and stable distribution and sales networks

During the Track Record Period, we primarily sold our OBM products directly to primary distributors, which in turn distributed them within their assigned sales regions to sub-distributors. Our primary distributors and their sub-distributors also principally sold our OBM products to Retail Outlet operators within the relevant sales regions, at which our OBM products were sold to end consumers. These POS include display centres operated by our primary distributors, individual jewellery retail stores and sales counters in department stores and shopping malls to whom our primary distributors and/or their sub-distributors distributed our OBM products. We have also established self-operated online stores to sell our OBM products directly to consumers, and sell our OBM products to third-party online store operators for their onward sales on various third-party e-commerce platforms, providing multi-channel coverage to consumers nationwide. During the Track Record Period, our OBM products were distributed over 3,000 offline Retail Outlets nationwide, and marketed and sold in online stores on e-commerce platforms such as Tmall, JD.com and Douyin.

We have built strong relationships with our primary distributors through our continuous support and our marketing activities, such as (i) providing online support in relation to the formulation of marketing plans customised to the display centres operated by our primary distributors, the setting up of new display centres and training of their sales staff; (ii) sending our sales representatives to their display centres from time to time to provide on-site support and advice; and (iii) providing after-sales services to end consumers. For details, please see "– Arrangements with our primary distributors – Support provided to our primary distributors" and "– Arrangements with our primary distributors – Marketing activities by our primary distributors". We intend to leverage our strong relationship with our primary distributors to promote and further increase sales of our products and market penetration.

Long-term collaborative and mutually beneficial relationship with ODM customers including renowned jewellery brands

We have built long-term business relationships with many of our ODM customers. Most of our major ODM customers had business relationships with us for over four years as at 31 December 2024, including various renowned domestic jewellery brands, such as Lao Feng Xiang, Sino Gem and Chow Tai Seng. Since 2023, we have also cooperated with the largest retailer and supermarket chain worldwide for the promotion and sales of our products in China.

These established partnerships provide a stable customer base for our ODM products. Collaborating closely with leading domestic jewellery brands and wholesalers also help expose our watch designs and craftsmanship to wider consumer audiences through their extensive distribution networks and brand marketing efforts. Furthermore, the trust and familiarity with our ODM customers that were developed over time enable smooth, efficient order fulfillment and facilitate our production planning. This stability in sales channels and order volumes grants us flexibility to optimise our manufacturing operations, workforce, and inventory management, allowing us to maximise productivity and cost-effectiveness.

Moreover, the continuous feedback on product design we receive from these long-term partners and customers become valuable intelligence to us to drive our product development efforts to evolve with changing market preferences. This collaborative approach supports our efforts to innovate and refine our product offerings, which has allowed us to stay ahead of latest consumer trends and to meet the discerning demands of affluent domestic consumers.

Comprehensive production control and vertical integration help ensure consistency and preciseness in gold materials processing

We believe one of our key competitive strengths lies in our robust production control system and vertically integrated business model, which help enhance our product quality and drive operational efficiencies. In particular, our production control system plays a critical role in ensuring consistency and preciseness across each production step involving gold materials, and in turn consistent product quality, including the weight and purity of gold in our end products, which we believe is essential to upholding customer confidence and trust.

The precious nature of gold demands high level of care and attention to detail throughout the production process. As slight variation in weight or purity of gold can significantly impact the value of our products and our credibility, we have implemented a robust production control system that closely monitors each production step, from gold smelting to watch assembly. Our advanced ERP (Enterprise Resource Planning) system consolidates data from every stage of our production, including metrics on production efficiency, costs and inventory. This enables us to track the status of gold raw materials, semi-finished products and finished products throughout the different stages of our production process in real-time, and evaluate the efficiency of our production facilities and workers. This helps us reduce wastage, enhance our production efficiency and manage the overall production process more accurately. The ERP system also allows us to respond swiftly to customer requests for product design changes during development and production stages. It enables us to closely monitor our production capacity and utilisation rates, which enhance our order planning, scheduling, and the accuracy of our costing and production processes.

Complementing our production control system is our proprietary high-hardness gold alloy technology, a key differentiator that sets us apart from our competitors. Leveraging this innovative technology, we are able to achieve a Vickers hardness of over 90 HV for 24K gold. This enhances the malleability and surface durability of the gold, making it suitable for use in watch case and strap production, and elevating the quality and longevity of our products. Also, through the application of our patented gold weight control technology, we can maintain the weight variance of each gold watch to within 0.015 grams.

Moreover, our production facilities are equipped with computerised machinery, including laser cutting tools and welding and carving machines. This helps us standardise certain key processes, ensuring consistency in output. Our experienced team of technicians continuously monitor and fine-tune these machinery to help increase operational efficiency, maintain a stable production flow, and meet delivery timelines.

Our comprehensive quality assurance regime, which includes inspections by our production personnel and final product testing at our in-house laboratory, helps ensure every product meets our stringent quality standards. Specifically, weight control checks are conducted after completion of various key manufacturing processes, from processing of precious metal, installation and calibration of watch movements, and assembling of watches. For details, please see "– Our Business Model – (iii) – Manufacturing – Production processes".

In parallel, we believe our vertically integrated business model gives us effective control over our entire operational chain, from product design and development to procurement, production, sales, and after-sales services. Specifically, our design and engineering team under our R&D department works in close collaboration with our business department to create new watch designs that are consistent with the brand's identity and aligned with prevailing market trends. By integrating our design, sales, and marketing strategies, we can respond quickly to changing consumer preferences and market demand, ensuring that our product offerings remain aligned with prevailing trends.

We believe that our robust production control system, proprietary high-hardness gold alloy technology, and vertically integrated business model enable us to maintain tight control over our production capacity, which help ensure that every product meets our quality standards and customer expectations. By upholding high standards of quality control, we are able to build trust and confidence with our customers, and protect our brand integrity.

Experienced management team with in-depth industry knowledge and strong execution capabilities

We have an experienced and capable management team, led by Mr. Li Yongzhong, the Chairman of our Board, who has been instrumental in spearheading the growth of our Group since its inception. Mr. Li Yongzhong has over 20 years of experience and possesses in-depth knowledge of the watch and jewellery and accessories industries and insightful understanding of the tastes and preferences of the consumers in the gold watch and jewellery and accessories markets. We benefit from his knowledge and experience, as well as his extensive business networks, particularly his long-term relationships with our suppliers and primary distributors. Complementing Mr. Li Yongzhong's leadership is Mr. Hu, the founder, an executive Director and the general manager of our Group, who has over 15 years of experience in the watch and jewellery and accessories industries. Mr. Hu's in-depth understanding of the industry's unique characteristics, cultural nuances, customer preferences, and future development trends has been pivotal in aligning our strategies with evolving market dynamics. Leveraging their industry connections, foresight and in-depth industry knowledge, we have been able to formulate sound business strategies, assess and manage risks, anticipate changes in customer demand and preferences and capture business opportunities.

Our senior management team comprises executives with extensive and diversified industry experience and strong execution capabilities. Members of our senior management team on average have ten years of experience in the watch and jewellery and accessories industries. Our management team is committed to building a corporate culture dedicated to the pursuit of excellence and long-term commitment. We believe our corporate culture, coupled with our employee training, career development and incentive programmes, have contributed greatly to motivating and retaining talented and experienced employees to drive our business growth.

OUR BUSINESS STRATEGIES

In order to fulfil our vision of becoming the trusted and favourite gold watch brand of the masses, we intend to continue to strengthen our leading position in the traditional precious metal watch and jewellery market, strategically expand market presence in the smart precious metal watch and accessories market, enhance our overall competitiveness and increase our market share in the future. To achieve these goals, we are pursuing the following principal strategies:

Further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market

We intend to enhance our production capacity by setting up the New Putian Production Base and upgrading the production facilities at our Shenzhen Production Base, to reinforce our leading position in the growing traditional precious metal watch market and capture growth opportunities in the rapidly expanding smart precious metal watch and accessories market. The establishment of the New Putian Production Base is a strategic move to concentrate on the development and manufacturing of smart watches and accessories, in light of the anticipated significant growth in this market segment according to the CIC Report. Additionally, as our existing Putian Production Base is ageing and is located at leased properties, we plan to relocate it to the New Putian Production Base, which is being established on the Putian Site, to which we own land use right. The New Putian Production Base will therefore be primarily responsible for producing smart watches and accessories, and will also produce traditional accessories that are currently made at the existing Putian Production Base. By dedicating the New Putian Production Base primarily to smart watch and accessories production and focusing the resources of our Shenzhen Production Base on traditional precious metal watches, we aim to capitalise on the growth potential of both segments while optimising operational efficiency.

(i) Setting up the New Putian Production Base

Reasons for the expansion

We intend to enhance our production capacity for traditional precious metal watch and accessories products by continuing to expand our production base in Putian in light of the following reasons:

(1) Our existing production facilities are almost fully utilised

Our watch products, including both traditional precious metal watches and smart watches, are currently produced at our Shenzhen Production Base. As our existing Putian Production Base, including its factory setting and production machinery, is customised to the production and processing of accessories products, it has not been used, and could not be used, for producing watches. Moreover, our current production bases in Shenzhen and Putian are leased facilities. Due to limitations of the size of our existing leased production plants and restrictions against large-scale renovations of such leased properties, expansion within such facilities would be impracticable.

Corresponding to the change in our sales of watch products, the aggregate annual utilisation rate of watch production facilities at our Shenzhen Production Base had increased from 56.53% in FY2022 to 95.21% in FY2023, and further increased to 99.02% in FY2024. In particular, our Shenzhen Production Base had been fully utilised during our production peak season in FY2023 and FY2024, especially during the months of January, September and December which coincide with the periods preceding major ceremonial and festival events in China.

We therefore believe our current production capacity for watches can no longer meet the needs of the sustained business growth of our traditional precious metal watch business, and has limited our ability to further expand into the smart watch market, and recognise the need to establish the New Putian Production Base to unlock the full potential of both our traditional precious metal watch and smart watch businesses.

(2) Further production capacity required for the production of smart watches and smart accessories

Under the current market trend of integrating intelligent technologies into consumer electronics and the penetration of smart technologies in various aspects of consumer lifestyle, watches with smart functions have become an important industry direction. According to CIC, the increasing interest of consumers in tracking their fitness and health metrics has driven demand for smart wearables. In terms of GMV, the market size of China's smart watch market has grown from RMB23.81 billion in 2018 to RMB34.63 billion in 2023 (representing a CAGR of 7.78% from 2018 to 2023), and is expected to reach RMB54.94 billion by 2028 (representing a CAGR of 9.67% from 2023 to 2028). For details, please see "Industry Overview – Overview of China's smart watch industry".

In the coming years, it is anticipated that smart jewellery and accessories crafted from precious metals, such as gold and platinum, will demonstrate great market potential. This expectation is based on the distinctive properties and added value of precious metals. Gold and platinum not only exhibit excellent conductivity and corrosion resistance, rendering them suitable for integrating intricate smart technologies, but also offer aesthetic qualities highly esteemed by consumers. As consumers increasingly prioritise functionality alongside luxury when making jewellery and accessories purchases, the market outlook for smart precious metal jewellery and accessories appears particularly promising. According to CIC, from 2018 to 2023, China's precious metal jewellery and accessories market size was RMB299.31 billion and RMB504.73 billion, with a CAGR of 11.02% from 2018 to 2023, in terms of GMV and it is expected to reach RMB663.77 billion in 2028 with a CAGR of 5.63% from 2023 to 2028.

Capitalising on this trend, we have been proactively establishing and positioning our Group in the smart wearable products sector, and have integrated intelligent technology into our product offerings, and successfully developed for ODM customers, and launched under our proprietary brand, smart watch products in 2023 and 2024. According to CIC, we are the first precious metal watch brand to release the smart dual-wearable gold watch in China, which allows the user to switch between traditional watch movement and smart movement according his/her needs and preferences. We also launched 24K gold, silver, platinum and gemstone smart watch collections incorporating the smart movements of Huawei in 2023 and 2024.

More importantly, we anticipate that there will be a significant increase in the sales volume of our smart wearable products over the next few years on the following basis:

(i) we experienced an increase in the demand for our smart wearable products. Notably, in the second half of FY2024, we had received purchase orders for over 17,000 smart watches and 25,000 smart rings, which shall be delivered over the course of FY2024 and FY2025. This exceeded our smart product sales volumes for FY2022 and FY2023, respectively. These orders included smart rings to be manufactured under various brands, including (i) a luxury handmade mobile phone brand owned by a manufacturer and retailer, which was established in 1998 and formerly owned by a Finnish mobile phone manufacturer, and is currently headquartered in Hong Kong, based on publicly available information; and (ii) a sports fashion brand, which is owned a company incorporated in the United Kingdom, based on publicly available information. Our customers for these orders were authorised by the relevant brands to produce and sell products including smart rings bearing their intellectual properties in China. Since 1 January 2025 and up to the Latest Practicable Date, we had also been engaged by a telecommunications equipment company to develop and produce 10,000 customised smartwatches featuring Huawei smart movements, to be delivered over the course of FY2025 and FY2026. We believe this increase in customer orders underscores the growing popularity of our smart watch and accessory offerings;

(ii) we have entered into framework agreements with various ODM customers for the development of new smart watch and accessory products, which are expected to generate substantial additional sales orders in FY2025. For instance, in November 2024, we formed a strategic collaboration with a culture development company in Putian to develop a new line of smart watches featuring authorised cultural elements of Mazu (媽祖) (also known as Matsu, which is identified as a sea goddess in various religions). This collaboration partner (an Independent Third Party) is the exclusive operator designated by a local Mazu temple cultural brand (媽祖祖廟文創品牌) to oversee the development, use and sales of Mazu cultural creative products. Pursuant to this collaboration, we have been licensed to use Mazu-related copyrighted works for the design, production, marketing and sales of our smart watch products for a period of over five years from November 2024 to December 2029.

Further to the above collaboration, we have developed ten models of OBM smart watches that incorporated Mazu-related copyrighted works and utilised the smart movement technology of Huawei. In November 2024, we entered into a two-year framework supply agreement for these products. Pursuant to this framework agreement, we had already received the customer's first order for over 24,000 smart watches.

We believe this is a significant milestone in the continuous expansion of our smart watch business. The collaboration is expected to drive an increase in our smart watch sales orders in 2025, as the integration of the iconic Mazu cultural elements is anticipated to resonate strongly with our target customers, particularly those in the South China region. Moreover, the collaboration demonstrates our commitment to preserving and promoting traditional Chinese culture through innovative product offerings. We believe this collaboration would lay a solid foundation for the further expansion of our smart watch business, leveraging the rich cultural heritage and growing popularity of the Mazu brand, and enabling us to enhance our brand recognition;

(iii) in November 2024, we were engaged to design a prototype of a silver smart ring to be manufactured under a renowned outdoor backpacks brand headquartered in the United States;

(iv) in December 2024, in relation to the launch of a limited-edition series of 10,000 smart watch gift box sets by a leading Chinese baijiu (白酒) brand, we were granted production authorisation by the brand, and integrated smart movements into the smart watches for the brand's manufacturer;

(v) in March 2025, we had also entered into a framework agreement with a subsidiary of a pharmaceutical company listed in Hong Kong and headquartered in Jiangsu, China, which is principally engaged in the research, development, manufacturing, and sales of pharmaceutical products, for the development and sale of customised smartwatches integrated with Huawei smart movements. The framework agreement is for a term from March 2025 to September 2026, with a target procurement volume of no less than 10,000 smart watches. As at the Latest Practicable Date, we had already completed the customer's first order for 3,000 smart watches; and

(vi) we have been discussing smart product development projects with various potential customers as at the Latest Practicable Date.

The integration of the brand identity of these brands with our watchmaking capabilities is expected to create a unique smart wearable offerings. We believe these collaborations represent significant opportunities for us to expand our smart wearables business by tapping into the customer base of the consumer brands.

However, with the gradual saturation of our watch production facilities at our Shenzhen Production Base and the continuous development of our traditional precious metal watch business, our existing watch production facilities are primarily focused on producing traditional precious metal watches, with limited production capacity being allocated to the development and production of smart watches and accessories. This may restrict our ability and flexibility to adapt our product offerings to growing consumer preferences for smart wearables.

Therefore, we consider that it is necessary to enhance our production capacity to support the development of our smart watch and accessories business, while ensuring sufficient production capacity to complement the continuous growth of our traditional precious metal watch business. Specifically, it is currently expected that upon the New Putian Production Base achieves full commercial production, its maximum annual production capacity would reach (i) 200,000 units of smart watches and accessories; and (ii) 4,000 kg of traditional gold accessories. Based on the current estimated progress for putting the New Putian Production Base into operation, it is expected that in the first and second years after the New Putian Production commences production, the annual production capacity for (i) smart watches and accessories would reach 60,000 units and 160,000 units, respectively; and (ii) traditional accessories would reach 1,200 kg and 3,200 kg, respectively. We therefore believe that the construction of the New Putian Production Base will allow us to better optimise our production facilities and give us more flexibility to meet evolving consumer demand for smart wearables.

(3) Enabling the Shenzhen Production Base to focus on the production of traditional precious metal watches

The traditional precious metal watch segment has witnessed robust growth during 2018 to 2023, and is expected to continue its upward trajectory from 2023 to 2028. According to CIC, in terms of GMV, the market sizes of China's precious metal watch and gold watch markets are forecasted to grow from RMB30.03 billion and RMB28.10 billion for 2023 to RMB46.83 billion and RMB44.40 billion by 2028, respectively, representing CAGRs of 9.29% and 9.58%, respectively. For details, please see "Industry Overview – Overview of precious metal watch and gold watch industry".

According to the CIC Report, in 2023, our proprietary flagship brand, HIPINE, was (i) the largest domestic gold watch brand in China's domestic brand gold watch industry in terms of GMV, representing a market share of 24.98%; and (ii) the largest 24K gold watch brand in China's 24K gold watch industry in terms of GMV in 2023, representing a market share of 35.83%. Leveraging our established leadership in both the domestic brand gold watch market and the 24K gold watch market in China, as well as the strong positioning of HIPINE as a premier domestic gold watch brand, we believe we are well-equipped to capitalise on the rapid growth occurring in these markets, and market demand for our traditional precious metal watches will continue to rise. For details, please see "– Our Competitive Strengths – A leading gold watch manufacturer in terms of GMV of domestic brand gold watches and 24K gold watches in China with strong growth momentum".

Furthermore, we have recently taken steps to start expanding our distribution channels overseas. In November 2024, we entered into a cooperation agreement with a local partner in Malaysia, Kedai Emas Tian Si Sdn Bhd, appointing it as our primary distributor for the distribution and retail of our HIPINE watch products, including traditional precious metal watches, smart watches and watch accessories like watch straps, across the country. According to information on the website of our Malaysian partner, it was founded in 2003 and primarily sells gold and diamond jewellery, along with gold bars, through wholesale channels and retail channels in Malaysia. Specifically, its retail channels include three outlets and one flagship store located in Malaysia, as well as an online store. Since signing the cooperation agreement with our Malaysian partner, we had received their first order for a total of over 130 watches, which included both traditional precious metal watches and smart watches, and we had completed the order in January 2025. We are also planning to further expand our presence into the Middle Eastern market in the next few years. This growth strategy is expected to help sustain the overall demand for our traditional precious metal watches, as we cater to the preferences of a broader customer base. For details, please see "– Our Business Strategies – Expand into overseas markets by strategically partnering with selected overseas distributors".

To meet the future demand for our traditional precious metal watches, we need to ensure that our Shenzhen Production Base has sufficient capacity to focus on this growing business segment. However, during the Track Record Period, production facilities and machinery at our existing Shenzhen Production Base were shared between the production of traditional precious metal watches and smart watches. This had resulted in inefficient resource utilisation and lost production time due to time-consuming adjustments, commissioning and testing of the machinery and production systems at our Shenzhen Production Base every time they were switched from the production of one product category to the other. This, in turn, had reduced our overall production capacity and flexibility to meet evolving consumer demand for a more diverse range of watch models. Furthermore, as the production capacity of our Shenzhen Production Base is currently shared between the two product categories, if our smart watch products experience an increase in demand, we may have to reallocate the production capacity of our Shenzhen Production Base to the production of smart watches, which may hinder our traditional precious metal watch business.

By establishing the New Putian Production Base for the production of smart watches and accessories, our Shenzhen Production Base could focus on the production of traditional precious metal watches. This will enable us to better ensure that sufficient resources, including production facilities and labour, could be allocated to maintain our traditional precious metal watch business and support its future growth, without compromising our operational efficiency. Specifically, if our smart watch production is allocated to the New Putian Production Base after it is put into operation, it is expected that the annual production capacity of approximately 131,000 watches of our Shenzhen Production Base (calculated based on its planned production capacity for watches during FY2024, details of which are set out in "– Production Facilities – Production capacity and utilisation") could be fully allocated to the production of traditional precious metal watches.

(4) Leveraging specialisation and economies of scale through dividing responsibilities between two production bases

We believe the strategic decision to divide the production responsibilities between our New Putian Production Base and our existing Shenzhen Production Base will also enable us to enhance specialisation and operational efficiency, further streamline our production, achieve further economies of scale and cost optimisation and increase operational flexibility and adaptability.

Our production of traditional precious metal watches is characterised by small batch sizes and a wide variety of SKUs, requiring specialised craftsmanship and precision. Smart watches, on the other hand, tend to have fewer SKUs but higher production volumes, allowing for more standardised and efficient manufacturing processes. For smart watch production, we have leveraged our partnership with Huawei to acquire smart movements from it. The focus for smart watch production has therefore shifted more towards the precision finishing of the precious metal casings and accessories (like watch straps and clasps) to complement the standardised smart module. By dedicating the New Putian Production Base primarily to the manufacturing of smart watches and smart accessories, we can better ensure that our team of engineers, technicians, and production workers stationed at the New Putian Production Base develop expertise and specialised skills in the processes involved in smart wearables production. Conversely, our Shenzhen Production Base can focus solely on the manufacture of traditional precious metal watches, allowing our workforce to hone their craftsmanship and refine the intricate mechanical processes required to produce these high-precision timepieces. This specialisation will result in enhanced product quality, improved production yields, and greater operational efficiency across both product lines.

Furthermore, the separation of smart watch and traditional precious metal watch production into dedicated facilities is expected to eliminate the need for frequent changeovers and adjustments of production equipment and processes. As mentioned above, in a shared production environment, transitioning between the manufacturing of these two distinct product categories would require significant time and resources for reconfiguring machinery, retooling, and retraining personnel. By maintaining separate production facilities, we can avoid these disruptions and ensure a smooth, uninterrupted flow of operations. This will not only boost our overall output capacity, but will also enable us to be more responsive to fluctuations in customer demand, as we can efficiently allocate resources to the specific product category that requires immediate attention.

The establishment of the New Putian Production Base, dedicated primarily to smart watch and smart accessories manufacturing, is also expected to allow us to achieve greater economies of scale in this emerging product segment. By consolidating our smart watch and smart accessories production under the New Putian Production Base, we can invest in specialised, high-efficiency equipment and streamline our supply chain and logistics, resulting in lower unit costs and enhanced profitability. Similarly, our Shenzhen Production Base can benefit from economies of scale in the production of traditional precious metal watches, as it can focus on optimising its manufacturing processes and supply chain management for this core business line. This will enable us to maintain a competitive edge in terms of pricing and profit margins.

We also believe that the division of responsibilities between the New Putian Production Base and the Shenzhen Production Base will enhance our overall operational flexibility and adaptability. For instance, if the smart watch market experiences a surge in demand, we can ramp up production at the New Putian Production Base to capitalise on the opportunity, without having to allocate less production capacity to traditional precious metal watches production.

(5) Relocation of our existing Putian Production Base to the New Putian Production Base

Our existing Putian Production Base has been in operation for seven years and requires substantial renovation to enhance our production planning and operational efficiency for traditional accessories manufacturing. However, as our existing Putian Production Base is situated on leased properties, the scope of renovation and refurbishment work we can undertake is limited.

In contrast, the New Putian Production Base offers several strategic advantages: (i) it is being built on land for which we hold land use right, providing greater flexibility for arrangement of our production facilities and fitting out works; (ii) it is located in close proximity to our existing Putian Production Base, such that relocation expenses could be kept low; and (iii) it is sufficiently large to accommodate distinct production areas - one for smart watch and accessories manufacturing as mentioned above, and another for traditional accessories production from the existing Putian facility. This clear separation of responsibilities between the two product categories will improve operational efficiency, as the manufacturing processes need not be shared.

Given the above benefits, we intend to relocate our existing, aging Putian Production Base to the new, purpose-built facility in the New Putian Production Base. This will allow us to modernise our traditional accessories production while consolidating all manufacturing activities in Putian at a single, self-owned location.

The Expansion Plan

We have commenced the construction of the New Putian Operations Complex, which houses the New Putian Production Base and the Putian R&D Centre, since 2023. The New Putian Operations Complex is being constructed on the Putian Site, a parcel of land of which the land use right is owned by us, with planned site area of around 12,221.78 sq.m., which is in proximity to our existing Putian Production Base. The quality inspection of the main construction works of the New Putian Operations Complex is currently expected to be conducted within the first quarter of 2025.

The New Putian Production Base comprises a production plant, and ancillary facilities (such as warehousing space, staff accommodation and canteen), with total GFA of 24,302.48 sq.m. We plan to set up the production facilities in the New Putian Production Base by stages. Depending on the progress of the construction of the New Putian Operations Complex, it is expected that the New Putian Production Base will commence production by the second half of 2025.

If the New Putian Production Base could be put into operations by the second half of 2025, we currently intend to relocate our existing Putian Production Base to the new facility in the third quarter of 2025. This timing is strategic, as we generally record lower sales volumes for traditional accessories during this period of the year. The relocation process would mainly involve the moving of all machinery and equipment from the existing Putian Production Base to the New Putian Production Base, followed by the installation, testing, and commissioning of these production assets at the new site. We estimate that the relocation process could be completed within a two-week timeframe. Our existing Putian Production Base would cease operations upon completion of the relocation. On this basis, and considering that we could leverage the production capacity for traditional accessories of our Shenzhen Production Base to offset temporary reduction in traditional accessories output during the relocation, we believe the transition will not result in any material adverse impact on our ability to fulfill sales orders for traditional accessories during the relocation period.

It is estimated that the total costs for setting up the New Putian Production Base and putting it into operation will be RMB**[REDACTED]**, including RMB**[REDACTED]** for the construction, RMB**[REDACTED]** for fitting out works, RMB**[REDACTED]** for the acquisition of production machinery and equipment, and RMB**[REDACTED]** for the acquisition of production and operations software and systems.

As at the Latest Practicable Date, we had incurred RMB[80.5] million for setting up the New Putian Production Base, and we expect to further incur RMB**[REDACTED]** from the Latest Practicable Date up to the date immediately prior to the **[REDACTED]** for this. Accordingly, it is expected that RMB**[REDACTED]** of the total costs for setting up the New Putian Production Base would be funded by our internal financial resources immediately prior to the **[REDACTED]**.

The remaining estimated investment costs of RMB**[REDACTED]** for the setting up of the New Putian Production Base will be funded by the **[REDACTED]** from the **[REDACTED]**.

On the assumptions that (i) the operating environment in Putian remains stable; (ii) the New Putian Production Base achieves reasonable level of production efficiency with reference to our existing Shenzhen Production Base; and (iii) the New Putian Production Base will be in full operation as planned, the investment payback period of the establishment of the New Putian Production Base, being the time required for it to recover the total costs for setting up the New Putian Production Base and putting it into operation from net cash flow generated by it, is estimated to be approximately eight years.

For more details, please see "– Expansion Plan" and "Future Plans and **[REDACTED]**".

(ii) Upgrading the production facilities at our Shenzhen Production Base

In parallel with the establishment of our New Putian Production Base, we also recognise the importance of optimising and upgrading our existing Shenzhen Production Base to further enhance our operational efficiency and value-adding capabilities. Our Shenzhen Production Base has been in operation for 11 years, during which time the manufacturing landscape has undergone significant advancements. As technology continues to advance rapidly in the manufacturing sector, we believe it is crucial for us to reinvest in and upgrade our production facilities to maintain our position as an industry leader.

Over the course of the past decade, newer generations of production machinery have been developed, offering higher precision, greater efficiency and improved automation. We therefore believe that there is a need to incorporate these technological advancements in our production facilitate to bolster our manufacturing capabilities, and ensure our production processes continue to meet the evolving needs of the market. Moreover, the production of watches involves various complicated procedures, such as the manufacturing and processing of watch cases, the installation and calibration of movements, and the assembly of watches. Each of these processes directly affects the quality of the finished watches. While we have been gradually equipping our production facilities with computerised machinery, the upgrading of our facilities has been limited by our available resources and there is room for improvement in the degree of automation in most of our precious metal watch production processes, especially the manual assembly of finished watches, as well as the efficiency of spare parts transportation in each production process.

To address these areas for improvement and solidify our position as an industry leader, we intend to undertake a comprehensive upgrade of our Shenzhen Production Base. This initiative will involve (i) the renovation of our Shenzhen Production Base to accommodate the upgrade; (ii) the acquisition of precision CNC machining centre (CNC數控加工中心), precision CNC turning and milling composite machine (車銑複合精密數控車床), precision CNC lathe (精密數控車床) and robotic arm (機械臂); and (iii) the upgrading of our ERP system, manufacturing execution systems (MES), order and intelligent manufacturing management system, warehouse management system, integrated R&D management system, office automation system and sales management system. We believe the integration of additional CNC production machinery in our production facilities would further enhance the automation, digitalisation and precision of our precious metal watch manufacturing processes. By upgrading our production and operation systems, machinery and equipment, we believe we will be able to further streamline our production processes and overall operations. This, in turn, is expected to strengthen our operational efficiency, enhance the consistency and quality of our products, and ultimately drive greater value-creation for our customers.

We currently intend to upgrade our Shenzhen Production Base according to the following timeline: (i) complete the site renovation in the second half of 2025, in order to prepare for the installation of the new production machinery and equipment at our Shenzhen Production Base; (ii) acquire the new production machinery and equipment by stage over the course of three years after the **[REDACTED]**; and (iii) complete the procurement and upgrade of new and existing production and operations softwares and systems within one year after the **[REDACTED]**, in order to ensure that they would be ready for the installation in, or the testing and commissioning of, the new machinery and equipment.

It is estimated that the total costs for upgrading the production facilities at our Shenzhen Production Base will be RMB**[REDACTED]**, including RMB**[REDACTED]** for the renovation of our Shenzhen Production Base, RMB**[REDACTED]** for the acquisition of new production machinery and equipment and RMB**[REDACTED]** for the acquisition of new production and operations software and systems which are commensurate with the upgraded machinery and equipment at our Shenzhen Production Base. We intend to fund the total costs for upgrading the production facilities at our Shenzhen Production Base with the **[REDACTED]** from the **[REDACTED]**. For details, please see "Future Plans and **[REDACTED]**".

Strengthen our R&D capabilities to drive sustained business growth

As disclosed above, our core competitive edge lies in our product design and R&D capabilities. Guided by market demands and consumer trends, we prioritise continuous product innovation and iterative enhancements to maintain the competitiveness of our offerings. To further enhance our R&D environment and our ability to recruit professional R&D talents and establish R&D projects for key technologies, especially in smart watch and accessories product fields, we intend to establish the Putian R&D Centre.

Reasons for the establishment

We intend to establish the Putian R&D Centre in light of the following reasons:

(1) Enhancing R&D resources to meet evolving business and product needs

At present, our R&D function is mainly concentrated within our Shenzhen R&D Centre. As our business continues to expand and our product portfolio diversifies, our existing in-house R&D resources have become increasingly strained. Our R&D focus has expanded beyond traditional precious metal watches to encompass emerging smart wearables technologies, requiring a broader set of specialised competencies. To keep pace with these evolving market demands and support the continuous extension of our product lines, we need to significantly enhance our R&D capabilities. Specifically:

- *Design expertise*: In the design of traditional precious metal watches, emphasis is placed on the harmonious coordination of the overall appearance, including the case, dials, and strap. The precision machining techniques of watchmaking are combined with the craftsmanship of jewellery, using precious metals as the material to showcase tactile quality and value. Intricate engraving and carving techniques are also usually employed to give the watches artistic appeal.

  In contrast, the design of precious metal smart watches, in addition to using precious metal materials, often extensively incorporates materials such as ceramics and silicone, to (i) pursue more diverse and fashion-forward designs, and (ii) fulfill functional requirements, such as being lightweight, comfort, and durability, to support the active lifestyles of users. Ceramics and silicone have vastly different physical and aesthetic properties compared to traditional precious metals like gold and silver. These new materials require specialised design approaches to leverage their unique characteristics and harmonise them with the overall smart watch aesthetic. Smart watch design also requires specialised expertise to ensure optimal integration with the smart watch's electronic systems and overall ergonomics.

- *R&D expertise*: For traditional precious metal watches, the R&D focus has been on enhancing the base metal materials, improving hardness, and advancing precision manufacturing techniques. For precious metal smart watches, integrating novel materials like ceramics and enamels has been a key area of R&D to elevate the design and tactile experience.

  The core components also differ significantly. Traditional watches primarily use mechanical, quartz or electronic movements, whereas smart watches and accessories utilise integrated system-on-chip modules comprising processors, sensors, communication chips, displays, batteries and storage.

Therefore, the R&D expertise required for us to develop smart watches and accessories is focused on, among others, (i) selecting and testing suitable smart movement solutions from smart wearable device solutions providers, which is crucial to ensuring the product's performance and market appeal; (ii) integrating the smart movement into the watch body and precisely arranging the assembly of the movement with other components; and (iii) confirming the quality and reliability of the device. In contrary, the R&D expertise required for traditional precious metal watches and accessories is primarily focused on (i) processing precious metal raw materials, for example for increasing their suitability for mass production of watch and accessory products while maintaining the precious metal purity; and (ii) handling and crafting with precious metals, which employs a range of techniques including fabrication, casting, soldering, engraving, stone setting and polishing.

The enhancement of R&D capabilities for smart watches and accessories also includes equipping ourselves with specialised advanced instruments and attracting top technical talent, which we believe will better enable us to drive innovations in materials, functionalities, aesthetics, and manufacturing processes for smart wearables products, and also help ensure our in-house R&D resources are commensurate with the development of our smart wearables business, laying a strong foundation for sustained growth.

By aligning our R&D efforts with industry dynamics, we believe we can optimise the market relevance and commercial viability of our future product innovations, elevate the market competitiveness and perceived value of our core products, thereby solidifying our leadership position.

(2) Division of responsibilities between the Shenzhen and Putian R&D Centres

The establishment of the Putian R&D Centre will enable our existing Shenzhen R&D Centre to focus on the R&D of traditional OBM and ODM precious metal watch products, while the Putian R&D Centre will be dedicated to and specialise in the R&D of smart watches and accessories.

The Shenzhen R&D Centre will continue to leverage our extensive experience in R&D research projects to drive innovations in materials, manufacturing processes, and design for our traditional precious metal watch products. This includes the successful development and patenting of key technologies, such as "gold material hardening" (足金材料硬化), "hard 24K gold precision processing" (硬質足金精密加工), and "vacuum melting of 24K gold" (足金真空熔煉), which have demonstrated our technical prowess and innovation capabilities in the traditional watch segment.

The Putian R&D Centre, on the other hand, will be equipped with specialised laboratories for smart watch and accessories products, as well as a dedicated product testing facility. This centralised smart wearables R&D platform will enable us to attract top technical talent and drive innovations in smart wearables functionalities, production techniques, and cutting-edge design. By aligning our R&D efforts with industry development trends, we believe the Putian R&D Centre will empower us to optimise the market relevance and commercial viability of our future smart wearables product innovations, elevating their competitiveness and perceived value in the market.

We believe the division of responsibilities between the Shenzhen and Putian R&D Centres will unlock a host of benefits for our business. By dedicating the Putian R&D Centre to smart wearables development and the Shenzhen R&D Centre to traditional precious metal watches, we can better ensure that our teams develop deep, specialised expertise in their respective product categories, leading to more impactful innovations. Moreover, the separation of R&D functions will eliminate the need for frequent transitions between traditional watch and smart wearables development within one R&D facility, streamlining our operations and enabling more efficient utilisation of resources, equipment, and personnel. With dedicated R&D facilities, we can also simultaneously accelerate the development of both traditional precious metal watches and smart wearables, allowing us to respond more quickly to evolving market demands and stay ahead of the competition. Lastly, the establishment of the Putian R&D Centre is expected to enhance our ability to attract and retain top technical talent, as it will offer them a specialised environment to pursue their passion for smart watch and accessories innovation.

(3) Unlock benefits of establishing the Putian R&D Centre in close proximity to the New Putian Production Base

Setting up the Putian R&D Centre in close proximity to our smart watch and accessories production facilities at the New Putian Production Base is expected to provide us with several strategic benefits. Firstly, we believe it will enhance collaboration and knowledge transfer between our R&D personnel, engineers and production teams. This may enable a rapid exchange of ideas, insights, and technical knowledge, allowing for more effective problem-solving and a smoother transition from the design and development stage to large-scale production.

Moreover, the close proximity between the R&D centre and the production base in respect of the same product type is expected to accelerate innovation cycles. For instance, our R&D personnel may quickly prototype new designs, test them in the nearby production environment, and iterate on improvements, thereby reducing time-to-market for the relevant new product. This is especially the case for innovative smart watch products, as technologies adopted in smart products are rapidly evolving. The close proximity is also expected to allow our R&D team to gain deeper, real-time understanding of manufacturing capabilities and supply chain dynamics, which may enable us to develop smart watches that could be manufactured at higher production efficiency.

Locating the R&D centre in close proximity to the production facilities in respect of the same product type is also expected to better enable us to closely monitor product quality, identify manufacturing pain points, and implement design and process improvements in a timely manner.

The Expansion Plan

The Putian R&D Centre is situated in the New Putian Operations Complex, which we had commenced constructing on the Putian Site since 2023. For the avoidance of doubt, the Putian R&D Centre does not form part of the New Putian Production Base.

The Putian R&D Centre comprises a precious metal watch laboratory, a smart watch laboratory, a gold ornaments design laboratory, a product testing laboratory and an office space, with total GFA of 2,014 sq.m.. As the quality inspection of the main construction works of the New Putian Operations Complex is expected to be conducted within the first quarter of 2025, the Putian R&D Centre is expected to commence operations by the second half of 2025.

It is estimated that the total costs for setting up the Putian R&D Centre and putting it into operation will be RMB**[REDACTED]**, including RMB**[REDACTED]** for the construction of the laboratory and office buildings consisting the Putian R&D Centre, RMB**[REDACTED]** for fitting out works of the Putian R&D Centre, RMB**[REDACTED]** for the acquisition of R&D for the Putian R&D Centre, RMB**[REDACTED]** for the acquisition new computer software for the Putian R&D Centre, and RMB**[REDACTED]** for the recruitment of R&D talents and experienced R&D personnel for putting the Putian R&D Centre into full operation.

As at the Latest Practicable Date, we had incurred RMB[2.97] million for setting up the Putian R&D Centre with our internal financial resources. The remaining estimated investment costs of RMB**[REDACTED]** for the setting up of the Putian R&D Centre will be funded by the **[REDACTED]** from the **[REDACTED]**.

For more details, please see "– Expansion Plan" and "Future Plans and **[REDACTED]**".

Expand and optimise our marketing and service network and enhance our brand influence and recognition

We intend to further optimise and expand our marketing and service network and capabilities through a multi-pronged strategy, which encompasses the establishment of new marketing showcase and experience centres and localised after-sales service outlets, as well as the implementation of comprehensive brand promotion activities. We believe this will enhance our market reach, strengthen our brand influence, and support the absorption of increased production capacity to be provided by the New Putian Production Base.

Our multi-pronged marketing and brand-building strategy includes:

- *Marketing showcase and experience centres:* We currently maintain a self-operated display centre in Shenzhen to showcase our OBM products. To build brand awareness, we plan to further establish two marketing showcase and experience centres in Shenzhen and Sanya, China to provide consumers with immersive brand experiences and facilitating direct customer interactions. These centres are expected to integrate corporate introductions, corporate image displays, industry culture promotion, and product marketing showcases to enhance our marketing capabilities.

We plan to start setting up both new marketing showcase and experience centres in 2025, and expect them to commence operations by 2026. The intended GFA of the new marketing showcase and experience centres in Shenzhen and Sanya are approximately 1,200 sq.m. and 500 sq.m., respectively. On this basis and with reference to market rents of similar premises in the target locations, the annual rental expenses of the marketing showcase and experience centres in Shenzhen and Sanya are expected to be approximately RMB**[REDACTED]** and RMB**[REDACTED]**, respectively.

We expect to incur a total capital expenditure of approximately RMB**[REDACTED]** for the establishment of the new marketing showcase and experience centres, which primarily include rental expenses during establishment, design and fitting out work expenses, and costs of equipment for operation. The amount of capital expenditure is estimated based on the actual expenditure on the establishment of our existing marketing showcase and experience centres and current market conditions in the relevant cities. Such plan, including the selected location, estimated size and expected capital expenditure of each centre, among others, is subject to changes according to our actual needs and market conditions at the relevant time.

- *After-sales service outlets:* Currently, we work with watch repair technicians to provide after-sales repair and maintenance services for our OBM watch products at ten service locations across China. However, these service points are not formally established as our official after-sales service outlets, as they are not leased or operated by us directly. The tools and equipment used by the repair technicians at these service locations are also not provided by us, and the technicians may offer services for other brands at these locations as well. To improve our brand image and ensure the consistency and quality of our repair and maintenance services, we intend to set up a network of ten official after-sales service outlets in major cities across China, including Shenyang, Beijing, Xi'an, Zhengzhou, Hohhot, Urumqi, Sanya, Chengdu, Jinan and Harbin, and gradually cease the provision of repair and maintenance services at our existing service locations. At these dedicated service outlets, we intend to engage skilled repair technicians who will use equipment and tools acquired and provided by us, exclusively for the repair and maintenance of our OBM products. By establishing these official after-sales service outlets, we can exercise greater control over the customer experience and service delivery. The repair technicians will be trained and equipped by us to uphold our high standards of quality and workmanship. This will enable us to deliver a more seamless and reliable after-sales service, strengthening customer trust and satisfaction with our OBM watch brand. Furthermore, by centralising our repair and maintenance operations at these dedicated service centres, we can better monitor and optimise the efficiency of our after-sales support. This will allow us to identify areas for improvement and continuously enhance our service offerings to meet the evolving needs of our valued customers.

We plan to start setting up the service outlets in 2025, and expect them to commence operations by over the course of 2026 and 2027. The intended GFA of each service outlet is approximately 30 sq.m. On this basis and with reference to market rents of similar premises in the target locations, the annual rental expenses of a service outlet is expected to range from approximately RMB**[REDACTED]** to RMB**[REDACTED]**.

We expect to incur a total capital expenditure of approximately RMB**[REDACTED]** for the establishment of the new service outlets, which primarily include rental expenses and softwares during establishment, design and fitting out work expenses, and costs of equipment and softwares for operation. The amount of capital expenditure is estimated based on the rent of similar service outlets in our target locations, actual expenditure on the establishment of our existing after-sales service outlets and current market conditions in the relevant cities. Such plan, including the number of service outlets, selected location, estimated size and expected capital expenditure of each service outlet, among others, is subject to changes according to our actual needs and market conditions at the relevant time.

- *Brand promotion:* Recognising the importance of brand equity in the precious metal watch and jewellery and accessories industries, we will implement a comprehensive brand-building strategy encompassing both offline and online promotional initiatives to elevate our market position and drive customer loyalty. On the offline front, we intend to leverage large-scale outdoor digital billboards, as well as advertising placements at transportation hubs and on vehicles to capture the attention of our target audience. Additionally, we will organise impactful in-store marketing events and product demonstrations to generate excitement and foster deeper engagement with consumers at the point of sale. In the digital realm, we will produce high-quality brand videos and compelling content featuring brand ambassadors to amplify our messaging across various media platforms. We also plan to collaborate with industry-leading publications and partner with prominent key opinion leaders (KOLs) to extend our brand's reach and credibility. Further, we will employ targeted advertising tactics, including video commercials, social media placements, and integrations at industry trade shows and new product launch events, to drive brand awareness and foster consumer interest. We believe these brand-building efforts will increase the visibility of our OBM brands, increase our exposure to potential ODM customers, and enhance our industry influence.

  We intend to carry out these offline and online initiatives within two years after the **[REDACTED]**. The total cost for implementing these initiatives is expected to be approximately RMB**[REDACTED]**, which primarily include production fees for the marketing and promotional materials involved, advertising fees, agency fees, sponsorship fees and event organisation fees.

With the development of China's economy, the market size of the watch and jewellery and accessories industries in China has been constantly expanding, with moderate penetration of international watch and gold jewellery and accessories products in the Chinese market. The intensified industry competition may increase the risk of market elimination for industry players with low brand influence. Moreover, according to CIC, brand is one of the most important factors for consumers when choosing precious metal watches and accessories, and is key to providing consumers' trust in the quality and after-sales of such products. Brand awareness therefore plays a crucial role in our ability to increase market share and pricing power. We thus believe that it is necessary for us to enhance our marketing and brand-building initiatives through the implementation of this business strategy, in order to gain widespread recognition from consumers at the retail level, uphold our leadership position in the domestic brand gold watch and 24K gold watch markets in China and promote sustainable business growth.

It is estimated that the total costs and expenses associated with the above business strategy will be RMB**[REDACTED]**, including RMB**[REDACTED]** for establishing the two new marketing showcase and experience centres, RMB**[REDACTED]** for establishing the ten after-sales service outlets, and RMB**[REDACTED]** for carrying out brand promotion and marketing activities. These costs and expenses will be fully funded by the **[REDACTED]** from the **[REDACTED]**. For details, please see "Future Plans and **[REDACTED]**".

Expand into overseas markets by strategically partnering with selected overseas distributors

We seek to reinforce our position in the domestic Chinese market while proactively expanding into overseas markets. Through this dual-track strategy, we are committed to elevating our HIPINE brand into a Chinese gold watch brand with overseas presence.

According to CIC, the Southeast Asian and Middle Eastern regions have indicated significant growth potential in the gold watch market. The market size of the Southeast Asian and the Middle Eastern gold watch market are expected to be RMB5.91 billion and RMB6.85 billion in terms of GMV by 2028, respectively, indicating a CAGR of 8.52% and 9.24% from 2023 to 2028, respectively. As most countries in Southeast Asia and the Middle East are key regions along the Belt and Road Initiative, they exhibit a strong recognition of Chinese brands, making it easier for Chinese gold watch brands to gain favour in these markets. CIC has also noted that, the cultural traditions in both Southeast Asian and Middle Eastern regions, along with the demand for precious metal products, are driving the continued expansion of the precious metal watch industry. In Southeast Asia and the Middle East, precious metal wearables, especially gold wearables, are traditionally considered a symbol of wealth and status due to its significance in Buddhist and Islamic cultures and often used in weddings and major religious festivals.

(i) Establishing presence in Southeast Asia

In November 2024, we entered into a cooperation agreement with a local partner in Malaysia, appointing it as our primary distributor for the distribution and retail of our HIPINE watch products, including traditional precious metal watches, smart watches and watch accessories like watch straps, across the country. The local partner was founded in 2003 and primarily sells gold and diamond jewellery, along with gold bars, through wholesale and retail channels in Malaysia. Under the cooperation agreement, the local partner is responsible for developing a robust network of sub-distributors and retailers within Malaysia. This includes actively identifying suitable sub-distributors and retailers within the region, onboarding them to ensure comprehensive market coverage, coordinating their activities and operations, monitoring and optimising the performance of the distribution and retail networks, and implementing measures to maintain discipline and alignment with our policies. By taking a proactive approach to developing and managing such distribution and retail networks, the local partner is expected to play a vital role in driving the successful penetration and expansion of our HIPINE brand within the Malaysian market. We believe our local partner in Malaysia is equipped to assume this role, as it possesses deep market expertise, distributorship experience and extensive local distribution networks, and maintains a wide network of precious metal watch and jewellery retail stores in Malaysia, which could be leveraged to distribute and market our HIPINE watch products to a wide customer base within the country.

Save that our local partner in Malaysia is also expected to establish a retail network of our HIPINE watch products in Malaysia, including retailing our HIPINE watch products through its retail stores and supplying to other retailers across the country, the terms of our cooperation closely mirror the framework agreements entered into between us and our primary distributors in China. For details of these agreements, please see "– Arrangements with our primary distributors". This proven model, which balances centralised control and local market expertise, will lay foundation for our expansion and penetration into the Malaysia market.

We have strategically identified Malaysia as the initial focal point of our overseas expansion plan, as we believe it boasts large, affluent, and rapidly growing middle-class populations with a strong appetite for premium products, including high-quality watches. The presence of a significant high-net-worth consumer base, coupled with the burgeoning tourism industry, further enhances the commercial appeal of this market. Additionally, the business-friendly regulatory environment, robust intellectual property protection, and existing cultural and economic ties of Malaysia with China provide us with the necessary framework to confidently establish our HIPINE brand. By cultivating a solid foothold in Malaysia, we believe we will not only be able to build a loyal customer base and brand presence, but also leverage this market as a strategic springboard for future expansion into the wider Southeast Asian region.

(ii) Expanding into the Middle East

Following the establishment of our presence in Malaysia, we have set our sights on the next phase of our global growth strategy: the Middle East. We believe that this region, characterised by a large and affluent consumer base with a growing appetite for premium watches and jewellery and accessories, presents a highly attractive opportunity for us to further elevate the recognition of our HIPINE brand.

Similar to our approach in Southeast Asia, we currently intend to partner with leading local distributors with extensive distribution and retail networks to rapidly expand our physical footprint across key Middle Eastern markets, such as the UAE, Saudi Arabia, Qatar, and Kuwait. By securing prime retail locations in high-end shopping malls and luxury retail hubs, we will enhance the visibility and accessibility of our products, fostering deeper connections with discerning regional clientele.

To ensure the appeal and relevance of our offerings in our target overseas markets, we intend to develop product lines and collections that cater to the specific preferences and cultural sensibilities of local consumers. Underpinning our overseas expansion will be a robust supply chain and operational infrastructure. This will include establishing regional distribution and logistics hubs to ensure efficient and timely product delivery, implementing localised after-sales service to provide customer support and enhance brand loyalty, and investing in local talent acquisition and training to build a knowledgeable and customer-centric sales and service team.

By executing this comprehensive overseas expansion strategy, we aim to significantly grow our customer base, market share, and profitability in the strategically important markets of Malaysia and the Middle East over the next several years. The successful implementation of this plan will be a key catalyst of our aspiration to transform into an Chinese gold watch and accessories brand with overseas presence.

We intend to fund the implementation of the above business strategy with our internal resources.

Summary of estimated [REDACTED] costs and timeline for implementation of our business strategies

We set forth below a summary of the estimated **[REDACTED]** costs and timeline for implementation of our business strategies disclosed above:

Business strategies	Estimated [REDACTED] costs for the period from the [REDACTED] to 31 December 2025	FY2026	FY2027	Total estimated [REDACTED] costs after the [REDACTED]	Estimated [REDACTED] costs to be [REDACTED] by [REDACTED] from the [REDACTED] after the [REDACTED] *(Note)*	Estimated [REDACTED] costs to be [REDACTED] by internal financial resources after the [REDACTED]
	(million)	*(million)*	*(million)*	*(million)*	*(million)*	*(million)*
Further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market						
(i) Setting up the New Putian Production Base						
– Construction of the New Putian Production Base	HK$[0.00] (RMB[0.00])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Fitting out works of the factory premises of the New Putian Production Base	HK$[35.05] (RMB[31.60])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Acquisition of new production machinery and equipment for the New Putian Production Base	HK$[17.05] (RMB[15.38])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Acquisition of production and operations software and systems for the operation of the New Putian Production Base	HK$[2.77] (RMB[2.50])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
	HK$[54.87] (RMB[49.48])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])

Business strategies	Estimated [REDACTED] costs for the period from the [REDACTED] to 31 December 2025	FY2026	FY2027	Total estimated [REDACTED] costs after the [REDACTED]	Estimated [REDACTED] costs to be [REDACTED] by [REDACTED] from the [REDACTED] after the [REDACTED] (Note)	Estimated [REDACTED] costs to be [REDACTED] by internal financial resources after the [REDACTED]
	(million)	*(million)*	*(million)*	*(million)*	*(million)*	*(million)*
(ii) Upgrading the production facilities at our Shenzhen Production Base						
– Renovation of our Shenzhen Production Base	HK$[0.55] (RMB[0.50])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Acquisition of new production machinery and equipment to be installed at our Shenzhen Production Base	HK$[3.02] (RMB[2.72])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Acquisition of production and operations software and systems which are commensurate with the upgraded machinery and equipment at our Shenzhen Production Base	HK$[10.31] (RMB[9.30])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
	HK$[13.88] (RMB[12.52])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
Sub-total:	**HK$[68.75] (RMB[62.00])**	**HK$[REDACTED] (RMB[REDACTED])**	**HK$[REDACTED] (RMB[REDACTED])**	**HK$[REDACTED] (RMB[REDACTED])**	**HK$[REDACTED] (RMB[REDACTED])**	**HK$[REDACTED] (RMB[REDACTED])**

Business strategies	Estimated [REDACTED] costs for the period from the [REDACTED] to 31 December 2025	FY2026	FY2027	Total estimated [REDACTED] costs after the [REDACTED]	Estimated [REDACTED] costs to be [REDACTED] by [REDACTED] from the [REDACTED] after the [REDACTED] (Note)	Estimated [REDACTED] costs to be [REDACTED] by internal financial resources after the [REDACTED]
	(million)	*(million)*	*(million)*	*(million)*	*(million)*	*(million)*
Strengthen our R&D capabilities to drive sustained business growth						
– Construction of the Putian R&D Centre	HK$[2.74] (RMB[2.47])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Fitting out works of the Putian R&D Centre	HK$[4.62] (RMB[4.17])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Acquisition of new R&D equipment for the Putian R&D Centre	HK$[10.33] (RMB[9.31])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Acquisition of new computer software for the Putian R&D Centre	HK$[0.45] (RMB[0.41])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Recruitment of R&D talents and experienced R&D personnel for putting the Putian R&D Centre into full operation	HK$[5.03] (RMB[4.53])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
Sub-total:	**HK$[23.17] (RMB[20.89])**	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])

Business strategies	Estimated [REDACTED] costs for					
	the period from the [REDACTED] to 31 December 2025	FY2026	FY2027	Total estimated [REDACTED] costs after the [REDACTED]	Estimated [REDACTED] costs to be [REDACTED] by [REDACTED] from the [REDACTED] after the [REDACTED] (Note)	Estimated [REDACTED] costs to be [REDACTED] by internal financial resources after the [REDACTED]
	(million)	*(million)*	*(million)*	*(million)*	*(million)*	*(million)*
Expand and optimise our marketing and service network and enhance our brand influence and recognition						
– Establishing two new marketing showcase and experience centres	HK$[7.74] (RMB[6.98])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Establishing the ten after-sales service outlets	HK$[7.47] (RMB[6.73])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
– Carrying out brand promotion and marketing activities	HK$[2.99] (RMB[2.70])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
Sub-total:	**HK$[18.20] (RMB[16.41])**	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])
Total:	**HK$[110.12] (RMB[99.30])**	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])	HK$[REDACTED] (RMB[REDACTED])

Note: Based on estimated **[REDACTED]** of HK$**[REDACTED]** (RMB**[REDACTED]**) from the **[REDACTED]**, assuming the **[REDACTED]** is fixed at HK$**[REDACTED]** per **[REDACTED]**, being the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**, and that the **[REDACTED]** is not exercised.

Please also see "Future Plans and **[REDACTED]**" for details of the use of our **[REDACTED]** from the **[REDACTED]**.

OUR BRANDS AND PRODUCTS

We design, manufacture and sell traditional precious metal watches, smart watches and accessories. Our brand and product philosophy are rooted in our brand mission (品牌使命) to "Reconceptualise gold through technological innovation" (技術創新、重構黃金), which emphasises the integration of traditional techniques for watch-making and accessory-making with innovative elements. Driven by this principle, we are dedicated to pushing the boundaries of craftsmanship and technology.

Our proprietary brands

We have two proprietary watch brands, namely our core brand, "HIPINE" (西普尼), and our sub-brand, "GOLDBEAR" (金熊), under our OBM business model. Each of our proprietary brands has been recognised as a "Shenzhen Top Brand" (深圳知名品牌) by the Shenzhen Top Brand Evaluation Committee (深圳知名品牌評價委員會) since 2022. Our OBM business primarily target urban, mid-income consumers in second and third-tier cities in China, which are characterised by (i) their moderate purchasing power and relatively lower brand sensitivity for watch products as compared to consumers in first-tier cities; and (ii) their preference for quality accessories to complement their lifestyles, while placing a degree of value on purchasing accessories with potential for future price appreciation.

Specifically, HIPINE is targeting mass market consumers who are looking for watches with more fashionable and multi-functional designs. We believe these consumers generally prefer more varieties beyond accessories, solid gold bracelets and bangles for their daily wear, and desire solid gold watches that can serve as decorative accessories as well as functional timepieces; and GOLDBEAR primarily targets mid-income consumers who have relatively stronger preferences for designs that emphasise taste and style, cultural heritage and identity status. Set out below is further information on our proprietary brands:

- ***HIPINE:*** We recognise the inherent synergy between accessories and watchmaking, perceiving their combination as a resonance of fine culture, craftsmanship and value inheritance. This integrated approach is exemplified under our HIPINE brand.

  HIPINE values the cultural significance of gold, using it to reinterpret the relationship between timepieces and accessories, imbuing them with emotional and historical connections. The spirit of legacy is integral to the brand, as gold watches are traditionally seen as a symbol of emotional bonding within families. Through the brand proposition of "time is beautiful because of you" (時光因你而美), HIPINE emphasises the beauty of time, capturing life's memorable moments with refined style.

  The brand mission of HIPINE is to "innovate in technology, redefining gold" (技術創新，重構黃金). Adhering to this brand mission, we have been seeking to pioneer the use of gold hardening technology to redefine the application of gold in watchmaking.

- ***GOLDBEAR:*** GOLDBEAR's "jewellery-grade humanistic 24K gold watches" (珠寶級人文足金腕表) that "witness every moment" (見證每一刻) seeks to emphasise the importance of capturing and cherishing life's fleeting instants, and to reflect the genuine, heartfelt sentiments of its customers, embodying not only innovation and fashion but also humanistic feelings.

We have crafted our two proprietary brands with distinctive styles and brand philosophies, with each brand catering to different consumer sub-segments. We adopt this dual-brand strategy to market different OBM products to the respective targeted customer groups, which we believe will diversify our income stream, attract a wider customer base looking for watches and accessories with different styles and prices, and cover a wider spectrum of the watch and accessories markets in China more comprehensively. We place great emphasis on brand building and promotion of our proprietary brands. For details, please see "– Sales and Marketing".

During FY2022, FY2023 and FY2024, we derived (i) revenue of RMB266.53 million, RMB405.63 million and RMB338.29 million from HIPINE products, respectively, representing 82.34%, 91.06% and 74.10% of our total revenue for the respective years; and (ii) revenue of RMB6.47 million, RMB0.67 million and RMB0.05 million from GOLDBEAR products, respectively, representing 2.00%, 0.15% and 0.01% of our total revenue for the respective years.

As our management decided to focus our resources on developing and growing HIPINE, we had slowed down the production since 2021 and gradually ceased the production of GOLDBEAR watches in 2023. Going forward, we may consider developing products other than watches under our GOLDBEAR brand to capture potential market opportunities as they arise.

Our products

During the Track Record Period, we primarily derived our revenue from our OBM business model. For details of our business model, please see "– Our Business Model". Our OBM products cater to a diverse range of applications, from serving as a symbol of social status, gifts for wedding and other traditional celebratory events, and daily wear and other personal adornments. Our primary focus is on featuring our self-branded watches under our OBM business model, and may also selectively launch self-branded accessories products from time to time. Our OBM watch product portfolio features a range of traditional precious metal watches, smart watches, and watch parts of our OBM watches, such as watch straps.

As at 31 December 2024, our OBM product portfolio consisted of over 10,000 SKUs (stock keeping units). Catering to the rational consumption pattern and daily wear preferences of our target customers and providing accessible options beyond the premium luxury watch brands, we believe our OBM products are positioned in the mid-range price segment.

The following table sets forth the key characteristics, marketing proposition and retail prices of our major products:

Collection	Key characteristics and marketing proposition	Pricing
The HIPINE Dual-Display Smart Gold Watch (西普尼一表雙戴) 	The HIPINE Dual-Display Smart Gold Watch integrates traditional craftsmanship and modern smart technology, enabling users to switch between traditional mechanical watch movement and smart movement. It supports health monitoring and over 100 sports modes. Built with 316L stainless steel and a pure gold bezel, we seek to showcase durability, hardness and lustre in this product.	*Approximate retail price range as at 31 December 2024*:* RMB5,699 *Revenue contribution in FY2024:* RMB3.0 million, representing 0.66% of our total revenue in FY2024
The Yue Ji Series (悅己系列) 	The HIPINE Yue Ji Series reflects the brilliance that time bestows. It balances simplicity with fashion and incorporates a business style, highlighting the personality of modern young women.	*Approximate retail price range as at 31 December 2024*:* RMB1,799–19,980 *Revenue contribution in FY2024:* RMB20.35 million, representing 4.46% of our total revenue in FY2024
The Wei Yi Series (唯意系列) 	The HIPINE Wei Yi Series (couples' watches) features a 24K gold bezel symbolising the purity of love. The design is ever-changing, yet the commitment to a lifetime together remains constant.	*Approximate retail price range as at 31 December 2024*:* RMB2,299–26,980 *Revenue contribution in FY2024:* RMB146.02 million, representing 31.98% of our total revenue in FY2024
The First-Meet Series (初見系列) 	The HIPINE First-Meet Series features an oval dial paired with a radial sunray dial and a bezel full of sparkling zirconia, like a river of stars flowing, embodying romance and elegance.	*Approximate retail price range as at 31 December 2024*:* RMB1,899–4,699 *Revenue contribution in FY2024:* RMB9.32 million, representing 2.04% of our total revenue in FY2024

Collection	Key characteristics and marketing proposition	Pricing
The Elegant Series (雅致系列) 	The HIPINE Elegant Series features a round dial combining classic style with the functional beauty of a timepiece. Its lightweight, all-gold chain strap provides a charming metallic shine, representing the beauty of urban women.	*Approximate retail price range as at 31 December 2024*:* RMB9,980–10,999 *Revenue contribution in FY2024:* RMB37.29 million, representing 8.17% of our total revenue in FY2024
The Explorer Series (探索家系列) 	The HIPINE Explorer Series incorporates the spirit of exploration in each tick. The avant-garde design with a skeleton movement symbolises the courage to venture into the unknown.	*Approximate retail price range as at 31 December 2024*:* RMB2,699–18,999 *Revenue contribution in FY2024:* RMB71.31 million, representing 15.62% of our total revenue in FY2024
The Magic Flexible Series (魔力Q彈系列) 	The HIPINE Magic Flexible Gold Watch Series features a 24K gold three-dimensional ball-bearing strap, interpreting its dynamic shape and feminine elegance with unique lustre.	*Approximate retail price range as at 31 December 2024*:* RMB9,999–11,299 *Revenue contribution in FY2024:* RMB3.47 million, representing 0.76% of our total revenue in FY2024
The Artisanship Series (匠心系列) 	Inspired by the sundial and plaques of the Forbidden City, the Artisanship Series features a Kangxi blue dial and a 24K gold bezel. The noon hour is marked by a golden "Xi" ("熹") character, with a visible automatic mechanical movement at the centre. The back is engraved with Forbidden City buildings and water cloud patterns.	*Approximate retail price range as at 31 December 2024*:* RMB8,999 *Revenue contribution in FY2024:* RMB0.04 million, representing 0.01% of our total revenue in FY2024

Collection	Key characteristics and marketing proposition	Pricing
The Feng Hua Series (風華系列) 	The HIPINE Feng Hua Series offers a clean design powered by a high-grade quartz movement. Its textured golden dial adds an atmospheric and stylish touch.	*Approximate retail price range as at 31 December 2024*:* RMB2,699–5,099 *Revenue contribution in FY2024:* RMB11.17 million, representing 2.45% of our total revenue in FY2024
The Zodiac Series (The Year of Dragon watches) (生肖系列(龍表)) 	The Dragon, a revered figure in Chinese culture, symbolises resilience and fearlessness. Reflecting the harmony and strength of the Dragon, our designers have crafted this limited edition masterpiece using the finest materials, technology, and craftsmanship.	*Approximate retail price range as at 31 December 2024*:* RMB29,800 *Revenue contribution in FY2024:* RMB0.54 million, representing 0.12% of our total revenue in FY2024
The Lucky Time Series (吉時系列) 	The HIPINE Lucky Time Series: gold watches, as one of the "five wedding golds", have a deep connotation in Chinese culture. They symbolise auspicious moments, reflecting desires for happiness and expressing wishes and gratitude.	*Approximate retail price range as at 31 December 2024*:* RMB3,849–9,349 *Revenue contribution in FY2024:* RMB7.01 million, representing 1.54% of our total revenue in FY2024
The Starry Rotation Series (斗轉星移系列) 	The Starry Rotation Series co-created by us with "New Classic: Forbidden City" is equipped with the first domestic automatic mechanical movement with a flying disc dial design. This fusion of structural innovation and craftsmanship interprets the alteration of time, blending ancient wisdom with modern aesthetics, celebrating the beauty of history.	*Approximate retail price range as at 31 December 2024*:* RMB3,699–8,999 *Revenue contribution in FY2024:* RMB0.12 million, representing 0.03% of our total revenue in FY2024

**Note:* This represents the range of the approximate retail prices (before taking into account promotions and discounts) of the relevant OBM watches sold at our self-operated online channels as at 31 December 2024.

As disclosed in "– Pricing" below, we take into account, among others, production costs in determining the retail prices of our OBM products offered on our self-operated online channels, including but not limited to raw material costs. As the weight of gold and the types of materials used to produce the watch strap (e.g. gold, stainless steel or leather) varies across different product models, the retail prices of our OBM products may demonstrate a relatively large range.

Pricing

Our pricing approach is predominantly cost-based. In addition to raw material and production costs and the degree of complexion of the crafting techniques employed, we also factor in other considerations when determining our pricing strategy, including the business model under which the relevant product is produced and the sales channel through which it is distributed. For instance:

- ***OBM:*** In addition to production costs, pricing of our OBM products, including both ex-factory prices offered to our primary distributors and retail prices offered to consumers purchasing directly from us at our self-operated online stores, also takes into account prices of similar products offered by competitors, income levels of the target end-consumers of our products, functionality and features of our products, historical sales performance data, the strategic positioning of our brands and prevailing market demand and other market conditions.

  During the Track Record Period, our OBM products were primarily distributed through our primary distributorship network. We also sell our OBM products to third-party online store operators for their onward sales on various third-party e-commerce platforms. We do not mandate the prices at which our primary distributors or their sub-distributors, Retail Outlet operators or third-party online store operators sell our OBM products. For details, please see "– Arrangements with our primary distributors" and "– Arrangements with third-party online store operators". We believe that distributors and Retail Outlet operators have a better understanding of the local competitive landscape, consumer preferences and price sensitivity of the relevant sales regions, and third-party online store operators generally have more experience in managing the retail dynamics and competitive landscape on the e-commerce platforms they operate on. Allowing them to set prices at which they sell our OBM products gives them the flexibility to optimise pricing based on these local factors. This, in turn, may help preserve our ability to position our proprietary brands appropriately in each market/ sales platform, rather than being constrained by a single mandated price point. We also believe that giving distributors, Retail Outlet operators and third-party online store operators pricing autonomy incentivises them to actively manage their sales and pricing strategies, which may be conducive to better sales performance. From an operational efficiency point of view, this could also reduce the administrative burden on us to centrally monitor and update pricing across all sales regions.

As regards our OBM products sold directly by us to end-consumers via our self-operated online sales stores on third-party e-commerce platforms, such as TMall, JD.com and Douyin, we have direct price control and we generally apply a standardised pricing policy across different platforms. This allows us to reinforce a cohesive market presence and pricing strategy for our self-branded product offerings. From time to time, we participate in promotional events hosted by third-party platforms, such as the Double 11 Shopping Festival (雙十一購物節), and the Double 12 Shopping Festival (雙十二購物節). For details, please see "– Sales and Marketing".

- ***ODM:*** Under our ODM business model, we are primarily responsible for the development and manufacturing of precious metal watches and accessories under our ODM customers' brand labels. We also provide subcontract processing services for their products. For these ODM and subcontracting services, our pricing strategy is primarily cost-plus based, taking into account, among others, our raw material, labour and overhead costs associated with the design, production and processing processes. The specific pricing for each ODM product is negotiated with the ODM customer, taking into account factors such as the complexity of the designs, whether any R&D is expected to be involved, the quantity of orders, and our existing relationship with the customer.

Our management reviews our pricing levels against our financial targets and overall strategic vision, and adjust prices based on comprehensive evaluation of the aforementioned factors as needed from time to time. We generally adjust the selling prices of our precious metal watches and gold accessories products to reflect fluctuations in gold prices. We also actively manage fluctuations in other raw material costs by adjusting our procurement plan based on actual market demand and production requirements. This allows us to maintain pricing that balances profitability with market competitiveness. For more details on our procurement practices, please refer to the "Procurement – Procurement plan" section.

Sales breakdown of our products

Revenue

By product type

The following table sets forth a breakdown of our revenue generated by product type for the years indicated:

	FY2022		FY2023		FY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Watches[(1)]						
– Traditional precious metal watches	289,361	89.4	402,734	90.4	322,754	70.7
– Smart watches	4	0.0	337	0.1	28,025	6.1
	289,365	89.4	403,071	90.5	350,779	76.8
Accessories[(2)]						
– Precious metal accessories and products	21,875	6.8	23,532	5.3	92,321	20.2
– Watch straps and other watch accessories	12,464	3.8	18,874	4.2	13,456	3.0
	34,339	10.6	42,406	9.5	105,777	23.2
Total	323,704	100.0	445,477	100.0	456,556	100.0

**Notes:*

(1) For the avoidance of doubt, as defined in "Glossary of Technical Terms", traditional precious metal watches as presented above do not include any precious metal watch with smart functions, and smart watches as presented above include both smart precious metal watches and other smart watches.

(2) Our accessories product portfolio includes (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories.

By type of traditional precious metal watches

The following table sets forth a breakdown of our revenue generated by type of traditional precious metal watches for the years indicated:

	FY2022		FY2023		FY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Traditional precious metal watches						
– 24K gold watches	279,419	86.4	394,650	88.6	312,645	68.5
– 24K gold-plated and gold-capped watches	9,848	3.0	7,967	1.8	9,651	2.1
– 18K gold watches	50	0.0	63	0.0	437	0.1
– Other watches *(Note)*	44	0.0	54	0.0	21	0.0
Sub-total:	289,361	89.4	402,734	90.4	322,754	70.7
Total revenue	323,704	100.0	445,477	100.0	456,556	100.0

Note: Our other traditional precious metal watches include (i) silver watches and (ii) stainless steel watches.

By product and service type

The following table sets forth a breakdown of our revenue generated by product and service type for the years indicated:

	FY2022		FY2023		FY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Watches(1)						
Manufacturing and sales						
– Traditional precious metal watches	286,335	88.5	402,754	90.4	322,752	70.7
– Smart watches	4	–	337	0.1	28,025	6.1
	286,339	**88.5**	**403,091**	**90.5**	**350,777**	**76.8**
Provision of subcontracting services						
– Traditional precious metal watches	**3,026**	**0.9**	**(20)**	**–**	**2**	**0.0**
Sub-total for watches:	**289,365**	**89.4**	**403,071**	**90.5**	**350,779**	**76.8**
Accessories(2)						
Manufacturing and sales						
– Precious metal accessories and products	4,866	1.5	5,225	1.2	83,108	18.2
– Watch straps and other watch accessories	3,550	1.1	5,881	1.3	4,146	0.9
	8,416	**2.6**	**11,106**	**2.5**	**87,254**	**19.1**

	FY2022		FY2023		FY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Provision of subcontracting services						
– Precious metal accessories and products	17,009	5.3	18,307	4.1	9,213	2.0
– Watch straps and other watch accessories	8,914	2.7	12,993	2.9	9,308	2.1
	25,923	**8.0**	**31,300**	**7.0**	**18,521**	**4.1**
Sub-total for accessories:	**34,339**	**10.6**	**42,406**	**9.5**	**105,777**	**23.2**
Total/Overall	**323,704**	**100.0**	**445,477**	**100.0**	**456,556**	**100.0**

Notes:

(1) For the avoidance of doubt, as defined in "Glossary of Technical Terms", traditional precious metal watches as presented above do not include any precious metal watch with smart functions, and smart watches as presented above include both smart precious metal watches and other smart watches.

(2) Our accessories product portfolio includes (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories.

Sales volume

By product and service type

The following table sets forth the sales volume in terms of (i) the total number of watches sold or processed; and (ii) the total weight of gold used in the accessories products sold or processed and average selling price/processing fees of our products for the years indicated:

	FY2022		**FY2023**		**FY2024**	
	Sales volume[(1)]	**Average selling price/ processing fee**[(2)]	**Sales volume**[(1)]	**Average selling price/ processing fee**[(2)]	**Sales volume**[(1)]	**Average selling price/ processing fee**[(2)]
	(unit'000)	*(RMB/unit)*	*(unit'000)*	*(RMB/unit)*	*(unit'000)*	*(RMB/unit)*
Watches[(3)]						
Manufacturing and sales						
– Traditional precious metal watches	108	2,651.0	141	2,856.0	113	2,856
– Smart watches	0	N/A	1	337.0	27	1,038
	108	2,651.3	142	2,838.5	140	2,506
Provision of subcontracting services						
– Traditional precious metal watches	6	504.0	0	N/A	–	N/A
Total:	114	2,538.3	142	2,838.5	140	2,506

	FY2022		FY2023		FY2024	
	Sales volume(1)	Average selling price/ processing fee(2)	Sales volume(1)	Average selling price/ processing fee(2)	Sales volume(1)	Average selling price/ processing fee(2)
	(gram'000)	*(RMB/ gram)*	*(gram'000)*	*(RMB/ gram)*	*(gram'000)*	*(RMB/ gram)*
Accessories(4)						
Manufacturing and sales						
– Precious metal accessories and products	75	65	20	261	158	526
– Watch straps and other watch accessories	9	394	14	420	8	518
	84	100	34	327	166	526
Provision of subcontracting services						
– Precious metal accessories and products	1,291	13	1,640	11	1,096	8
– Watch straps and other watch accessories	684	13	966	13	661	14
	1,975	13	2,606	12	1,757	11
Total:	2,059	17	2,640	16	1,923	55

Notes:

(1) Sales volume refers to (i) the total number of watches sold or processed; and (ii) the total weight of gold used in the accessories products sold or processed.

(2) Average selling price/processing fee equals the revenue generated from the sales of or provision of subcontracting services relating to the relevant products (as the case may be), divided by the total number of watches sold or processed or the total weight of gold used in the accessories products sold or processed (as the case may be).

(3) For the avoidance of doubt, as defined in "Glossary of Technical Terms", traditional precious metal watches as presented above do not include any precious metal watch with smart functions, and smart watches as presented above include both smart precious metal watches and other smart watches.

(4) Our accessories product portfolio includes (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories.

By type of traditional precious metal watches

The following table sets forth the sales volume in terms of different types of traditional precious metal watches manufactured or processed by us for the years indicated:

	FY2022		FY2023		FY2024	
	Sales volume[(1)]	Average selling price/ processing fee[(2)]	Sales volume[(1)]	Average selling price/ processing fee[(2)]	Sales volume[(1)]	Average selling price/ processing fee[(2)]
	(unit'000)	*(RMB/unit)*	*(unit'000)*	*(RMB/unit)*	*(unit'000)*	*(RMB/unit)*
Traditional precious metal watches manufactured or processed by us[(3)]						
– 24K gold watches	108	2,594	135	2,921	109	2,880
– 24K gold-plated and gold-capped watches	6	1,535	5	1,526	4	2,357
– 18K gold watches	0	2,948	0	3,714	0	1,093
– Other watches[(4)]	0	635	1	100	0	308
Total:	114	2,533	141	2,859	113	2,853

Notes:

(1) Sales volume refers to the total number of traditional precious metal watches manufactured and sold by us.

(2) Average selling price/processing fee equals the revenue generated from the sales of or provision of subcontracting services relating to the relevant traditional precious metal watches, divided by the total number of watches sold or processed.

(3) For the avoidance of doubt, as defined in "Glossary of Technical Terms", traditional precious metal watches as presented above do not include any precious metal watch with smart functions.

(4) Our other traditional precious metal watches include (i) silver watches and (ii) stainless steel watches.

Reasons for the changes in revenue and average selling price of certain products during the Track Record Period

Revenue

Our revenue increased from RMB323.70 million in FY2022 to RMB445.48 million in FY2023, and further increased to RMB456.6 million in FY2024.

In terms of product type, (i) sales of traditional precious metal watches was the primary revenue driver, accounting for 89.4%, 90.4% and 70.7% of our total revenue in FY2022, FY2023 and FY2024, respectively. We experienced a dip in traditional precious metal watch revenue and sales volume in FY2022 due to decreased demand amid the COVID-19 outbreak, but sales rebounded in FY2023. Our revenue from sales of traditional precious metal watches decreased from FY2023 to FY2024, primarily due to the decrease in sales volume. We believe such decrease in sales volume in FY2024 was driven by a change in consumer sentiment under the evolving economic conditions and commodity prices; (ii) smart watch revenue fluctuated during the Track Record Period, as a considerable portion of our smart watches were gifted as complimentary items to customers purchasing our traditional precious metal watches on online platforms for brand promotion purposes in FY2022 and FY2023. In FY2024, smart watch sales increased substantially, driven primarily by ODM revenue of RMB22.1 million, including a significant RMB12.5 million contribution from one customer and a RMB6.2 million revenue from a limited-edition smart watch gift box set for a leading Chinese baijiu brand. Our OBM smart watch sales also demonstrated growth during FY2024, reflecting increasing market demand; and (iii) revenue generated from accessories also experienced volatility during the Track Record Period, declining in FY2022 due to decreased demand during the COVID-19 outbreak, before surging in FY2024 due to orders from a new ODM customer, namely Customer A. For details, please see "– Arrangements with ODM Customers – Arrangements with Customer A".

For more detailed analysis of the changes in our revenue during the Track Record Period, please see "Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income – Revenue – By products".

Average selling price

As disclosed in "– Our Brands and Products – Pricing", our pricing approach is predominantly cost-based. The pricing of products manufactured and sold by us primarily takes into account (i) the market price of gold at the time of sale; (ii) the costs of other raw materials such as watch components; (iii) production costs that vary with the product's design complexity and crafting techniques; and (iv) profit margins that account for various factors such as target consumer purchasing power, product functionality and features, brand positioning, and prevailing market demand.

Traditional precious metal watches manufactured and sold by us

The following table sets forth the average selling price and average weight of gold contained in relation to our traditional precious metal watches during the Track Record Period:

	FY2022	FY2023	FY2024
Average selling price *(RMB per unit)*	2,651	2,856	2,856
Average weight of gold *(grams per unit)*	5.48	5.23	4.32

In order to reflect the market price of gold in our selling prices, we adjust the selling prices of the traditional precious metal watches manufactured and sold by us in response to fluctuations in gold prices. For instance, (a) the spot price (i.e. the average settlement price in the relevant year) of Au9999 gold as quoted on the Shanghai Gold Exchange increased by 15.27% from RMB390.10 per gram in 2022 to RMB449.67 per gram in 2023, and by 23.90% from 2023 to RMB557.16 per gram in 2024; and (b) the closing prices of Au9999 gold as quoted on the Shanghai Gold Exchange increased by 15.34% from RMB373.85/g on the last trading day of 2022 to RMB473.45/g on the last trading day of 2023, and by 16.15% from on the last trading day of 2023 to RMB614.80/g on the last trading day of December 2024. In parallel, the average selling price of the traditional precious metal watches manufactured and sold by us increased from RMB2,651 per unit in FY2022 to RMB2,856 per unit in FY2023 (representing an increase of 7.73%), and remained stable at RMB2,856 per unit in FY2024. According to CIC, competing manufacturers of similar gold watches in China maintained an average range of average selling price of approximately RMB2,000 to RMB6,800 per unit in FY2023. This suggests that our Group's pricing strategy remains competitive relative to prevailing market levels, reflecting our product positioning and target consumer segment as described in "– Our Brands and Products – Our proprietary brands".

To manage gold price volatility, we employ gold inventory management policies that emphasizes flexibility and responsiveness to market conditions. For instance, we may choose to purchase more gold if macroeconomic indicators suggest a rise in international gold prices or when gold spot prices quoted on the Shanghai Gold Exchange is deemed favourable, provided we have the necessary cash available. Given gold's value-preserving nature and long-lasting properties, we consider that it is reasonable to acquire gold during an upward price trend. For details, please see "– Inventory – Inventory management – Gold inventory". Consequently, the average purchase price of our gold purchases (inclusive of tax) increased by 15.0% from RMB389.13 per gram in FY2022 to RMB447.31 per gram in FY2023, and by 14.0% from FY2023 to RMB541.31 per gram in FY2024. For details, please see "– Procurement – Purchase price".

Changes in the average selling price of traditional precious metal watch manufactured and sold by us for each financial year during the Track Record Period may not be directly proportional to the changes in our average gold purchase price, the average settlement price of Au9999 gold, or the last trading day closing prices of Au9999 gold during the relevant year, primarily due to (i) our pricing strategy, which considers not only gold market prices but also other raw material costs, production expenses and profit margins as mentioned above, each of which is variable and product-specific; (ii) the differences in our sales mix of traditional precious metal watches in each financial year, as different products/collections have distinct pricing bases; and (iii) our procurement and inventory accounting methods. Specifically, we utilise a weighted average method for valuing raw material inventory, including gold. When gold is purchased in earlier periods and held in inventory, the cost recognition is deferred until the actual product sale occurs. Consequently, the cost of sales experiences a more gradual increase compared to current market gold prices. This approach means that while current gold prices may rise, our cost of sales reflects a smoothed, averaged historical cost. As a result, we can maintain more flexible pricing that responds quickly to market conditions while managing our cost base strategically. Specifically, the average weight of gold contained in our traditional precious metal watches sold decreased by 4.56% from 5.48 grams per unit for FY2022 to 5.23 grams per unit for FY2023, and further decreased by 17.40% from FY2023 to 4.32 grams per unit for FY2024, whereas the average selling price of the traditional precious metal watches manufactured and sold by us increased by 7.73% between FY2022 and FY2023 and remained stable in FY2024. The decreasing trend in the average weight of gold in our traditional precious metal watches was mainly attributable to our strategy to maintain the average selling price of our traditional precious metal watches at a steady level to cater to the price expectations of end consumers, as keeping the original weight of gold in our traditional precious metal watches would lead to an increase in the selling price of such watches, which may in turn negatively affect consumer demand for our traditional precious metal watches. As mentioned above, keeping the original weight of gold in our traditional precious metal watches would lead to an increase in the selling price of such watches due to (i) our pricing policy, which takes into account the market price of gold in our selling price for traditional precious metal watches, and (ii) the increases in gold price during the Track Record Period

The relative stability in average selling price of our traditional precious metal watches despite rising gold costs and declining average weight of gold per watch unit reflects our strategy of the use of lower-cost historical gold inventory, a reduction in non-gold expenses, and/or adjustments in product mix to offset input cost pressures during the Track Record Period, as mentioned above. This pricing dynamic demonstrates our ability to maintain price stability despite commodity market volatility.

We believe that our pricing strategy remains reasonable when evaluated against our cost structure and market positioning. While the average purchase price of gold increased by 39.11% from RMB389.13 per gram in FY2022 to RMB541.31 per gram in FY2024, the average selling price of the traditional precious metal watches manufactured and sold by us rose by only 7.73%, demonstrating our ability to mitigate cost inflation through operational efficiencies. The use of weighted-average inventory accounting further explains this dynamic, as it allows us to smooth out cost fluctuations by blending higher-priced recent gold purchases with lower-cost historical stock. Additionally, the average selling price of the traditional precious metal watches manufactured and sold by us is positioned below that of premium competitors, aligning with the mid-tier market strategy of our proprietary brands. The stability in average selling prices amid rising gold prices indicates a balanced approach to maintaining customer affordability while managing margin pressures through prudent inventory and procurement practices.

Accessories manufactured and sold by us

The average selling price of the precious metal accessories and products manufactured and sold by us, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins, increased by 301.54% from RMB65 per gram in FY2022 to RMB261 per gram in FY2023, and further increased by 101.53% to RMB526 per gram in FY2024.

We recorded relatively higher average selling prices for the precious metal accessories and products manufactured and sold by us in FY2023 and FY2024, primarily due to (i) the upward trend in gold prices in FY2023 and FY2024. The selling prices of our precious metal accessories and products reflect the market price of gold, which experienced an upward trend in FY2023 and FY2024. We adjusted our selling prices in response to these fluctuations, as detailed in as detailed in "– Traditional precious metal watches manufactured and sold by us" above; and (ii) the increase in sales volume of precious metal accessories and products manufactured and sold by us in FY2023 and FY2024, driven primarily by our collaboration with Customer A, which began in October 2023. For details, please see "– Arrangements with ODM Customers – Arrangements with Customer A".

The increase in the sales volume of precious metal accessories and products manufactured and sold by us, primarily to Customer A, during FY2023 and FY2024 had resulted in an overall increase in the average selling prices of such products for those periods, mainly because: (i) pursuant to the sales arrangement between us and Customer A, the price of the precious metal accessories and products under each order is determined based on the market price of gold or other precious metals (as the case may be) at the time of settlement. Therefore, the increasing trend in market prices of gold during FY2023 and FY2024 had resulted in higher selling prices of the products sold to Customer A during those periods; (ii) as we sold a relatively large volume of precious metal accessories and products to Customer A during periods of rising gold prices in FY2023 and FY2024, the increased sales volume at higher prices had boosted the overall average selling price of such products during those periods; and (iii) the products sold to Customer A during FY2023 and FY2024 mainly included gold wearable accessories and gold bars, which had a relatively high gold content. The upward trend of gold prices during FY2023 and FY2024 had therefore resulted in higher selling prices for those products.

Gross profit and gross profit margin

By product type

The following table sets forth a breakdown of our gross profit and gross profit margin by product type for the years indicated:

	FY2022		FY2023		FY2024	
	Gross profit/ (loss)	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Watch[1]						
Manufacturing and sales						
– Traditional precious metal watches	51,713	18.1	94,475	23.5	93,505	29.0
– Smart watches	(13)	N/A	27	8.0	5,040	18.0
	51,700	18.1	94,502	23.4	98,545	28.1
Provision of subcontracting services						
– Traditional precious metal watches	1,178	38.9	(19)	N/A	1	50.0
Sub-total for watches:	52,878	18.3	94,483	23.4	98,546	28.1
Accessories[2]						
Manufacturing and sales						
– Precious metal accessories and products	168	3.5	749	15.7	18,638	22.4
– Watch straps and other watch accessories	284	7.9	976	15.4	1,007	24.3
	452	5.4	1,725	15.5	19,645	22.5

	FY2022		FY2023		FY2024	
	Gross profit/ (loss)	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Provision of subcontracting services						
– Precious metal accessories and products	6,408	39.9	5,747	33.5	2,320	25.2
– Watch straps and other watch accessories	4,389	44.5	6,350	45.0	3,646	39.2
	10,797	41.6	12,097	38.6	5,966	32.2
Sub-total for accessories:	11,249	32.8	13,822	32.6	25,611	24.2
Total/Overall	64,127	19.8	108,305	24.3	124,157	27.2

Notes:

(1) For the avoidance of doubt, as defined in "Glossary of Technical Terms", traditional precious metal watches as presented above do not include any precious metal watch with smart functions, and smart watches as presented above include both smart precious metal watches and other smart watches.

(2) In respect of our accessories product portfolio, (i) wearable accessories mainly include earrings, rings, necklaces, bracelets; and (ii) non-wearable accessories mainly include gold bars, gold medals and commemorative coins.

By type of traditional precious metal watches

The following table sets forth a breakdown of our gross profit and gross profit margin by the type of traditional precious metal watches manufactured or processed by us for the years indicated:

	FY2022		FY2023		FY2024	
	Gross profit/ (loss)	**Gross profit margin**	**Gross profit/ (loss)**	**Gross profit margin**	**Gross profit/ (loss)**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Traditional precious metal watches manufactured or processed by us						
– 24K gold watches	49,821	17.83	91,994	23.31	89,815	28.73
– 24K gold-plated and gold-capped watches	3,024	30.71	2,532	31.78	3,514	36.42
– 18K gold watches	25	50.38	20	33.04	184	42.02
– Other watches *(Note)*	20	45.10	(90)	N/A	(6)	N/A
	52,890	18.28	94,456	23.45	93,508	28.97

Note: Our other traditional precious metal watches include (i) silver watches and (ii) stainless steel watches.

Our gross profit and gross profit margin generally trended upward during the Track Record Period.

During the Track Record Period, (i) the gross profit margin for traditional precious metal watches demonstrated an upward trend, initially driven by rising gold prices that increased the average selling price of traditional precious metal watches, and subsequently by effective cost control measures that reduced cost of sales despite stable pricing; (ii) the gross profit margin for smart watches fluctuated due to varying product mix sold during each year as well as our promotional strategy. Specifically, in FY2022 and FY2023, most of our smart watches were gifted as complimentary items to customers purchasing our traditional precious metal watches on online platforms for brand promotion purposes. As a result, we incurred a gross loss on smart watch sales in FY2022, and experienced a relatively lower gross profit and gross profit margin for the smart watch segment in FY2023. The gross profit margin of smart watches increased in FY2024, primarily attributable to revenue growth from ODM customers and expanding OBM sales driven by increasing market demand; and (iii) the gross profit margin for accessories sales fluctuated due to the varying product mix sold during each year and revenue contribution from various accessories items and subcontracting services provided. The increasing trend in the gross profit margin of 24K gold watches manufactured and processed by the Group during the Track Record Period is mainly attributable to (i) our pricing policy to reflect the market price of gold in our selling price for traditional precious metal watches, and (ii) the increases in gold price during the Track Record Period.

For more detailed analysis of the changes in our gross profit and gross profit margin during the Track Record Period, please see "Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin".

OUR BUSINESS MODEL

During the Track Record Period, our revenue was primarily derived from the sales of precious metal watches designed and manufactured on an OBM basis. Our OBM products are principally sold through our distribution network, supplemented by sales through our self-operated online stores, third-party operated online stores and retail stores.

In addition, we also derived revenue from our engagements by third-party domestic jewellery brands and wholesalers to develop and manufacture precious metal watches and accessories under their labels on an ODM basis, and to provide subcontract processing services for their watches and accessories. Furthermore, since 2023, we have cooperated with the largest retailer and supermarket chain worldwide for the promotion and sales of our products in China.

The following table sets forth a breakdown of our revenue and gross profit and gross profit margin by business model for the years indicated:

Revenue

	FY2022		FY2023		FY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
OBM						
– Offline distributorship	255,952	79.1	377,273	84.7	315,158	69.0
– Retail stores	6,623	2.0	5,890	1.3	2,915	0.6
– Third-party operated online stores	6,458	2.0	9,650	2.1	5,265	1.2
– Self-operated online stores	732	0.2	10,061	2.3	14,391	3.2
	269,765	83.3	402,874	90.4	337,729	74.0
ODM						
– Developing and manufacturing	33,630	10.4	24,203	5.5	109,612	24.0
– Subcontract processing	20,309	6.3	18,400	4.1	9,215	2.0
	53,939	16.7	42,603	9.6	118,827	26.0
Total	323,704	100.0	445,477	100.0	456,556	100.0

Note: For details of the sales channels through which we sell our OBM products, including offline distributorship, retail stores, third-party operated online stores, and self-operated online stores, please see "– Sales and Distribution".

In terms of business model, (i) our OBM model was the largest revenue contributor, which generated revenue representing 83.3%, 90.4% and 74.0% of our total revenue in FY2022, FY2023 and FY2024, respectively. Distributorship sales were the primary OBM channel, but online sales grew significantly in FY2023 and FY2024 as we expanded our e-commerce presence through cooperation with third-party online store operators and development of our self-operated online stores; and (ii) revenue from our ODM model was relatively higher in FY2024 due to high level of orders from key customer(s).

Gross profit and gross profit margin

	FY2022		FY2023		FY2024	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
OBM						
– Offline distributorship	48,327	18.9	88,331	23.4	89,269	28.3
– Retail stores	1,523	23.0	2,120	36.0	1,163	39.9
– Third-party operated online stores	1,631	25.3	2,474	25.6	1,646	31.3
– Self-operated online stores	366	50.0	4,541	45.1	6,245	43.4
	51,847	19.2	97,466	24.2	98,323	29.1
ODM						
– Developing and manufacturing	4,273	12.7	4,823	19.9	23,513	21.5
– Subcontract processing	8,007	39.4	6,016	32.7	2,321	25.2
	12,280	22.8	10,839	25.4	25,834	21.7
Total	64,127	19.8	108,305	24.3	124,157	27.2

Note: For details of the sales channels through which we sell our OBM products, including offline distributorship, retail stores, third-party operated online stores, and self-operated online stores, please see "– Sales and Distribution".

The following table sets forth a breakdown of our revenue and gross profit and gross profit margin by business model and product types for the years indicated:

Revenue

	FY2022		FY2023		FY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
OBM[1]						
(a) Offline distributorship						
Watches						
– Traditional precious metal watches	247,396	76.4	366,417	82.3	301,315	66.0
– Smart watches	–	–	32	–	5,603	1.2
	247,396	**76.4**	**366,449**	**82.3**	**306,918**	**67.2**
Accessories[2]						
– Precious metal accessories and products	–	–	–	–	–	–
– Watch straps and other watch accessories	8,556	2.6	10,824	2.4	8,240	1.8
	8,556	2.6	10,824	2.4	8,240	1.8
	255,952	**79.1**	**377,273**	**84.7**	**315,158**	**69.0**
(b) Retail stores						
Watches						
– Traditional precious metal watches	4,720	1.5	2,097	0.5	725	0.2
– Smart watches	2	0.0	30	0.0	176	0.0
	4,722	**1.5**	**2,127**	**0.5**	**901**	**0.2**
Accessories[2]						
– Precious metal accessories and products	–	–	–	–	–	–
– Watch straps and other watch accessories	1,901	0.6	3,763	0.8	2,014	0.4
	1,901	0.6	3,763	0.8	2,014	0.4
	6,623	**2.0**	**5,890**	**1.3**	**2,915**	**0.6**

	FY2022		FY2023		FY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
(c) Third-party operated online stores						
Watches						
– Traditional precious metal watches	6,308	1.9	8,412	1.9	4,608	1.0
– Smart watches	2	0.0	14	0.0	3	0.0
	6,310	1.9	8,426	1.9	4,611	1.0
Accessories(2)						
– Precious metal accessories and products	–	–	–	–	–	–
– Watch straps and other watch accessories	148	0.0	1,224	0.2	654	0.1
	148	0.0	1,224	0.2	654	0.1
	6,458	**2.0**	**9,650**	**2.1**	**5,265**	**1.2**
(d) Self-operated online stores						
Watches						
– Traditional precious metal watches	675	0.2	8,862	2.1	11,780	2.6
– Smart watches	–	–	261	0.0	173	0.0
	675	0.2	9,123	2.1	11,953	2.6
Accessories(2)						
– Precious metal accessories and products	–	–	–	–	–	–
– Watch straps and other watch accessories	57	0.0	938	0.2	2,438	0.5
	57	0.0	938	0.2	2,438	0.5
	732	**0.2**	**10,061**	**2.3**	**14,391**	**3.2**
Sub-total for OBM	**269,765**	**83.3**	**402,874**	**90.4**	**337,729**	**74.0**

	FY2022		FY2023		FY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
ODM[1]						
(a) Developing and manufacturing						
Watches						
– Traditional precious metal watches	27,236	8.4	16,966	3.8	4,325	0.9
– Smart watches	–	–	–	–	22,070	4.8
	27,236	8.4	16,966	3.8	26,395	5.8
Accessories[2]						
– Precious metal accessories and products	4,866	1.5	5,225	1.3	83,108	18.2
– Watch straps and other watch accessories	1,529	0.5	2,012	0.4	109	0.0
	6,395	2.0	7,237	1.7	83,217	18.2
	33,630	**10.4**	**24,203**	**5.5**	**109,612**	**24.0**

	FY2022		FY2023		FY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
(b) Subcontract processing						
Watches						
– Traditional precious metal watches	3,026	0.9	(20)	0.0	2	0.0
– Smart watches	–	–	–	–	–	–
	3,026	0.9	(20)	0.0	2	0.0
Accessories(2)						
– Precious metal accessories and products	17,009	5.2	18,307	4.1	9,213	2.0
– Watch straps and other watch accessories	274	0.1	113	0.0	–	–
	17,283	5.3	18,420	4.1	9,213	2.0
	20,309	**6.3**	**18,400**	**4.1**	**9,215**	**2.0**
Sub-total for ODM	**53,939**	**16.7**	**42,603**	**9.6**	**118,827**	**26.0**
Total	**323,704**	**100.0**	**445,477**	**100.0**	**456,556**	**100.0**

Notes:

(1) For details of the sales channels through which we sell our OBM products, including offline distributorship, retail stores, third-party operated online stores, and self-operated online stores, please see "– Sales and Distribution".

(2) Our accessories product portfolio includes (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories.

Gross profit and gross profit margin

	FY2022		FY2023		FY2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
OBM(1)						
(a) Offline distributorship						
Watches						
– Traditional precious metal watches	44,496	18.0	83,517	22.8	85,110	28.2
– Smart watches	–	–	14	43.8	1,082	19.3
	44,496	18.0	83,531	22.8	86,192	28.1
Accessories(2)						
– Precious metal accessories and products	–	–	–	–	–	–
– Watch straps and other watch accessories	3,831	44.8	4,800	44.3	3,077	37.3
	3,831	44.8	4,800	44.3	3,077	37.3
	48,327	**18.9**	**88,331**	**23.4**	**89,269**	**28.3**
(b) Retail stores						
Watches						
– Traditional precious metal watches	1,231	26.1	605	28.9	313	43.2
– Smart watches	–	–	–	–	39	22.2
	1,231	26.1	605	28.4	352	39.1
Accessories(2)						
– Precious metal accessories and products	–	–	–	–	–	–
– Watch straps and other watch accessories	292	15.4	1,515	40.3	811	40.3
	292	15.4	1,515	40.3	811	40.3
	1,523	**23.0**	**2,120**	**36.0**	**1,163**	**39.9**

	FY2022		FY2023		FY2024	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
(c) Third-party operated online stores						
Watches						
– Traditional precious metal watches	1,617	25.6	2,291	27.2	1,512	32.8
– Smart watches	–	–	–	–	–	–
	1,617	25.6	2,291	27.2	1,512	32.8
Accessories(2)						
– Precious metal accessories and products	–	–	–	–	–	–
– Watch straps and other watch accessories	14	9.5	183	15.0	134	20.5
	14	9.5	183	15.0	134	20.5
	1,631	**25.3**	**2,474**	**25.6**	**1,646**	**31.3**
(d) Self-operated online stores						
Watches						
– Traditional precious metal watches	376	55.7	4,450	50.2	5,643	47.9
– Smart watches(3)	(13)	N/A	9	3.4	2	1.2
	363	53.8	4,459	48.9	5,645	47.2
Accessories(2)						
– Precious metal accessories and products	–	–	–	–	–	–
– Watch straps and other watch accessories	3	5.3	82	8.7	600	24.6
	3	5.3	82	8.7	600	24.6
	366	**50.0**	**4,541**	**45.1**	**6,245**	**43.4**
Sub-total for OBM	**51,847**	**19.2**	**97,466**	**24.2**	**98,323**	**29.1**

	FY2022		FY2023		FY2024	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
ODM						
(a) Developing and manufacturing						
Watches						
– Traditional precious metal watches	3,994	14.7	3,616	21.3	927	21.4
– Smart watches	–	–	–	–	3,917	17.7
	3,994	14.7	3,616	21.3	4,844	18.4
Accessories(2)						
– Precious metal accessories and products	164	3.4	843	16.1	18,638	22.4
– Watch straps and other watch accessories	115	7.5	364	18.1	31	28.4
	279	4.4	1,207	16.7	18,669	22.4
	4,273	**12.7**	**4,823**	**19.9**	**23,513**	**21.5**
(b) Subcontract processing						
Watches						
– Traditional precious metal watches	1,177	38.9	(19)	95.0	1	50.0
– Smart watches	–	–	–	–	–	–
	1,177	38.9	(19)	95.0	1	50.0
Accessories(2)						
– Precious metal accessories and products	6,697	39.4	5,990	32.7	2,320	25.2
– Watch straps and other watch accessories	133	48.5	45	39.8	–	–
	6,830	39.5	6,035	32.8	2,320	25.2
	8,007	**39.4**	**6,016**	**32.7**	**2,321**	**25.2**
Sub-total for ODM	**12,280**	**22.8**	**10,839**	**25.4**	**25,834**	**21.7**
Total/Overall	**64,127**	**19.8**	**108,305**	**24.3**	**124,157**	**27.2**

Notes:

(1) For details of the sales channels through which we sell our OBM products, including offline distributorship, retail stores, third-party operated online stores, and self-operated online stores, please see "– Sales and Distribution".

(2) Our accessories product portfolio includes (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories.

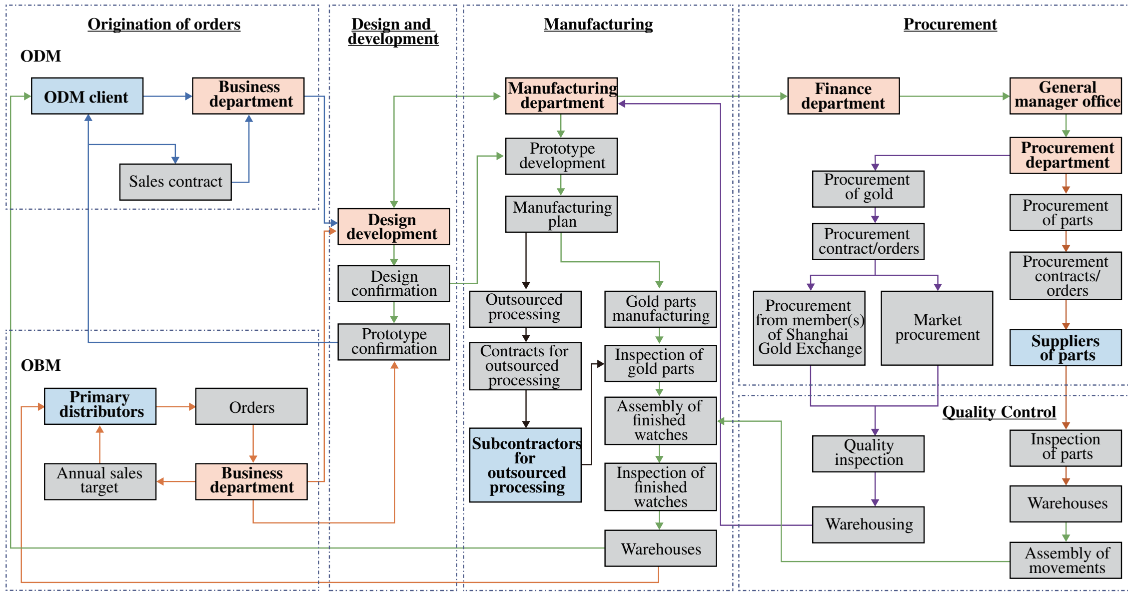
(3) In FY2022, we recorded gross loss of RMB13,000 for the sales of smart watches through our self-operated online stores under our OBM business model, as most of the smart watches distributed through this channel were gifted as complimentary items to customers purchasing our traditional precious metal watches on our self-operated online stores for brand promotion purposes.

For more detailed analysis of the changes in our gross profit and gross profit margin during the Track Record Period, please see "Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income – Gross profit and gross profit margin – By product – Sales of watches – Smart watches".

During the Track Record Period, (i) the gross profit margin for our OBM business fluctuated based on unit costs and revenue contribution across different sales platforms. While the OBM gross margin was lower in FY2022 due to the impact of the COVID-19 pandemic, it subsequently rebounded in FY2023 as the pandemic subsided and online sales, which generate relatively higher margins, increased significantly. The OBM gross margin further improved in FY2024 primarily due to decrease in our cost of sales. In particular, we recorded relatively higher gross profit margins of 43.2% for sales of traditional precious metal watches to retail stores in FY2024 as compared to 28.9% for FY2023, and of 40.3% and 40.3% for sales of watch straps and other watch accessories to retail stores in FY2023 and FY2024, respectively, as compared to 15.4% in FY2022, primarily due to (a) the sales of our the HIPINE 10th Anniversary & Year of the Dragon Tourbillon Limited Edition Gold Watch (西普尼十週年&龍年生肖陀飛輪限量金錶), which were priced at a premium and carried significantly higher gross profit margins. Excluding the sales of these watches, the gross profit margin for sales of traditional precious metal watches to retail stores in FY2024 would have remained consistent with prior periods; and (b) the higher volume of subcontract processing orders for watch straps from retail stores in FY2023 and FY2024 as compared to FY2022, which generally carries a higher gross profit margin than manufacturing and sales of watch straps; and (ii) the gross profit margin for our ODM business was relatively lower in FY2022, primarily due to the impact of the COVID-19 pandemic. In FY2024, the gross margin for our ODM business declined, mainly because sales to Customer A, which has a lower gross profit margin.

For an analysis of the changes in our revenue and gross profit generated by different business models during the Track Record Period, please see "– Revenue – By business model" and "– Gross profit and gross profit margin – By business model" in "Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income".

The following flowchart depicts our typical business processes involved in the delivery of our products to our customers under our OBM and ODM business models:



(i) Origination of orders

For our OBM operations, the order origination process begins with our business development department reviewing the historical orders received from our primary distributors. Based on this data, we set an annual sales target for our self-branded products. This annual sales target is then communicated to our primary distributors to help them plan their respective sales and distribution efforts. Our primary distributors place orders with us from time to time as needed to meet their subdistributor's and other customers' demands. Upon receiving orders from our primary distributors, we commence production to fulfill the order requirements. By basing the OBM order targets on historical data, we are able to proactively align our production planning and inventory management to efficiently fulfill the expected order volumes from our primary distributors.

The order origination process for our ODM business model is largely driven by the specific needs and requirements of our ODM customer base. ODM customers may either place orders under existing ODM engagements, or they may initiate new ODM engagements with us to design and develop new products. In the latter case, our ODM customer works closely with our business department and R&D department (in particular our design and engineering team) to collaborate on design concepts, product specifications and manufacturing considerations. After the new ODM product design is approved by the ODM customer, it places orders with us to manufacture the agreed-upon items. This order-driven approach allows us to tailor our production and delivery to the specific requirements of each ODM customer.

(ii) Design and development

Product design and development is a critical step in our production cycle, laying the foundation for the creation of new watch collections or the refinement of existing designs. As a vertically integrated manufacturer of precious metal watches and accessories, we place strong emphasis on innovation and creativity within our in-house product design and development function, which is tasked with not only customising our product designs to align with prevailing market trends and evolving consumer preferences, and translating the aesthetic visions of our brand identity under our OBM business model, but also delivering on the design and development requirements of our ODM customers.

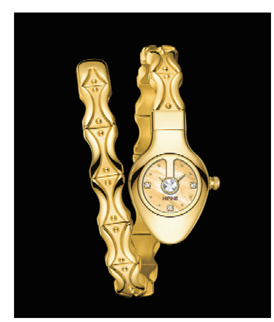
Our product design and development process primarily involves several key stages: (i) market research and information gathering to identify emerging consumer demands and preferences for development or refinement of product designs under our OBM model, or understanding the design and development requirements of our ODM customers; (ii) conceptual product design; (iii) design review and refinement to ensure the proposed concepts meet quality and brand standards; (iv) prototyping and testing of the new or refined design iterations; and (v) final product evaluation before commencing product launch or full-scale production.

For our OBM business model, during the Track Record Period, we introduced over 3,000 watches under our proprietary brands, including the following collections which received favourable market feedback and industry recognition:

- The "Sunrise" Watch Series (日出而作系列) co-created by us with "New Classic: Forbidden City" (上新了•故宮) draws inspiration from the sundial in the Taihe Palace of the Forbidden City (故宮太和殿), embodying the concept of "sunrise and sunset", reflecting the harmonious coexistence of man and nature. This unique handless watch design uses an innovative art form to simulate the rising and setting of the sun, expressing the abstract idea of time in a visually striking manner. This design has received widespread acclaim and won multiple international accolades, such as the prestigious Paris DNA Design Award in 2020, the German iF Design Award and the US IDEA Design Award. The product design follows the daily routines of the ancient Chinese, converting the movement from 12-hour to 24-hour time display. The self-winding movement is engraved with the motifs of the three main halls of the Forbidden City, and a gold ring is inlaid on the caseback, featuring an engraved wave pattern, symbolising auspiciousness and everlasting peace.

- The HIPINE 10th Anniversary & Year of the Dragon Tourbillon Limited Edition Gold Watch (西普尼十週年&龍年生肖陀飛輪限量金錶) showcases the brand's design and craftsmanship capabilities, particularly in its incorporation of the auspicious dragon motif. At the centrepiece of the watch's design is the magnificent dragon, with the dragon's head prominently positioned at the 12 o'clock position, and the dragon's serpentine body is coiled majestically around the mesmerising tourbillon movement. The dragon iconography is rendered through gold accessories enamel techniques. Departing from the high-temperature enameling techniques used in traditional watchmaking, we opted for a specialised hand-enamelling process better suited to gold's unique melting point. We believe this technique allows for the lustrous colours and intricate details of the dragon design to be captured on the watch's surface. Complementing the dragon motif are other design elements that further enhance the watch's cultural significance and visual appeal, including the use of 0.26 carat diamonds as dial hour markers, thermal blued steel watch hands and a high-end automatic tourbillon movement with 35 jewel bearings.

- The HIPINE Magic Flexible Gold Watch Series (HIPINE魔力Q彈金錶系列) draws inspiration from the spirit of liberalism, showcasing the brand's boundless imagination in watch design. This watch combines craftsmanship with the aesthetic appeal of gold accessories, and 24K gold with innovative watchmaking technology to create a sleek, three-dimensional and highly flexible metal strap. The serpentine, undulating form of the strap wraps gracefully around the wrist, accentuating the alluring contours of the female form. The aerospace-grade high-elasticity mainspring also seeks to offer high durability and a lightweight, conforming fit, making this watch both practical and visually captivating.



- The Sapphire Dual-Display Smart Gold Watch (西普尼一錶雙戴智能金錶) integrates traditional watchmaking craftsmanship and modern smart technology, providing a unique wearing experience. Its innovative design allows for the quick detachment and replacement of the movement, enabling users to freely switch between traditional mechanical watch movement and smart movement, satisfying diverse wearing needs. Visually, the watch features a black ceramic bezel paired with a 3D gold case and a 24K gold. Functionally, the watch is equipped with a smart movement, supporting heart health, blood oxygen, sleep apnea monitoring, and over 100 sports modes. In terms of construction, the watch utilises 316L stainless steel with A-grade polishing, ensuring a robust and durable case. The pure gold bezel combines supramolecular hard gold and Swiss precision standards, offering both hardness and luster.

As regards our ODM business model, we support our ODM customers to develop and launch new products from time to time. Set out below are some major product design and development collaborations between us and certain renowned brand owners during the Track Record Period:

- During the period from 2021 to 2024, we collaborated with Lao Feng Xiang to successfully launch limited-edition gold watches featuring the zodiac animals of the Tiger, Rabbit, and Dragon years. By combining traditional engraving techniques with modern automated precision machining, we created distinctive zodiac IP limited-edition products. This series utilises 24K gold as the watch case material, with the surface hand-engraved with the designs of the zodiac animal.

- In 2024, we collaborated with Sino Gem to develop multiple series of smart precious metal watches. In the product design, we combined unique designs featuring materials such as gold, platinum, ceramic bezels and turquoise gems, with the entire series of products reflecting the integration of traditional craftsmanship and modern smart health management.

We may also recommend our ODM customers on raw material choice and/or ways to fine-tune their initial design specifications to better achieve their design concept and intended function of the proposed product. To assist our ODM customers in making raw material choices and to strengthen our knowledge on the nature, functions and features of different raw materials, we maintain a raw material sample library, which contains samples and knowhow of a wide range of raw materials. Where new materials are required to be applied in the production process, we will work together with our ODM customers and suppliers to develop new materials with the desired hardness, function and appearance to attain our customer's design concept.

Through engaging in the product design and development process for our ODM customers, many of which are renowned jewellery brands and wholesalers, we have been able to gain deep insights into customer preferences for product design, and more importantly, robust product development know-how and techniques that can effectively translate their conceptual designs into feasible end products capable of mass production.

Our design and engineering team

Our design and engineering team, which forms part of our R&D department, takes the lead in driving our product design and development, and is primarily responsible for designing new products and refining existing products. Our design and engineering team also works hand in hand with the raw material development team under our R&D department, which mainly takes lead in developing new materials and technologies for application in our product offerings.

As at 31 December 2024, we had 20 design personnel in our design and engineering team. Our design personnel attend design and craftsmanship training programmes from time to time. They come from a diverse background and a majority of the design personnel have over ten years of experience in watch and jewellery and accessories design.

Product design and development process

New designs

The product design and development process for new product designs consist of the following steps:

OBM

Market research: We strive to offer a diverse portfolio of watches that align with prevailing market trends and cater to the preferences of our target customer groups under our OBM business.

To gather market intelligence, we leverage multiple channels, including feedback from our primary distributors, participation in industry events and watch and jewellery and accessories fairs, as well as research from industry reports and publications. Our business department takes the lead in analysing this market information, closely monitoring market trends, competitor information, and gathering customer feedback to identify potential product needs and demands. They closely review the monthly sales reports submitted by our distributors, synthesising these data points with other market insights to identify emerging customer trends and opportunities.

Based on these analyses, our business department proposes new product designs. Our business department may also propose new product requirements in response to requests and needs of specific market segments.

Our R&D department also plays a role in initiating the development of new OBM products. Our R&D department leverages its innovative capabilities to generate novel product concepts, which are then presented to the business department for evaluation. If the business department deems the R&D-driven product ideas to be a good fit for the market, we will proceed with the product development project.

Our design and engineering team then translates the approved product design concepts and requirements into new product designs.

ODM

Understand ODM customers' design and development requirements: The initial stage of the ODM product development process typically involves close collaboration between us and our ODM customers to fully comprehend their design concepts and production needs.

This often starts with the client providing us with a design proposal, which may include conceptual drawings and detailed specifications for the desired product. In some cases, they may directly commission us to initiate the product concept and design development. Our design and engineering team carefully reviews this design proposal to gain a thorough understanding of the client's design vision and technical requirements. They analyse factors such as the intended product functionality, target aesthetic, choice of materials, and any special manufacturing considerations outlined by the client. Our design and engineering team then discusses the design proposal with our manufacturing department to assess feasibility for large-scale production. Through this review, our design and engineering team is able to identify key design elements, potential production challenges, and areas where our expertise can be leveraged to enhance the client's original concept. We may also suggest alternative material selections or design modifications that could improve the product's manufacturability and cost-effectiveness, while still adhering to the client's core design intent.

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Conceptual product design: Drawing from the insights/information gathered in the previous steps, our design department prepares initial design sketches. These sketches incorporate the selection of raw materials, ornaments, straps or bracelets, watch movements, and other components, which generally takes two to four weeks to complete.

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Obtaining sales and marketing feedback: Our business department will provide feedback on these design sketches, offering their estimates on the potential popularity and sales performance of the proposed concepts.

Ongoing dialogue with ODM customer to ensure product design fulfills its requirements: Our business department will present initial design sketches to the client, outlining the client's conceptual ideas and proposed product specifications, and facilitate discussions between the client and our design and engineering team. Based on the client's input, our design and engineering team then creates improvement sketches that incorporate the suggested changes and refinements. This iterative process of presenting designs, receiving feedback, and revising the concepts continues until the client is fully satisfied that the design fits their needs. The business department plays a crucial role in this back-and-forth communication, serving as the liaison between the client and our internal product development capabilities. This collaborative approach ensures the evolving product designs continue to align with the client's specific requirements.

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Design review and refinement: Under both business models, our manufacturing departments provide input on the feasibility of the proposed designs from a production standpoint in parallel. They assess factors like production processes, equipment capabilities, and supply chain requirements to ensure that the designs can be efficiently translated into physical products. Our finance department also contributes to this collaborative process by evaluating the commercial viability of the designs, considering aspects such as material costs, labour and target pricing. This multi-departmental holistic review helps align the creative vision with the realities of the market and our operational capabilities and budget.

Incorporating feedback from our various departments and (for ODM product designs) our ODM customer, our design and engineering team develops the visual outlook and technical drawings for the products, and establish the relevant production standards, instructions, and technical specifications for the raw materials and ornaments to ensure alignment with the finalised product design.

The final OBM and ODM product designs are subject to approval by the heads of design and engineering team and business department, and our ODM customers, respectively.

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Costing: Once the product design is primarily finalised, primary production data of the proposed new product will become available for our design and engineering team, manufacturing department and finance department to conduct a costing exercise covering the estimated raw material cost, labour cost, subcontracting costs and production overhead, in order to estimate an indicative ex-factory unit price for the finished product.

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Prototyping: Once a product design has received initial internal approval, it is handed over to our manufacturing and R&D departments to produce a prototype that is both structurally sound and commercially viable. The primary purpose of prototyping is to help us determine the appropriate raw materials and other components that need to be sourced from suppliers to bring the final product to life.

Our design and engineering team then compares this prototype against the approved design concept, making any necessary technical adjustments to ensure the prototype adheres to the initial vision, and optimising it for cost-effective mass production. Under our ODM model, we also work closely with the ODM customer to refine this initial prototype, adjusting the product specifications as needed. This process may involve producing further prototype versions for additional discussion and analysis internally and (under our ODM model) with the ODM customer, for the purpose of modifying and fine-tuning the product design.

During this prototyping stage, we also update the indicative ex-factory unit price from time to time. This allows us and our ODM customers to stay alert of any costing impacts resulting from modifications to the product specifications or changes required in the production processes to achieve the desired design.

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Prototype verification: Our design and engineering team works closely with our manufacturing department and other teams within our R&D department to conduct thorough verification and acceptance procedures on the prototypes. The primary goal of this step is to validate the quality and adherence to technical specifications, before committing to large-scale manufacturing. If the prototypes fall short of the expected quality levels, we will initiate subsequent processing and adjustments to the prototypes. This allows us to identify and address any issues early on in the production cycle.

This prototype generally takes around one to two months to be produced.

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Prototype acceptance and preparation for mass production: If the final prototype successfully passes the rigorous inspections under the prototype verification stage, it will be passed to our business department for final approval. Based on the approved final prototype, our manufacturing department will formulate a manufacturing plan for mass production.

Prototype approval and order confirmation: Once the ODM customer has approved the final prototype and agreed to the proposed ex-factory unit price, our business department will liaise with them to confirm their purchase order for the new product.

It generally takes seven months to develop a new product and put it into production under our OBM model, and around four months from our engagement by an ODM customer for a new design project up to its order confirmation.

Refining product designs

Under our OBM model, our design and engineering team under our R&D department works closely with our business department to gather feedback on the market response to our new product designs. We closely communicate with our primary distributors, soliciting their insights and observations on end consumers' reception to the latest product launches. We may then make improvements and updates to our launched products as necessary to ensure that our product offerings remain in tune with consumer preferences. We also maintain close communication with our ODM customers to understand if any adjustments may be required to the products developed.

The findings from this product evaluation process will also be fed back into the next round of product development. Our design and engineering team and business department use these insights to identify areas for improvement, making adjustments and enhancements that can better align the products with evolving consumer tastes and preferences. This iterative feedback loop allows us to stay responsive to market dynamics and make timely improvements to our product offerings.

(iii) Manufacturing

Our production is centred around manufacturing products under our OBM and ODM business models. After production, the finished products are directly sold to our customers, which mainly include our primary distributors and ODM customers. Our ODM customers also engage us to provide subcontract processing services for their precious metal watch and accessories. The pricing of our products and processing services are determined by us based on a cost-based approach. For details, please see "– Our brands and products – Pricing".

Our manufacturing department includes specialised sub-departments for watch case production, PMC and final assembly, and is responsible for the manufacturing and processing of watch cases, straps, buckles, component inspection, movement assembly, and final product assembly. Our accessories production department coordinates the entire process from order generation to product shipment for accessories products.

Manufacturing plan

We strive to adopt a "made-to-order" production principle that aligns manufacturing with actual customer orders while maintaining optimal inventory levels. Daily production orders are primarily organised based on available raw materials, and we outsource certain ancillary processes to subcontractors. Our production planning is informed by customer purchase orders and forecasts, along with rolling sales projections from primary distributors. This approach ensures that our manufacturing closely meets customer demand while effectively managing stock levels for timely order fulfillment.

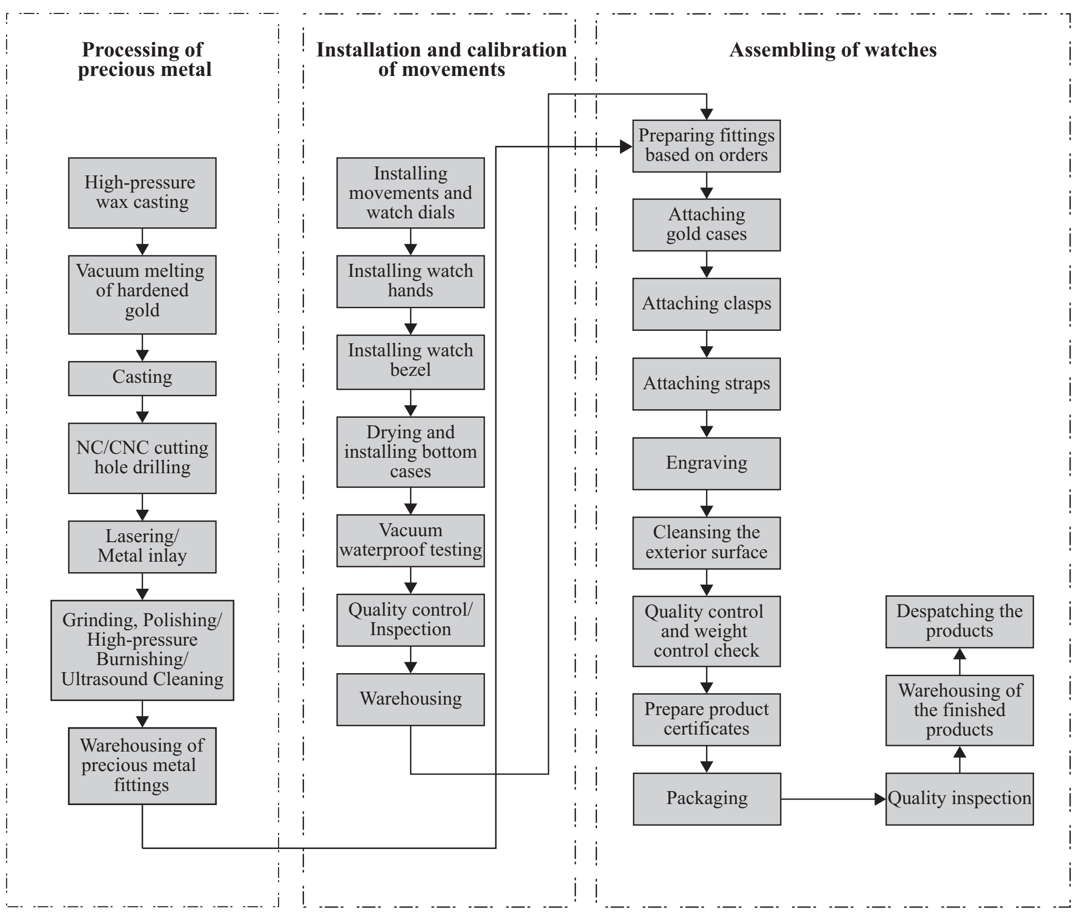
Production processes

Watches

The manufacturing of watches primarily involves (i) the processing of precious metal; (ii) installation and calibration of movements; and (iii) assembling of watches.

All watch movements utilised in the production of our watches are sourced from third party suppliers, which consisted primarily of Swiss and Japanese branded movements and smart movements of Huawei, a leading global Chinese technology company recognised for its cutting-edge 5G technology. We produce or outsource the manufacturing of other components such as the dial, case, and strap, and then assemble them into the final watch. By focusing on 24K gold processing, we manufacture watch cases, bands, and other components using gold and other precious metals. Leveraging our patented gold hardening technology, we are able to achieve a Vickers hardness of over 90 HV for 24K gold, making it suitable for use in watch case and strap production. This enhances the malleability and surface durability of the gold raw materials used in our production. Through the application of our patented gold weight control technology, we can maintain the weight variance of each gold watch to within 0.015 grams. This allows us to provide our customers with high-quality timepieces crafted from premium precious metals.

The following flowchart depicts the typical production processes for our precious metal watches:



(a) Processing of precious metal

- The processing of precious metal mainly begins with the high-pressure wax casting process, a manufacturing technique which involves creating a detailed wax model. The wax model will later be injected with molten wax at high pressure to precisely replicate the intricate details of the model, the wax will then be removed to leave a cavity, and then molten metal will be poured in, which fills the cavity under high pressure to ensure replication of the model. This allows production of precious metal parts with specific and sophisticated shapes.

- Following the preparation of the wax model, precious metal is subject to a vacuum melting process. This specialised melting technique ensures the precious metal is thoroughly homogenised and free of impurities, creating a consistent and high-quality molten material.

- The molten metal is then carefully cast into the desired watch case shapes and forms, leveraging our expertise in precision casting methods.

- Part of the cast metal components is then shaped and refined with the use of numerical control and CNC cutting technologies. Meticulous weight control checks are performed at this stage to maintain the optimal dimensions and proportions of the relevant parts. Attention to detail is crucial to help ensure seamless integration of the watch cases with the other timepiece elements. We then progress to the metal inlay process, which involves the more precise carving of specific patterns, shapes, or designs onto the surface of the gold components. The carved recessed areas are then filled with other metals to create an inlay effect.

- Other parts of the cast metal components then progress to the moulding, drilling and lasering stages. These specialised techniques allow for the creation of the necessary apertures and openings required for the final assembly of the watches. Laser engraving is employed as a finishing touch, enabling us to add intricate designs, logos, and other distinguishing details to the watch case components. Additional weight control checks are conducted to validate the precision and consistency of the laser-engraved features.

- The final steps in the manufacturing process involve grinding, polishing, burnishing and ultrasound cleaning of the processed precious metal to remove any microscopic blemishes or irregularities to unveil the metal's inherent lustre and brilliance.

- The processed precious metal fittings are then subject to a final round of weight control inspections. This helps perfect the surface finish and dimensional accuracy of the relevant parts.

- Once the manufacturing and processing are complete, the polished precious metal fittings are warehoused, ready to be assembled with other watch components.

For details of our craftsmanship involved in the manufacturing process for precious metal watch cases, please see "– Our craftsmanship".

(b) Installation and calibration of watch movements

- We handle the installation and calibration of watch movements, which we source from third party suppliers, in-house. The installation of the watch movements and dials is a critical step in the overall assembly process, as it is essential for ensuring the precision and functionality of the finished product. Watch movements and dials are procured from our carefully vetted network of specialised suppliers. For details, please see "– Our suppliers". These components are thoroughly inspected to verify that they meet our exacting quality standards, checking for factors such as dimensional accuracy, material integrity, and functional performance. For details on our quality control procedures, please see "– (v) Quality control".

  The installation starts with the careful positioning of the movement within the watch case, so that the movement is precisely aligned and seated within the case to ensure optimal timekeeping and functionality. Specialised tools are utilised to guide and secure the movement into its proper place. The watch dial is then carefully placed in order to be aligned with the movement to ensure the accurate display of time. We then centre the dial within the case, paying close attention to the positioning of the dial foot, which provides the crucial connection between the dial and the movement.

- Following the installation of the movements and dials, we then proceed to install the watch hands. This step demands an exceptional level of precision, as the hands must be balanced and calibrated to ensure the accurate display of time.

- The watch cases then undergo a thorough dedusting process to ensure the internal components are free of any contaminants or debris, which is important for maintaining the watch's performance and durability.

- We then proceed to install the watch bezel and bottom cases, sealing the movement and dial assembly within the watch housing. This delicate process involves drying the case components and then carefully securing the bottom case in place, ensuring a tight and waterproof fit.

- The next critical step is the vacuum waterproof testing. Our manufacturing department subjects the assembled watch cases to a rigorous series of tests, simulating real-world conditions to verify the watch's water resistance capabilities. This quality control measure helps to safeguard the integrity of the watch's construction and protects the sensitive internal components.

- We then conduct a comprehensive series of quality control inspections, which cover a wide range of parameters, including timekeeping accuracy, movement function, case fit and finish, and overall aesthetic appeal. Only watches that pass these stringent inspections will be warehoused for final assembly.

(c) Assembling of watches

- The final assembly of watches begins with the careful preparation of the required fittings based on the specific order details. Our production planning ensures that the relevant watch cases have been manufactured and the watch movements and dials have been installed for the final assembly process. With the fittings ready, our manufacturing department proceeds to attach the gold watch cases to the movement and dial assemblies. Specialised tools and techniques are used to securely fasten the case to combine the exterior and interior elements of the watch.

- We then move on to the installation of the clasps and straps. The clasps, often crafted from precious metals to match the case, are fitted to provide a secure closure for the timepiece. We then pair the watch head with the appropriate strap based on the order specifications.

- The watch is then engraved, which involves the etching of unique serial numbers, logos, or other distinguishing marks as may be required by the client onto the watch case. The model details and production serial numbers are recorded in our ERP system to maintain traceability.

- With the assembly complete, the next step is the final cleaning and polishing of the watch's exterior surface, which is intended to help ensure that the finished product is free of blemishes and presents a shiny finish.

- The next phase involves a comprehensive series of quality control and weight control checks. We rigorously inspect the fully assembled watch, verifying the timekeeping accuracy, the functionality of all components, and the overall aesthetic appeal of the timepiece. Only watches that pass these stringent inspections are deemed fit for the final certification and packaging process.

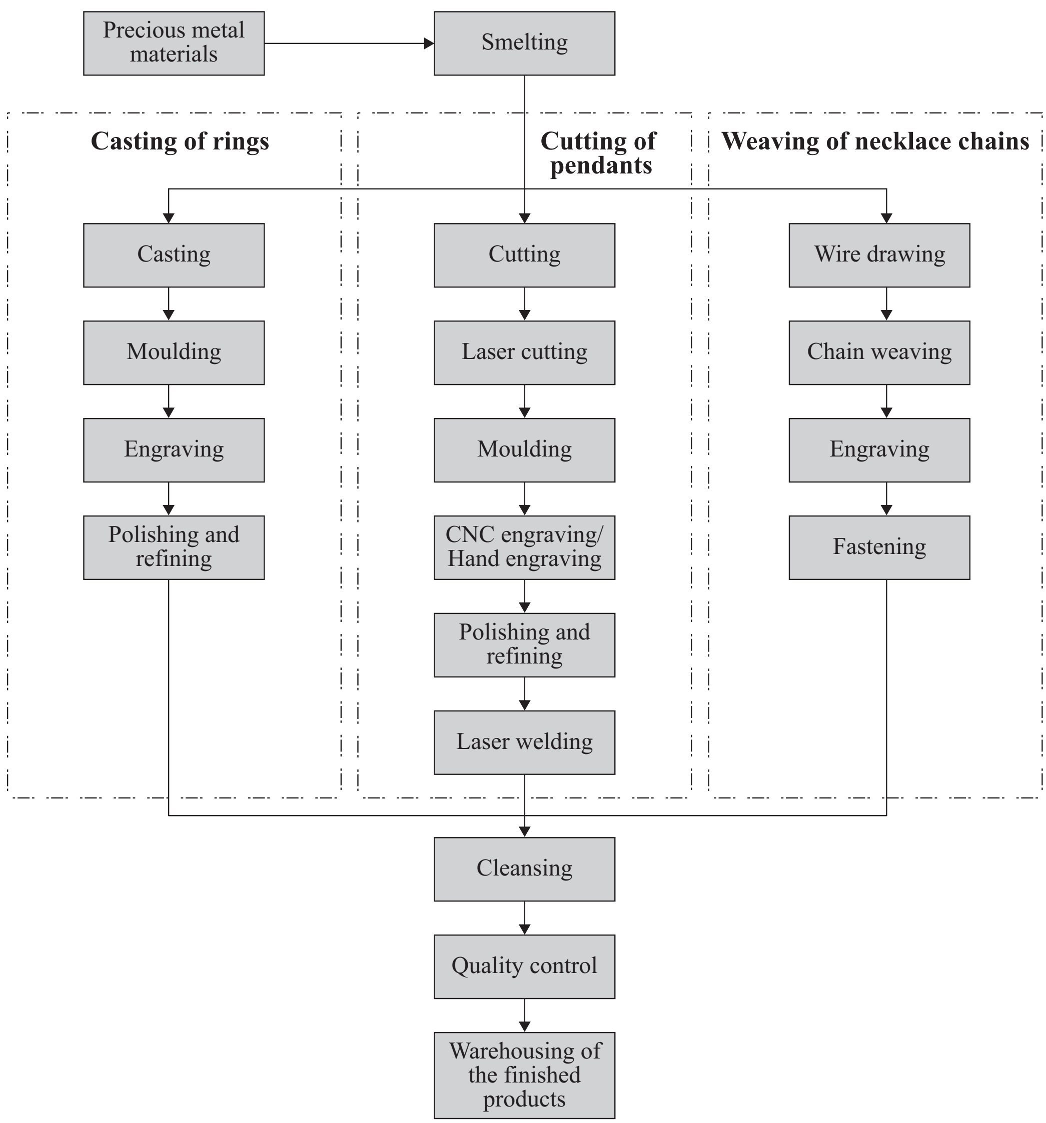
- Before the finished watches are packaged and prepared for despatch, our manufacturing department generates the necessary certificates of authenticity. These documents serve as a testament to the watch's provenance and quality.

- The final step in the assembly process involves the warehousing of the finished watches, ensuring they are stored in optimal conditions to maintain their condition before delivery.

Accessories

Gold accessories is produced through a series of manufacturing processes. Gold raw materials are melted and cast into ingots or sheets, which are then formed into metal blanks using mould casting techniques, and are transformed into final intricate and refined gold accessories after undergoing various production processes, such as die-striking, engraving, and polishing.

The following flowchart depicts the typical production processes for our gold accessories products:



The production of gold accessories primarily involves three core processes: the casting of rings, the cutting of pendants, and the weaving of necklace chains. At the foundation of these techniques is the smelting of gold raw materials, which provides the high-quality gold stock required for each core process:

- *Casting of rings:* The smelted gold is carefully poured into moulds, allowing the molten metal to take the desired ring shape. The cast components then undergo a moulding process to refine their form, followed by delicate engraving work to add decorative details. The rings are then polished and subjected to a final refining stage to ensure a flawless, lustrous finish.

- *Cutting of pendants:* The production begins with the precise cutting of the gold stock using advanced techniques such as laser cutting. The shaped pendant components are then carefully moulded, employing either CNC technology or skilled manual engraving to incorporate intricate designs and patterns. After polishing, the pendant pieces are expertly laser welded to complete the manufacturing process.

- *Weaving of necklace chains:* Using the metal drawing technique, smelted gold is first drawn into gold wire with appropriate thickness and temper. Using specialised chain-weaving machinery, the gold wire is then constructed into necklace links. The woven chains may then be further embellished through engraving and the addition of specialised fasteners to achieve the desired aesthetic.

Regardless of the specific accessories product being produced, the manufacturing process culminates in a rigorous cleansing and quality control regimen, before being warehoused and prepared for delivery to customers.

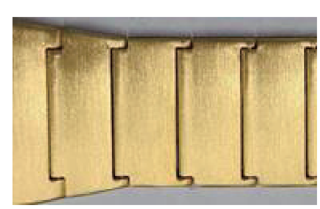
Our craftsmanship

Craftsmanship has been the driving force behind our gold watch and jewellery business, as we recognise that true quality and distinction can only be achieved through meticulous attention to detail and time-honoured techniques. However, the inherent softness of 24K gold has presented a persistent challenge, often resulting in the bending or deformation of the final product and compromising its structural integrity and appearance. In response, predecessors in the industry developed a rich repertoire of traditional Chinese gold-making methods, including carving, inlay, and enamel techniques, which allowed them to overcome these material limitations and craft pieces of artistry and durability. Building upon this legacy, our team has now introduced innovative gold hardening technologies that further enhance the strength and resilience of our precious materials. For details, please see "– Research and development". Combined with the strategic integration of CNC production techniques, we are able to maintain the high standards of craftsmanship that define our brand while also increasing efficiency and consistency. We believe that in this way, we honour the rich history of gold accessories making in China while embracing modern manufacturing efforts.

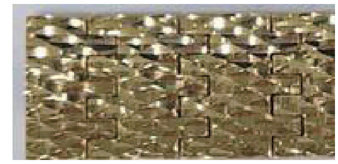
We mainly employ the following craftsmanship and techniques in our precious metal watch and gold accessories creations, most of which are performed by our skilled and experienced craftsmen:

- ***Polishing technique (拋光工藝):*** This specialised technique is used for polishing 24K gold watch cases and bands. Polishing 24K gold requires different materials, equipment, motor speeds, and cooling waxes compared to polishing other metals like stainless steel, copper, titanium, or alloys. The proper application of these specialised techniques allows the pure gold components to achieve the desired level of lustre.

- ***Brushing technique (拉絲工藝):*** This technique involves using the polishing process to remove any coarse textures from the surface, ensuring a smooth finish. Specialised brushing tools fixed to variable-speed motors are then used to create the consistent, linear brushed pattern on the component while maintaining proper alignment.



- ***Engraving technique (車花工藝):*** This specialised technique is used for engraving patterns on 24K gold watch bands. Skilled craftsmen use custom engraving tools and fixtures to manually engrave intricate patterns on the gold bands.



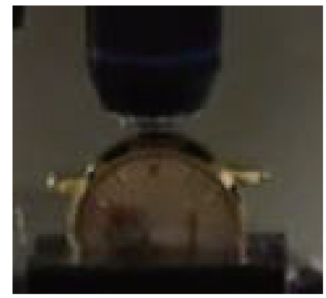
- ***Bead-setting technique (釘珠工藝):*** This technique is mainly used for gold watch bands. It involves the use of a fully automated CNC five-axis machine equipped with specialised diamond drill bits to precisely set the gems. Skilled programmers write the CNC programmes to secure the components and execute the intricate gem-setting process on the delicate hollow gold bands, which requires high precision to avoid any defects or imperfections.

- ***Gem-setting technique (珠寶級寶石鑲嵌工藝):*** This is an exclusive in-house technique we developed for setting gemstones on gold watch surfaces. It involves precise 3D modelling, CNC machining, polishing, and a specialised gem-setting process to securely mount gemstones on the watch.

- ***T-shaped gem-setting technique (T方鑲嵌工藝):*** This technique uses a unique mechanical method to firmly fix square-shaped gemstones into the watch bezel.

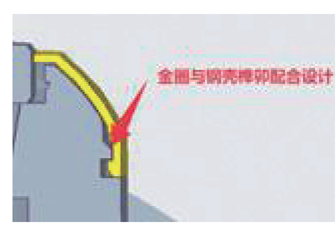
- ***Enamel inlay technique (鑲嵌琺瑯工藝):*** This involves creating different shaped enamel components, which are then securely inlaid onto the watch using a specialised encasing process, resulting in a durable enamel decoration.

- ***Gold Hardening Technique (黃金加硬工藝):*** We have developed a proprietary patented technology using polymer processing to significantly harden pure gold, increasing its hardness by three to four times. This allows the use of 24K gold in watch cases while greatly improving scratch resistance and impact durability.



- ***Gold watch weight control technique (金錶加工控重工藝):*** This is our exclusive in-house invention, allowing us to control the weight variance of each gold watch to within 0.015 grams. This precise control enables consistent pricing regardless of minor gold weight variations.

- ***Mortise and tenon technique (榫卯工藝):*** Inspired by ancient carpentry, this technique uses a specialised interlocking mortise and tenon joint design to firmly connect the gold components to metal components, preventing issues with gold parts becoming loose or detached over time.



- ***Enamel dial technique (字畫琺瑯工藝):*** This is an exclusive in-house technique that applies traditional Chinese painting and enamel craftsmanship to create intricate dial designs featuring landscapes, architecture, and nature motifs.

Outsourced production

As part of our production planning, we may subcontract certain ancillary/simple production processes to our subcontractors, such as electroforming and plating. Outsourcing is for the purpose of enabling us to focus our resources on the key stages of our operation and more value-added production processes, including product development, treatment of gold raw materials, manufacture of watch cases and assembly of watches, to better control the overall quality of our products, and increase flexibility on our staffing and production planning. According to CIC, it is common for gold and accessories manufacturers like us to engage external manufacturers to process their goods.

We choose our subcontractors carefully based on their quality of work, pricing, ability to fulfil our contracted volume, experience and relationship with us, among other factors, and do not rely any single subcontractor to complete any production process. We believe that we have maintained good business relationships with our subcontractors, with whom we have established long-term relationships. Given the flexibility required by our production needs, we have not entered into any long-term contracts with any of our subcontractors. Instead, we entered into individual purchase orders with them, specifying the quantity, quality specifications, cost, delivery arrangement and penalties for delayed delivery. To ensure that our subcontractors have the necessary resources to commence the outsourced processing, we generally provide our semi-finished goods, spare parts, design and technical specifications to them. Once the outsourced production process has been completed, the processed semi-finished goods or other watch component will be returned to our in-house production team, which is solely responsible for the final assembly of our products. Also, the watch components that we provide to our external watch manufacturers are generally limited to the quantity required to meet the orders we placed with them. Upon receiving the processed goods from our subcontractors, we conduct thorough inspections and quality control checks to ensure that they meet the specified standards.

During the Track Record Period, we engaged a total of 22, 23 and 29 subcontractors, and outsourcing processing fees took up 1.98%, 2.03% and 1.76% of our total cost of sales in FY2022, FY2023 and FY2024, respectively. Our Directors confirm that, during the Track Record Period, all the subcontractors engaged by us were Independent Third Parties.

During the Track Record Period and as at the Latest Practicable Date, we were not aware of any violation of laws or regulations by our subcontractors that would have a material adverse effect on our operation and financial position. During the Track Record Period, we did not encounter any material interruption of our business due to our arrangement with our subcontractors.

(iv) Procurement

Our production material control department plans the procurement of gold, watch movements and other components in accordance with estimated sales demand for our products. Our procurement department negotiates the purchase price with our suppliers, and arranges for our Group to enter into purchase agreements and place orders with them. To ensure quality standards, we have dedicated quality control personnel to conduct on-site due diligence on our suppliers periodically. The quality control for incoming raw materials delivered by our suppliers is performed at our production facilities. Any watch movements and other components with quality defects will be returned to our suppliers. We also periodically review the quality and delivery performance of our suppliers. Unsatisfactory suppliers are removed from our approved supplier list. For details of our policies on procurement of raw materials and supplier selection and monitoring, please see "– Procurement" and "– Our suppliers".

(v) Quality control

We believe that our commitment to quality control is one of the principal factors contributing to our success. Our quality assurance measures cover all aspects of our production processes and operations, including design and installation of production facilities, the maintenance of equipment, procurement of raw materials and packaging materials, monitoring and quality checks of raw materials, work-in-progress and finished products and verification of documentation to comply with product registration certification standards and requirements. In every production process, dedicated quality inspectors are assigned to inspect each process according to pre-determined standards and inspection conditions and to record inspection results.

Production process validation procedure

Our quality assurance system implements a comprehensive procedure for validation of our development of new products, which includes planning, installation qualification, design qualification, operational qualification, performance qualification, process control and management and revalidation.

Raw materials quality control

We purchase raw materials only from approved suppliers, which have been assessed by our procurement department based on a set of criteria. Our quality control department inspects the quality of each batch of supplies including, among others, their documentation and specifications. Only raw materials satisfying all of our specifications and requirements will be accepted and used for our production. For details, please see "– Procurement".

Production in-process quality control

Our quality control department consistently monitors our production processes to verify that our manufacturing processes continue to comply with our standards. We require our production operators to adhere to standard operating and equipment operation procedures and our quality control department regularly inspects our production processes on-site. Our quality control department also conducts sample check on certain in-process products and semi-finished products at particular stages of production as required by approved procedures.

We require the semi-finished products processed by our subcontractors to meet all the criteria under the relevant quality standard for each product model, and we conduct sample checking on the semi-finished products delivered by them. If defective products were found to have been delivered to us, we will return the products in question to the subcontractors for rectification. For further details on our outsourced production, please refer to "– (iii) Manufacturing – Outsourced production".

Final product quality control

We conduct inspection and testing by the quality control division and our in-house laboratory on each piece of our watch products, including checking its water resistance, accuracy and watch mechanism. We also conduct inspection and testing on batch of our accessories products on a sampling basis, in accordance with our quality control procedures. Before we deliver our final products to customers, our quality control department inspects the documentation relating to the quality of a product, including its batch records, production process records and other information that may impact product quality.

Only final products that have passed all specifications and requirements can be released and sold to our customers.

As we implement stringent quality control measures prior to our products are being delivered, we had not experienced any product return, and we had not recalled any product due to quality or other issue, under our distributorship business model during the Track Record Period and up to the Latest Practicable Date.

For details of our quality control and assurance standards and our quality control management system, please see "– Quality Control and Assurance".

(vi) Packaging and delivery

We carry out final inspection on our finished products before they are packaged and stored in our warehouses. To ensure the safety of our packaged products, our warehouses are subject to 24-hour surveillance and only our authorised employees are allowed to enter our warehouses for stock taking, arrange loading and delivery of our packaged products. In general, the passing of title and the risk of the finished products to our customers, including both OBM and ODM customers, occurs when the finished products are delivered to them. We have our own logistic team to arrange for the delivery of finished products from our production facilities to the designated delivery locations of our customers and are generally responsible for the transportation cost incurred for such delivery. We may also engage third-party logistics service providers for product shipping from time to time. For details, please see "– Logistics".

PRODUCTION FACILITIES

Our production bases

During the Track Record Period and up to the Latest Practicable Date, we carry out our production and ancillary operations in our Shenzhen Production Base and Putian Production Base, which are leased properties. Specifically, during the Track Record Period, our Shenzhen Production Base was primarily used for the production of (i) watches; and (ii) watch straps and other watch accessories, whereas our Putian Production Base was primarily used for the production of (i) wearable accessories, such as earrings, rings, necklaces, bracelets; and (ii) precious metal products including, among others, gold bars, gold medals and commemorative coins. We have also commenced the construction of our New Putian Operations Complex, which houses the New Putian Production Base and the Putian R&D Centre, since 2023. We currently expect that the quality inspection of the main construction works of the New Putian Operations Complex would be conducted within the first quarter of 2025, and the New Putian Production Base would commence operations by the second half of 2025.

We benefit from the locations of our production bases in China with close proximity to our suppliers/subcontractors and access to efficient port facilities to deliver for delivery, which helps to reduce delivery costs and time of our products to customers. Our production bases are strategically located.

- Shenzhen is renowned as the "Watch Capital of China" (中國鐘錶之都) and has a well-developed watch manufacturing ecosystem, with a vast majority of supporting parts and components related to watch manufacturing in Shenzhen produced locally. The strategic location of our Shenzhen Production Base allows us to leverage several key advantages, including (i) access to skilled labour force, as Shenzhen has a large pool of experienced and talented workers specialised in various aspects of watch production, from precision engineering to assembly; and (ii) proximity to a wide range of suppliers specialised in producing watch components and spare parts, which facilitates efficient sourcing and streamlined logistics; and

- Putian's pool of highly skilled artisanal craftsmen with specialised expertise in intricate gold jewellery and accessories making processes is a valuable asset, enabling the creation of quality products. Proximity to gold raw material sources, as well as an established jewellery and accessories industry cluster with supporting infrastructure, can help streamline the supply chain and production processes. Additionally, the potential for more favourable labour and overhead costs in Putian may translate into more competitive pricing.

The table below provides a summary of the operation data of our existing production bases, which comprise production facilities, dormitories, office and/or ancillary facilities, as at 31 December 2024:

Production base	**Location**	**No. of years of operation**	**Approximate GFA for building structures** *(sq. m.)*	**No. of workers employed**
Shenzhen Production Base	Shenzhen, China	9	6,810.8	289
Putian Production Base	Putian, China	7	5,266.17	42
New Putian Production Base	Putian, China	N/A (not put into operation yet)	24,302.48	N/A (not put into operation yet)

Production capacity and utilisation

The following table sets out the planned maximum production capacities, actual production volume and utilisation rate of our production facilities which were in operation during the Track Record Period:

Production base	FY2022 *(units of watches)*	FY2022 *(grams of accessories)*	FY2023 *(units of watches)*	FY2023 *(grams of accessories)*	FY2024 *(units of watches)*	FY2024 *(grams of accessories)*
Shenzhen Production Base[3]						
– Planned production capacity[1]	196,172	1,246,154	151,360	1,080,000	142,500	694,286
– Actual production volume	110,902	957,827	144,104	1,009,692	141,097	694,436
– Utilisation rate[2]	56.53%	76.86%	95.21%	93.49%	99.02%	99.98%
Putian Production Base[3]						
Wearable accessories[4]						
– Planned production capacity[1]	–	1,368,758	–	1,368,758	–	981,374
– Actual production volume	–	1,343,583	–	1,216,907	–	659,645
– Utilisation rate[2]	N/A	98.16%	N/A	88.91%	N/A	67.22%
Precious metal products[4]						
– Planned production capacity[1]	–	1,419,512	–	296,567	–	1,387,440
– Actual production volume	–	1,279,669	–	313,842	–	1,197,941
– Utilisation rate[2]	N/A	90.15%	N/A	105.82%	N/A	86.34%
Overall for Putian Production Base:						
– Planned production capacity[1]	–	2,788,270	–	1,665,325	–	2,368,814
– Actual production volume	–	2,623,252	–	1,530,749	–	1,857,586
– Utilisation rate[2]	N/A	94.08%	N/A	91.92%	N/A	78.42%
Total						
– Planned production capacity[1]	196,172	4,034,424	151,360	2,745,325	142,500	3,063,099
– Actual production volume	110,902	3,581,079	144,104	2,540,441	141,097	2,552,022
– Utilisation rate[2]	56.53%	88.76%	95.21%	92.54%	99.02%	83.32%

Notes:

(1) Our production capacity planning is closely aligned with our strategic objectives and product mix. Planned production capacity of our production base(s) during any period refers to the planned maximum number of products our production facilities can produce, estimated by our management based on the number of production employees and other resources allocated to the relevant production facilities, assuming production is carried on based on standard labour hours, and subject to the maximum production volume of the machinery that is critical to the production of the relevant products. For details, please see "– Methodology for calculating our planned production capacity" below.

(2) Utilisation rate equals actual production volume of the relevant type of products divided by designed maximum production capacity.

(3) During the Track Record Period, our Shenzhen Production Base was used for the production of (i) watches; and (ii) watch straps and other watch accessories, whereas our Putian Production Base was used for the production of (i) wearable accessories; and (ii) precious metal products. The Putian Production Base was not used for the production of watches during the Track Record Period.

(4) Wearable accessories include, among others, earrings, rings, necklaces, bracelets; whereas precious metal products include, among others, gold bars, gold medals and commemorative coins.

Unlike production process of products that have standard production requirements and production times, the production requirements and production times for different types of our products vary significantly due to a number of factors such as different structure, styles and complexity. As a result, our estimated production capacity and utilisation rate may not be an accurate indication of the use of our production capacity or meaningful in evaluating our profitability.

Methodology for calculating our planned production capacity

Shenzhen Production Base

Watches

The bottleneck process (i.e. a stage in a manufacturing or production process that limits the overall speed or capacity of the entire operation) in the manufacturing of watches is the CNC equipment manufacturing process. The planned production capacity for watches was therefore calculated by dividing (1) the annual effective operation time of the CNC equipment allocated to watch production by (2) the standard operation time of the CNC equipment for producing per unit of watch. During the Track Record Period, we calculated our watch production planned capacity using the following key inputs and assumptions:

(i) Quantity of CNC equipment allocated to watch production;

(ii) Annual effective operation time of the CNC equipment allocated to watch production. During the Track Record Period, such CNC equipment operated on a two-shift, 26-day per month schedule with 16 effective hours per day after setup/preparation, resulting in 301 effective days per year after deducting statutory holidays; and

(iii) Standard operation time of the CNC equipment for producing per unit of watch, which was approximately 1,100 seconds in FY2022, and increased to approximately 1,200 seconds in FY2023, and further increased to approximately 1,500 seconds in FY2024.

Watch straps

The bottleneck process in the manufacturing of watch straps is the drilling process. The planned production capacity for watch straps was therefore calculated by dividing (1) the annual effective operation time of the drilling equipment allocated to watch strap production by (2) the standard operation time of the drilling equipment for producing per unit of watch strap. During the Track Record Period, we calculated our watch strap production planned capacity using the following key inputs and assumptions:

(i) Quantity of drilling equipment to accessories gold band production;

(ii) Annual effective operation time of the drilling equipment allocated to watch strap production. During the Track Record Period, such drilling equipment operated six effective hours per day, 250 days per year per equipment; and

(iii) Standard operation time of the drilling equipment for producing per unit of watch strap, which remained unchanged at approximately 40 seconds from during the Track Record Period.

Putian Production Base

Wearable accessories

The bottleneck process in the manufacturing of wearable accessories, such as earrings, rings, necklaces and bracelets, is the laser cutting process. The planned production capacity for wearable accessories was therefore calculated by dividing (1) the annual effective operation time of the laser cutting equipment allocated to wearable accessories production by (2) the standard operation time of the laser cutting equipment for producing per unit of wearable accessory. During the Track Record Period, we calculated our wearable accessories production planned capacity using the following key inputs and assumptions:

(i) Quantity of laser cutting equipment allocated to wearable accessories production;

(ii) Annual effective operation time of the laser cutting equipment allocated to wearable accessories production. During the Track Record Period, such laser cutting equipment operated 16 effective hours per day, 301 days per year; and

(iii) Standard operation time of the laser cutting equipment for producing per unit of wearable accessory, which remained unchanged at 38 seconds per gram from FY2022 to FY2023, but increased to approximately 50 seconds per gram in FY2024 due to more complex new product structures.

Precious metal products

The production of precious metal products, such as gold bars, gold medals and commemorative coins, relies predominantly on manual labour and involves relatively straightforward manufacturing processes, which therefore enables workforce flexibility and allows personnel from other production teams to be readily reassigned to support the production of precious metal products when needed.

The planned production capacity for precious metal products is calculated by multiplying (1) the standard annual capacity per worker by (2) the number of personnel assigned to precious metal production. During the Track Record Period, we calculated our precious metal product production planned capacity using the following key inputs and assumptions:

(i) Number of personnel assigned to precious metal product production;

(ii) Standard annual capacity per worker in terms of processing time, which was 40 seconds per gram of gold processed, and remained unchanged during the Track Record Period; and

(iii) Annual effective working time of the workers allocated to precious metal product production based on attendance records.

According to CIC, the above methodologies adopted for calculating our planned production capacity is in line with industry practice.

Our planned production capacity during the Track Record Period

Shenzhen Production Base

Watches

Our total planned production capacity for watches was 196,172 units, 151,360 units and 142,500 units for FY2022, FY2023 and FY2024, respectively. Our planned production capacity for watches decreased to 151,360 units in FY2023, representing a 22.8% decline compared to FY2022. In FY2024, our planned production capacity of 142,500 units was 8,860 units lower than the 151,360 units in FY2023, representing a 5.85% decrease. We consider that the main reasons for the reduction in our planned production capacity for watches in FY2023 and FY2024 are:

(i) the reduction of one CNC equipment allocated for watch production since FY2023. In FY2022, we initially deployed 12 CNC equipment units for watch production at the Shenzhen Production Base.

In FY2022, we allocated a total of 12 CNC machines at our Shenzhen Production Base specifically for watch production. Among these, one CNC machine was dedicated to enhancing the manufacturing process for the wax models used in creating precious metal parts.

As disclosed in "Our Business Model – (iii) Manufacturing – Production processes – Watches – (a) Processing of precious metal", the processing of precious metal mainly begins with the high-pressure wax casting process, a manufacturing technique which involves creating a detailed wax model. The wax model will later be injected with molten wax at high pressure to precisely replicate the intricate details of the model, the wax will then be removed to leave a cavity, and then molten metal will be poured in, which fills the cavity under high pressure to ensure replication of the model. This allows production of precious metal parts with specific and sophisticated shapes.

To enhance the precision and quality of the precious metal parts casted from the abovementioned wax model, we had redeployed one of these 12 CNC equipment units to the high-pressure wax casting process since FY2023. While this approach resulted in reduction of our watch production capacity, it had helped improve our adherence to product specifications, including precise shape, dimensional accuracy, volume of precious metal used in production and weight of precious metal in the relevant watch component/product; and

(ii) an increase in the standard operation time of the CNC equipment for producing per unit of watch due to product quality upgrades and structural changes since FY2023. As part of our continuous innovation strategy, we internally developed and patented a precise weight control technology for gold watches (黃金手錶標準克重控制技術), being a digital control technology which is applied to the standard cutting, grinding, and polishing processes, strictly following a multi-tiered digital weight control workflow. This ensures a high degree of consistency in the gold weight of watch products, with the weight of each gold watch model maintained within a 0.015-gram tolerance. This resolves the challenge of precise gold weight control during the manufacturing process. For details, please see "– Research and Development".

Since FY2023, we have comprehensively integrated this technology into our watch production processes to elevate product precision and quality. The implementation necessitates operating production equipment at reduced speeds to ensure higher level of precision and minimise deviation rates, which has in turn reduced our overall production capacity for watches.

Considering the increase in the standard operation time of the CNC equipment for producing per unit of watch since FY2023, our engineering, technical, and workshop management teams have been focusing on developing technologies to (i) reduce standard operation time in response to the increased complexity of new product processing; and (ii) optimise processing sequences to minimise standard operation time at bottleneck processes, without increasing our CNC equipment due to cost considerations. We believe that these measures would enable us to maintain more stable watch production capacity amidst product design upgrades.

Watch straps

Our total planned production capacity for watch straps was 1,080,000 grams and 694,286 grams for FY2022, FY2023 and FY2024, respectively. The planned production capacity for watch straps has declined by 166,154 grams in FY2023, a 13.3% decrease compared to FY2022. In FY2024, the planned capacity decreased by 385,714 grams, or 35.71%, compared to FY2023. This is mainly due to the increase in the standard operation time of the drilling equipment for producing per unit of watch strap from approximately 40 seconds in FY2022 to approximately 50 seconds in FY2023, and further to 70 seconds in FY2024. This upward trend in time required for processing directly correlates with the rising proportion of hollow gold watch straps out of our total watch strap production, which increased from 36.68% in FY2022 to 56.75% in FY2023, and further to 65.83% in FY2024. The extended processing time for hollow gold watch straps stems from its relatively more intricate manufacturing requirements, as compared to solid gold watch straps. Specifically, hollow gold watch straps feature a sealed bottom surface with a hollow interior. The hollow interior enclosed with a thin wall makes drilling particularly challenging, as it demands a higher degree of precision and rapid drilling risks puncturing the thin wall. The standard operation time of the drilling equipment for producing per unit of hollow gold watch straps therefore takes significantly longer compared to solid gold watch straps, leading to an increase in the standard operation time of the drilling equipment for producing per unit of watch strap from approximately 40 seconds in FY2022 to approximately 50 seconds in FY2023 and 70 seconds in FY2024, resulting in decreased planned production capacity since FY2023.

Putian Production Base

Wearable accessories

Our total planned production capacity for wearable accessories was 1,368,758 grams and 981,374 grams for FY2022, FY2023 and FY2024, respectively. The planned production capacity for wearable accessories in FY2024 decreased by 387,384 grams, or 28.30%, compared to FY2022, FY2022 and FY2023. In FY2024, the effective operation time of laser cutting equipment for wearable accessories was 7,248 hours, which remained unchanged from FY2022 to FY2023. However, the standard operation time of the laser cutting equipment for producing per unit of wearable accessory increased from approximately 40 seconds during FY2022 to FY2023, to approximately 50 seconds in FY2024, representing a 39.5% increase, therefore leading to the 28.30% reduction in our wearable accessories planned production capacity. This increase was primarily attributed to evolving market demands and increased product design complexity. In FY2024, consumer preferences had shifted towards more intricate and sophisticated accessory designs. We had therefore launched various new product lines featuring more complex patterns and structural variations, necessitating more precise laser cutting techniques. The more elaborate the design (with intricate patterns and multiple variations), the longer the laser cutting process becomes.

Precious metal products

Our total planned production capacity for precious metal products was 1,419,512 grams, 296,567 grams and 1,387,440 grams for FY2022, FY2023 and FY2024, respectively. The production capacity for precious metal products, such as gold bars, gold medals and commemorative coins, primarily depends on manual labour allocation, and is mainly affected by workforce availability and manpower hours rather than by the quantity of equipment allocated to its production. In FY2022, market demand for gold bars and medals significantly declined due to the COVID-19 pandemic. As a result, we had assigned less workers to the precious metal product production, leading to a significant decrease of 79.12% in our planned production capacity for precious metal products from 1,419,512 grams of gold processed in FY2022 to 296,567 grams of gold processed in FY2023. As demand for precious metal products improved as COVID-19 control measures were gradually lifted in China, we had assigned more workers to the precious metal product production in FY2024. Our planned production capacity for precious metal products therefore increased by 367.83% from 296,567 grams of gold processed in FY2023 to 1,387,440 grams of gold processed in FY2024.

Our utilisation rates during the Track Record Period

During FY2022, FY2023 and FY2024, the utilisation rates of (i) our watch production facilities were 56.53%, 95.21% and 99.02%, respectively; and (ii) our accessories production facilities were 87.87%, 94.70% and 83.32%, respectively.

We experienced a decrease in the utilisation rate of our watch production facilities in FY2022, primarily due to reduced demand and a corresponding decline in watch sales volume during the COVID-19 lockdowns in northern China, where the majority of our precious metal watch sales occurred. As the pandemic gradually subsided, our watch sales volume rebounded in FY2023, resulting in a significant increase in production facility utilisation. From FY2023 to FY2024, sales volume of our traditional precious metal watches decreased, which we believe was attributable to a change in consumer sentiment under the evolving economic conditions and commodity prices. However, during this period, sales of our smart watches surged, particularly after the launch of a new collection of 24K gold smart watches incorporating smart movements of Huawei, a leading global Chinese technology company recognised for its cutting-edge 5G technology. This led to a continued increase in overall watch production facility utilisation from FY2023 to FY2024. In this relation, we also believe the shared use of our Shenzhen Production Base for both traditional and smart watch manufacturing resulted in inefficient resource utilisation and production disruptions when switching between product categories. Looking ahead, we plan to establish the New Putian Production Base, which will be primarily dedicated to the production of smart watch and smart accessories, allowing us to better capitalise on growth opportunities in both segments while optimising operational efficiency and utilisation at both production sites. For details, please see "– Our Business Strategies – Further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market – (i) Setting up the New Putian Production Base – Reasons for the expansion".

The utilisation rate of our accessories production facilities remained relatively stable throughout the Track Record Period, which is in line with the relatively stable sales volume of our accessories products recorded during the Track Record Period.

For details of our sales volume by product during the Track Record Period, please see " – Our brands and products – Sales breakdown of our products – Sales volume".

Major machinery and equipment maintenance

All of the production equipment used by us are owned by our Group. We endeavour to repair and maintain our machinery and equipment on a regular basis. Our production workers are responsible for checking our equipment and repairing them when needed. Manufacturers of our equipment also provide equipment maintenance services during warranty period. The useful lives of our principal machinery and equipment are approximately three to ten years. Our equipment will be replaced when it is no longer functioning properly.

Our Directors confirm that we did not experience any material or prolonged interruptions to our production process due to equipment or machinery failure during the Track Record Period and up to the Latest Practicable Date.

EXPANSION PLAN

As shown in "– Production Facilities – Production capacity and utilisation", our existing production facilities in Shenzhen and Putian are currently operating at high utilisation rates, which may restrict our future development and expansion in both the traditional precious metal watch market and the smart watch and accessories market. Moreover, we intend to enhance our R&D environment, and in turn our ability to recruit professional R&D talents and establish R&D projects for key technologies, especially in smart watch and accessories product fields. To capture market opportunities presented by the projected industry growth, we had started constructing the New Putian Operations Complex in 2023. The New Putian Operations Complex houses the New Putian Production Base and the Putian R&D Centre, which will be primarily dedicated to the production and R&D of smart watches and accessories, respectively. As we intend to relocate our existing Putian Production Base to the New Putian Production Base, the New Putian Production Base will also house production facilities for traditional accessories. We expect that our annual production capacity for both traditional precious metal watches and smart watch and accessories will increase upon the New Putian Production Base is put into operation.

The New Putian Production Base comprises a production plant and ancillary facilities (such as warehousing space, staff accommodation and canteen), with total GFA of 24,302.48 sq. m. The Putian R&D Centre comprises a precious metal watch laboratory, a smart watch laboratory, a gold ornaments design laboratory, a product testing laboratory and an office space with total GFA of 2,014 sq.m..

The following table sets forth key information of the New Putian Production Base and the Putian R&D Centre, both of which are situated within the New Putian Operations Complex:

Facility	Planned Facilities	Expected Timeline	Estimated Maximum Annual Production Capacity upon achieving full commercial production	Estimated [REDACTED] Costs after [REDACTED](Note 1)
New Putian Production Base	Production facilities for manufacturing smart watches and smart accessories and traditional accessories, and ancillary facilities (such as warehousing space, staff accommodation and canteen)	The quality inspection of the main construction works of the New Putian Operations Complex is expected to be conducted within the first quarter of 2025 On this basis, the New Putian Production Base and the Putian R&D Centre are expected to commence operations by the second half of 2025	200,000 units of smart watches and accessories, and 4,000 kg of traditional accessories(Note 2)	RMB**[REDACTED]**
Putian R&D Centre	The Putian R&D Centre consists of a precious metal watch laboratory, a smart watch laboratory, a gold ornaments design laboratory, a product testing laboratory and an office space		N/A(Note 3)	RMB**[REDACTED]**

Notes:

1. The estimated **[REDACTED]** costs refer to the total estimated costs or expenditures expected to be incurred in connection with the establishment of these new facilities for the period up to the corresponding date of commencement of full operations. For more details on the expected timeline for incurring the estimated **[REDACTED]** costs indicated above, please refer to "– Our Business Strategies – Summary of Estimated **[REDACTED]** Costs and Timeline for Implementation of Our Business Strategies".

2. Maximum annual production capacity of our New Putian Production Base is estimated based on the assumptions that (i) all production facilities as planned are in place and in full operation; and (ii) reasonable level of production efficiency with reference to our Shenzhen Production Base and Putian Production Base is achieved. It is currently expected that upon the New Putian Production Base achieves full commercial production, its maximum annual production capacity would reach (i) 200,000 units of smart watches and accessories; and (ii) 4,000 kg of traditional gold accessories. Based on the current estimated progress for putting the New Putian Production Base into operation, it is expected that in the first and second years after the New Putian Production Base commences production, the annual production capacity for (i) smart watches and accessories would reach 60,000 units and 160,000 units, respectively; and (ii) traditional accessories would reach 1,200 kg and 3,200 kg, respectively.

3. Not applicable as the Putian R&D Centre is not established for production purpose and will not carry out any production facilities.

We believe our Expansion Plan is necessary for our Group to maintain our competitiveness in the precious metal watch and gold jewellery and accessories industry. For details on the reasons and basis for our Expansion Plan, please see "– Our Business Strategies – Further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market – (i) Setting up the New Putian Production Base – Reasons for the expansion" and "– Our Business Strategies – Strengthen our R&D capabilities to drive sustained business growth – Reasons for the establishment".

QUALITY CONTROL AND ASSURANCE

We believe that an effective quality management system is critical to ensuring the quality of our products and maintaining our reputation and success. We have also participated in the formulation of industry guidelines for the testing and quality assurance of watch products, such as the standards for "General Requirements and Test Methods for Watch Case Components Made of Hard Materials" (《計時儀器硬材料製造的手錶外觀件一般要求和試驗方法》) and "Reliability Test Methods for Watch Movements" (《手錶機心的可靠性試驗方法》). We believe our participation in the development of these industry-wide testing protocols underscores our expertise and commitment to quality control, and help ensure our products meet the high benchmarks for performance and durability. We have adopted comprehensive quality control and assurance systems in accordance with these standards covering our production and operations.

With our well-established quality management system in place, we have not experienced any material safety issues with our products reported by our customers or relevant government authorities or any material product liability or legal claims due to the quality of our products and have not been subject to any material adverse findings in any inspection or audit by any government authority or suppliers during the Track Record Period and up to the Latest Practicable Date.

Quality management systems

We have established and maintained a systematic quality management system and strict standard operating procedures for our quality control and assurance functions.

As at 31 December 2024, our quality control department consisted of 14 employees, most of whom had related educational backgrounds and experience in examining different quality aspects of watches and gold accessories. Our quality control department is responsible for formulating and implementing procedures under our quality management system in accordance with the legal and regulatory requirements and that our product supply chain and production processes are in compliance with stipulated standards and procedures. Our quality control department also establishes the procedures to be followed in respect of each of our production and operation processes, and monitor the implementation of and compliance with these procedures. For details, please see "– Our business model – (v) Quality control".

Our quality control personnel are required to be familiar with the relevant legal and regulatory requirements applicable to our products, applicable ISO standards and industry standards. They are required to receive training before performing the relevant quality assurance tasks. The implementation of our quality control system depends on our production and operation employees, and in this respect, we conduct regular and detailed training so that the employees understand the quality control requirements applicable to our production and operation.

RESEARCH AND DEVELOPMENT

We believe our R&D capabilities has been the driving force for our long-term competitiveness, as well as our future growth and development. For details, please see "– Our Competitive Strengths – R&D capabilities, commitment to innovation and ability to convert R&D results into products and commercialise them". We have therefore always placed a strong emphasis on building a robust R&D system, which we believe have helped us develop in-house capabilities across various domains of professional watchmaking, including precious metal material R&D, the manufacture of key components, and high-end watchmaking craftsmanship. This has enabled us to achieve continuous breakthroughs in the research and application of new materials, new processes, and new technologies. For instance, we have accumulated a wealth of expertise in key areas related to 24K gold materials, including the hardening of 24K gold (足金材料硬化), precision manufacturing of hard 24K gold (硬質足金精密加工), the incorporation of trace alloying elements (硬質足金微量補扣元素及其比例), and vacuum melting of 24K gold (足金真空熔煉). These innovations have successfully addressed longstanding challenges associated with the strength, hardness, and workability of 24K gold, and have been recognised with a national invention patent (國家發明專利) (Patent No. ZL201510772694.5). We believe our comprehensive technological prowess in areas such as material science, precision engineering, and innovative manufacturing processes has been instrumental in solidifying our position as a leading player in the premium precious metal watch market.

Our market-driven R&D efforts focus on developing products that address growing market needs, as well as improving the quality of our existing products. For instance, in 2023, we also launched a series of internally developed 24K gold smart watches, which are incorporated with the smart movements of Huawei, a leading global Chinese technology company that is known for its 5G technology, telecommunications equipment and consumer electronics. We also launched silver, platinum and gemstone smart watch collections incorporating the same smart movement technology in 2024.

Our R&D expenses amounted to RMB8.45 million, RMB13.49 million and RMB11.79 million in FY2022, FY2023 and FY2024, respectively, which accounted for 3.26%, 4.00% and 3.55% of our total costs of sales in the respective years.

We conduct our R&D activities through our internal R&D department, which consisted of over 40 members who had experience and/or knowledge in the areas of, among others, watchmaking, quality management, R&D management, BOM (Bill of Materials) coding and engineering drawing as at 31 December 2024. Our R&D department's primary responsibilities encompass the development of new precious metal materials, watch design and appearance, as well as watch engineering structure design.

Through years of accumulated experience and development in the precious metal watch and accessories industry, we have amassed a wealth of technical expertise in products and processes, establishing industry-leading technological advantages. These include the following technologies, all of which are patented (for details, please see "– Intellectual Property" and "Statutory and General Information – B. Further information about our Business – 2. Our Material intellectual property rights" in Appendix VI):

1. ***Preparation and casting technology for supramolecular hard gold (超分子硬金的製備與鑄造工藝):*** While maintaining a gold purity of over 99.90%, we have independently developed a hard gold alloy formula and vacuum melting technology. By injecting a small amount of rare earth elements (稀土元素) under specific temperature and inert gas conditions, the resulting alloy has a hardness that is three to four times higher than conventional gold materials, while retaining the metal's ductility. This environmentally friendly and efficient technology enables the production of high-hardness gold suitable for gold watch manufacturing.

2. ***Precision manufacturing technology for reshaping watch structures (重塑手錶結構的精密製造技術):*** We have independently developed a novel gold watch structure that addresses the common issue of gold components detaching from steel parts. This technology ensures a tight integration of gold components with the watch movement and other internal parts, enhancing the timepiece's shock resistance and overall water resistance, as well as facilitating watch servicing and maintenance.

3. ***Interlocking structure technology without welding (無焊接榫卯結構技術):*** This technique replaces the traditional tight-fitting assembly of watch components with an innovative interlocking structure, using a small gap fit. This process is applied to the manufacture of gold components, eliminating the need for traditional gold welding, and achieving an environmentally friendly production workflow.

4. ***High-hardness gold folding technology (高硬度金片折疊技術):*** This technology employs a mould-based folding process, with a specialised structural design that enables the flexible and intelligent disassembly and reassembly of the watch strap. This allows for the creation of sharp-edged, precisely structured gold watch straps with a uniform weight distribution, harmoniously combining geometric aesthetics and comfortable wear.

5. ***Precise weight control technology for gold watches (黃金手錶標準克重控制技術):*** This digital control technology is applied to the standard cutting, grinding, and polishing processes, strictly following a multi-tiered digital weight control workflow. This ensures a high degree of consistency in the gold weight of watch products, with the weight of each gold watch model maintained within a 0.015-gram tolerance. This resolves the challenge of precise gold weight control during the manufacturing process.

All of the above core technologies were developed internally, and have been applied in our mass production processes.

Through continuous R&D investment and years of accumulated technical research, we have mastered a series of core technologies in the precious metal watch domain. As 31 December 2024, we had obtained 23 invention patents, 57 utility model patents, and 117 design patents. Our Shenzhen R&D Centre was recognised as a "high-hardness and precise smart precious metal watch engineering and technology research centre" (高硬度精密貴金屬智能腕錶工程技術研究中心) by the Guangdong Provincial Department of Science and Technology (廣東省科學技術廳) in 2021. Furthermore, we have participated in the development of national standards, such as "General Requirements and Test Methods for Watch Exterior Parts Made of Hard Materials" (計時儀器硬材料製造的手錶外觀件一般要求和試驗方法) and "Reliability Test Methods for Watch Movements" (手錶機心的可靠性試驗方法), as well as the revision of the national technical specifications for after-sales service of watches and clocks (鐘錶售後維修服務技術規範) and industry standards regarding watches with gemstones and precious metals (使用寶石和貴金屬的手錶). We are also the primary drafting unit for the 24K gold watch standard (足金手錶) prescribed by the China Gold Association (中國黃金協會團體).

To enhance our R&D environment, and in turn our ability to recruit professional R&D talents and establish R&D projects for key technologies, especially in smart watch and accessories product fields, we intend to establish the Putian R&D Centre in the Putian Production Base. For details, please see "– Our Business Strategies – Strengthen our R&D capabilities to drive sustained business growth".

OUR CUSTOMERS

Our customers are mainly (i) domestic primary distributors which are primarily engaged in the sales of watches and accessories, for our OBM business model; and (ii) domestic jewellery brands and wholesalers, for our ODM business model. We have maintained good relationships with our major customers, and we have worked with most of them for over five years.

We have entered into distribution agreements with all of our primary distributors under our OBM business model. For further details, please see "– Arrangements with our primary distributors". We also typically enter into framework agreements with our ODM customers under our ODM business model. For further details, please see "– Arrangements with ODM customers".

Top five customers

For FY2022, FY2023 and FY2024, sales to our five largest customers in each year during the Track Record Period amounted to RMB295.67 million, RMB405.76 million and RMB398.40 million, accounting for 91.34%, 91.08% and 87.26% of our total revenue, respectively, and sales to our single largest customer amounted to RMB115.87 million, RMB143.83 million and RMB116.66 million, accounting for 35.80%, 32.29% and 25.55% of our total revenue during the same years, respectively.

All of our five largest customers in each year during the Track Record Period are Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our five largest customers in each year during the Track Record Period.

The table below sets out information of our top five customers in each year during the Track Record Period:

For FY2022

Customer	Nature of business relationship with our Group	Background and principal business nature	Principal products/ services purchased	Years of relationship	Transaction amount *(RMB million)*	% of our revenue	Credit terms and payment method
Shenzhen Xinnuo Jewellery	Primary distributor under our OBM business model	Jewellery wholesaler and retailer headquartered in China	Sales of watches and accessories, accessories processing services, and repair and maintenance services	Since 2017	115.87	35.80%	Payment within three days of product delivery; bank transfer
Beijing Shijiyuan Jewellery, Beijing Shiji Tongyuan Jewellery and Accessories and Shenzhen Jinhongyun Jewellery	Primary distributor under our OBM business model and ODM customer, which are under the same control by an Independent Third Party	Jewellery wholesaler and retailer headquartered in China	Sales of watches and accessories, watches and accessories processing services, and/or repair and maintenance services (on OBM basis); and subcontract processing services (on ODM basis)	Since 2022 (Beijing Shijiyuan Jewellery); since 2018 (Beijing Shiji Tongyuan Jewellery and Accessories); since 2020 (Shenzhen Jinhongyun Jewellery);	95.42	29.48%	Payment within three days of product delivery; bank transfer
Xinjiang Guojin Haoyao Jewellery and Xinjiang Guojin Shengshi Jewellery	Both primary distributors under our OBM business model, which are under the same control by an Independent Third Party	Jewellery, metal products and daily necessities retailer headquartered in China (Xinjiang Guojin Haoyao Jewellery); and jewellery, watches and daily necessities retailer headquartered in China (Xinjiang Guojin Shengshi Jewellery)	Sales of watches, accessories processing services, and repair and maintenance services	Since 2018 (Xinjiang Guojin Haoyao Jewellery); since 2022 (Xinjiang Guojin Shengshi Jewellery)	52.70	16.28%	Payment within three days of product delivery; bank transfer

Customer	Nature of business relationship with our Group	Background and principal business nature	Principal products/ services purchased	Years of relationship	Transaction amount *(RMB million)*	% of our revenue	Credit terms and payment method
Shanghai Lao Feng Xiang Watch	ODM customer	Jewellery and electronic products wholesaler and retailer headquartered in China. Its parent company is listed on the Shanghai Stock Exchange with a market capitalisation of RMB22.55 billion as at 31 December 2024	Sales of watches and accessories, and repair and maintenance services	Since 2017	25.92	8.00%	Payment of (i) deposit within seven working days from date of purchase order; (ii) first instalment within seven working days from date of product acceptance; and (iii) remaining balance within 30 working days from date of confirmation of the audit documentation prepared for the completed order by both parties; bank transfer
YueHao Jewelry Co., Ltd. (深圳市粵豪珠寶有限公司)	ODM customer	Jewellery wholesaler and retailer headquartered in China	Accessories processing services	Since 2016	5.74	1.77%	Payment within three days of product delivery (for product orders) and payment within one month from reconciliation of accounts for the preceding month (for subcontracting service orders); bank transfer
				Total:	**295.67**	**91.34%**	

For FY2023

Customer	Nature of business relationship with our Group	Background and principal business nature	Principal products/ services purchased	Years of relationship	Transaction amount *(RMB million)*	% of our revenue	Credit terms and payment method
Beijing Shijiyuan Jewellery and Shenzhen Jinhongyun Jewellery	Primary distributor under our OBM business model and ODM customer, which are under the same control by an Independent Third Party	See above	Sales of watches and accessories, accessories processing services, and/or repair and maintenance services (on OBM basis); and subcontract processing services (on ODM basis)	Since 2022 (Beijing Shijiyuan Jewellery); since 2020 (Shenzhen Jinhongyun Jewellery)	143.83	32.29%	Payment within 30 days from presentation of invoice after reconciliation of accounts for the preceding month; bank transfer;
Shenzhen Xinnuo Jewellery	Primary distributor under our OBM business model	See above	Sales of watches and accessories, accessories processing services, and repair and maintenance services	Since 2017	141.22	31.70%	Payment within 30 days from presentation of invoice after reconciliation of accounts for the preceding month; bank transfer;
Xinjiang Guojin Shengshi Jewellery	Primary distributor under our OBM business model	See above	Sales of watches and accessories, accessories processing services, and repair and maintenance services	Since 2022	93.14	20.90%	Payment within 30 days from presentation of invoice after reconciliation of accounts for the preceding month; bank transfer;
Shanghai Lao Feng Xiang Watch	ODM customer	Jewellery and electronic products wholesaler and retailer headquartered in China. Its parent company is listed on the Shanghai Stock Exchange with a market capitalisation of RMB22.55 billion as at 31 December 2024	Sales of watches and accessories, and repair and maintenance services	Since 2017	19.41	4.36%	Payment of (i) deposit within seven working days from date of purchase order; (ii) first instalment within seven working days from date of product acceptance; and (iii) remaining balance within 30 working days from date of confirmation of the audit documentation prepared for the completed order by both parties; bank transfer

Customer	Nature of business relationship with our Group	Background and principal business nature	Principal products/ services purchased	Years of relationship	Transaction amount *(RMB million)*	% of our revenue	Credit terms and payment method
Hangzhou Mosin Technology Co., Ltd.* (杭州莫尋科技有限公司) and Hangzhou Sijian Technology Co., Ltd.* (杭州思踐科技有限公司)	Third-party online store operators selling our OBM products on third-party e-commerce platform, which are under the same control by an Independent Third Party	The registered scopes of business of Hangzhou Mosin Technology Co., Ltd.* and Hangzhou Sijian Technology Co., Ltd.* cover a range of areas, including, among others, (i) television drama production and distribution (which includes live streaming and other social media productions), performance brokerage, and cultural exchange activities; (ii) provision of technical services; (iii) marketing, advertising, and sales of diverse product categories including communication equipment, software, clothing, accessories, electronic products, cosmetics, jewellery, and daily consumer goods; (iv) provision of conference and exhibition services; and (v) technical consulting, development, and promotion. Based on information provided by them, Hangzhou Mosin Technology Co., Ltd.* primarily focuses on the sales of watches and related sales and marketing activities and Hangzhou Sijian Technology Co., Ltd.* is primarily engaged in the sales of various consumer goods and related sales and marketing activities. For details of their background, please see "– Arrangements with third-party online store operators – Payment upon purchase order".	Sales of watches and accessories, and repair and maintenance services	Since 2023 (Hangzhou Mosin Technology Co., Ltd.*); since 2021 (Hangzhou Sijian Technology Co., Ltd.*)	8.16	1.83%	Payment within one month from reconciliation of accounts for the preceding month; bank transfer
				Total:	**405.76**	**91.08%**	

For FY2024

Customer	Nature of business relationship with our Group	Background and principal business nature	Principal products/ services purchased	Years of relationship	Transaction amount *(RMB million)*	% of our revenue	Credit terms and payment method
Beijing Shijiyuan Jewellery and Shenzhen Jinhongyun Jewellery	Primary distributor under our OBM business model and ODM customer, which are under the same control by an Independent Third Party	Jewellery wholesaler and retailer headquartered in China	Sales of watches, accessories processing services, and repair and maintenance services (on OBM basis); and subcontract processing services (on ODM basis)	Since 2022 (Beijing Shijiyuan Jewellery); since 2020 (Shenzhen Jinhongyun Jewellery)	116.66	25.55	Payment within 30 days from presentation of invoice after reconciliation of accounts for the preceding month; bank transfer;
Shenzhen Xinnuo Jewellery	Primary distributor under our OBM business model	Jewellery wholesaler and retailer headquartered in China	Sales of watches, accessories processing services, and repair and maintenance services	Since 2017	101.54	22.24	Payment within 30 days from presentation of invoice after reconciliation of accounts for the preceding month; bank transfer;
Customer A	ODM customer	Wholesaler and retailer of a wide range of consumer goods, which is headquartered in China. Customer A's parent company is listed on the New York Stock Exchange with a market capitalisation of USD 725.82 billion as at 31 December 2024	Sales of watches and jewellery	Since 2024	79.99	17.52	Payment upon presentation of invoice; bank transfer
Xinjiang Guojin Shengshi Jewellery	Primary distributor under our OBM business model	See above	Sales of watches, accessories processing services, and repair and maintenance services	Since 2022	68.58	15.02	Payment within 30 days from presentation of invoice after reconciliation of accounts for the preceding month; bank transfer;
Xi'an Fengzhenlong Jewellery Co., Ltd.* (西安豐正隆珠寶有限公司)	Primary distributor under our OBM business model	Jewellery wholesaler, retailer and recovery and repair services provider headquartered in China	Sales of watches, accessories processing services, and repair and maintenance services	Since 2023	31.62	6.93	Payment within 30 days from presentation of invoice after reconciliation of accounts for the preceding month; bank transfer
				Total:	**398.40**	**87.26**	

Overlapping customers and suppliers

YueHao Jewelry Co., Ltd. (深圳市粵豪珠寶有限公司), one of our ODM customers, was also our supplier in FY2022, FY2023 and FY2024. We outsourced certain ODM accessories processing services to YueHao Jewelry Co., Ltd. (深圳市粵豪珠寶有限公司), based on the specifications of the relevant ODM clients. For FY2022, FY2023 and FY2024, the outsourcing fees we paid to this customer amounted to RMB0.34 million, RMB0.31 million and RMB0.07 million, respectively, representing 0.14%, 0.07% and 0.02% of our total purchases for the respective years.

Our Directors confirm that our sales to and our purchases from the above overlapping customer-suppliers were (i) entered into after the due consideration taking into account the prevailing purchase and selling prices at the relevant times; (ii) conducted in the ordinary course of business under normal commercial terms and on an arm's length basis; and (iii) at prices that are no less favourable than from other Independent Third Parties who are not customer-supplier. To the best knowledge of our Directors, none of our other major customers were our suppliers, and none of our major suppliers were our customers, during the Track Record Period and up to Latest Practicable Date.

SALES AND DISTRIBUTION

OBM sales and distribution model

We primarily sell our OBM products through the following channels: (i) distributorship, whereby we sell our OBM products directly to our primary distributors, who then resell our OBM products to sub-distributors and Retail Outlets within their respective assigned sales regions; (ii) our self-operated online stores on e-commerce platforms; (iii) third-party online store operators, which sell our products on their stores on e-commerce platforms; and (iv) retail stores. During the Track Record Period, our HIPINE products were primarily sold through distributorship, and our GOLDBEAR products were primarily sold through retail stores.

Distributorship

We sell our OBM products primarily through our primary distributors under our distributorship business model. We believe our primary distributors contribute to our sales performance through their established business networks, experience in distributorship, and sales presence in their respective markets. Under the distribution agreements entered into between us and our primary distributors, our commercial relationship with primary distributors is strictly a buyer-seller transaction. Our primary distributors purchase our OBM products and resell them under their own commercial identity, explicitly not acting as our agents or legal representatives. Specifically, under the distribution agreements, our primary distributors may, within their assigned sales regions, (i) sell our OBM products directly at the display centres operated by them; (ii) sell our OBM products to Retail Outlet operators for onward marketing and sales to end consumers; and (iii) further distribute our OBM products to sub-distributors. During the Track Record Period, our OBM products were distributed by distributors at over 3,000 offline Retail Outlets nationwide. Sales of our OBM products through our primary distributors accounted for 79.1%, 84.7% and 69.0% of our total revenue for FY2022, FY2023 and FY2024, respectively.

As at 31 December 2022, 2023 and 2024, we had three, four and four primary distributors, respectively. All primary distributors which we cooperated with during the Track Record Period are situated and headquartered in China. As at 31 December 2024, most of our primary distributors had cooperated with us for more than five years. Our focus on cultivating long-term partnerships with our primary distributors is a key driver of the stability and reliability of our overall distribution network.

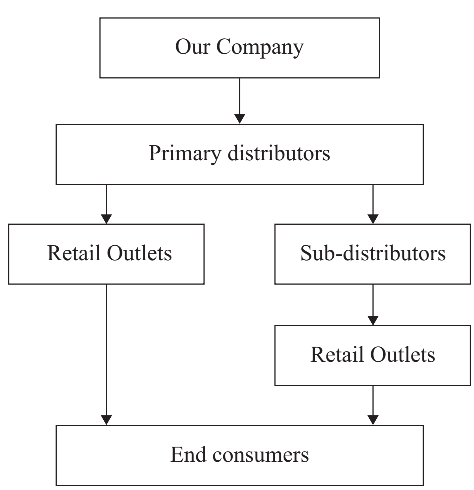
We assign our primary distributors to specific geographical areas to prevent cannibalisation and undue competition among them. Our sales and marketing department maintains records of the display centres operated by our primary distributors and their distributorship network within their assigned region, and adjusts our distribution strategies and marketing efforts accordingly, to minimise excessive competition between our primary distributors. Our focus is on managing and supporting our network of primary distributors, who are responsible for further expanding the distribution of our OBM products through their distributorship network.

We believe that our distributorship business model enables us to expand our distribution network to a wide geographical area, tapping into the local market expertise and network of our primary distributors. This strategy enables us to efficiently scale our reach and presence without the need to invest heavily in establishing and managing a retail network with such wide coverage. Instead, we can concentrate our resources on the areas where we hold competitive advantages, such as R&D, product design and development and brand management. This approach is commonly adopted by brand owners in the watch and jewellery and accessories industries, according to CIC.

We recognise revenue from the sales to our primary distributors under our distributorship business model upon their receipt of our OBM products. In respect of the sales of our OBM products to primary distributors under our distributorship business, we do not accept any product returns by our primary distributors, unless it is agreed that there is a product quality issue in respect of the products concerned and the issue is raised within the designated time period (usually three working days) from product delivery. This strict policy precludes primary distributors from returning unsold inventory of our OBM products. As we implement stringent quality control measures prior to our products are being delivered, we had not experienced any product return, and we had not recalled any product due to quality or other issue, under our distributorship business model during the Track Record Period and up to the Latest Practicable Date.

For details of the principal terms of the cooperation between us and our primary distributors, how we manage our primary distributors, and the measures we have taken to avoid channel stuffing and cannibalisation, please see "– Arrangements with our primary distributors – Management of our primary distributors" and "– Arrangements with our primary distributors – Measures to avoid channel stuffing and cannibalisation" below.

The following chart illustrates our current distribution model through primary distributors:



Online sales through self-operated online stores

We sell some of our OBM products through self-operated stores on e-commerce platforms including Tmall, JD.com and Douyin. These online sales channels allow us to sell directly to consumers, providing multi-channel coverage to consumers nationwide. We believe that sales through the above online channels will help to strengthen our brand image, increase our market share and promote our brand awareness among internet users, whom we believe are mainly from the younger generation. Online sales of our OBM products through our self-operated online stores accounted for 0.2%, 2.2% and 3.2% of our total revenue for FY2022, FY2023 and FY2024, respectively.

Third-party operated online stores

We also sell our OBM products through third-party operated online stores on e-commerce platforms, such as Taobao, JD.com and Douyin. The specific terms of cooperation between us and the third-party online store operators vary, as different e-commerce platforms often have unique requirements and policies that need to be accommodated. There are two main types of sales arrangements with third-party online store operators: (i) Payment upon purchase order, where the online store operators shall pay upfront regardless of whether the ordered products are ultimately sold on their online stores; and (ii) Payment upon consumer sales, where the online store operator only settles payment with us upon successful sale of the relevant products through its online store. For details, please see "– Sales and their distribution – Distribution network in China – Online stores – Third-party online store operators" and "– Arrangements with third-party online store operators".

Sales to/through these third-party online store operators accounted for 2.0%, 2.1% and 1.2% of our total revenue for FY2022, FY2023 and FY2024, respectively.

Retail stores

We may receive sales orders from retail stores, primarily for our GOLDBEAR products, from time to time. For details, please see "– Sales of GOLDBEAR Products". Sales to retail stores accounted for 2.1%, 1.3% and 0.6% our total revenue for FY2022, FY2023 and FY2024, respectively.

Others

We may also sell our OBM products through other channels from time to time. For instance, we may sell directly to consumers at our self-operated display centre in Shenzhen. The display centre was established for the purpose of showcasing our OBM products.

Distribution network in China

Offline Retail Outlets

During the Track Record Period, our OBM products were primarily sold through an extensive distribution network in China under our distributorship business model.

As at 31 December 2024, we had four primary distributors and (based on information provided by our primary distributors) 32 sub-distributors. Set out below is a breakdown of the locations of the business addresses of our primary distributors and sub-distributors by tiers of cities in China as at 31 December 2024:

	Location in China*				
	Tier-1 cities	Tier-2 cities	Tier-3 cities	Other cities in China	Total
No. of primary distributors	2	2	0	0	4
No. of sub-distributors	4	17	5	6	32
Total	6	19	5	6	36

**Notes:*

(1) As we do not maintain direct business relationship with the sub-distributors in respect of our sales to primary distributors under our distributorship business model, the breakdown above was prepared based on the business addresses of the sub-distributors as provided by our primary distributors to us.

(2) The breakdown above was prepared based on the tier-classification of the cities in China published by the Chinese government in November 2024.

As shown in the table above, our primary distributors and sub-distributors are located across various tiers of cities in China, from tier-1 cities such as Beijing and Shenzhen, tier-2 cities such as Xi'an, Urumqi and Harbin and tier-3 and other cities such as Baotou, Tangshan and Yantai.

Our primary markets include the southern, northern, north-western and north-eastern regions of China.

The map below illustrates the coverage of our distribution network in China, with the number of Retail Outlets to which our OBM products were distributed during the Track Record Period in each province indicated *(Note)*:

Note: The number of Retail Outlets to which our OBM products were distributed under the distributorship business model during the Track Record Period in each region indicated in the map above is prepared solely based on information provided by our primary distributors. This data is presented above for illustrative purposes only, as certain limitations prevent us from independently verifying its accuracy: (i) we do not maintain direct business relationships, in respect of our sales to primary distributors under our distributorship business model, with any of the sub-distributors and the Retail Outlet operators to whom our primary distributors and/or their sub-distributors sell our OBM products; and (ii) we have no control over the terms of sales between our primary distributors and the sub-distributors/Retail Outlet operators, or between the sub-distributors and Retail Outlet operators.

Going forward, we intend to explore opportunities to gradually increase our overseas sales and distribution footprint. For instance, in November 2024, we entered into a cooperation agreement with a primary distributor in Malaysia for the distribution of our OBM products in Malaysia, and will seek to further expand into Singapore, and the Middle East in the next few years. For details, please see "– Our Business Strategies – Expand into overseas markets by strategically partnering with selected overseas distributors".

Online stores

With the growing prevalence of e-commerce in China over the recent years, we believe that online sales will allow us to extend the outreach of our products across different parts of China and deepen the market penetration of our proprietary brands and products.

Third-party online store operators

Since 2021, we have been cooperating with various third-party online store operators to sell our OBM products on third-party e-commerce platforms, including Taobao, JD.com and Douyin. All these third-party online store operators are Independent Third Parties.

We sell our OBM products to the third-party online store operators, which retail the products through the online store operated by them on e-commerce platforms. The specific terms of our cooperation with each third-party online store operator may vary, as different e-commerce platforms often have unique requirements and policies that need to be accommodated. There are two main types of sales arrangements with third-party online store operators: (i) Payment upon purchase order, where the online store operators shall pay upfront regardless of whether the ordered products are ultimately sold on their online stores, and we recognise revenue upon product delivery to the online store operators; and (ii) Payment upon consumer sales, where the online store operator only settles payment with us upon successful sale of the relevant products through its online store. In both scenarios, we collect the sales proceeds directly from the third-party online store operators; and we are also responsible for delivering the products to them, and they then arrange for final delivery to their customers.

For details of the arrangements between us and the third-party online store operators, please see "– Arrangements with third-party online store operators".

For FY2022, FY2023 and FY2024, sales to/through these third-party online store operators amounted to RMB6.46 million, RMB9.65 million and RMB5.27 million, respectively, which accounted for 2.00%, 2.14% and 1.15% of our total revenue, respectively, of which (i) sales to the third-party online store operators under the payment upon purchaser order arrangement amounted to RMB6.46 million, RMB9.48 million and RMB4.10 million, respectively, which accounted for 2.00%, 2.10% and 0.90% of our total revenue, respectively; and (ii) sales through the third-party online store operators under the payment upon consumer sales arrangement amounted to nil, RMB0.17 million and RMB1.17 million, respectively, which accounted for nil, 0.04% and 0.26% of our total revenue, respectively.

Self-operated online stores

We actively pursue and expand our online sales capability through online retail space. We operate our own online stores on third-party e-commerce platforms, such as JD.com, Tmall and Douyin, through which we display and provide product information of our self-branded watches and directly sell products to end consumers online. When a customer places an order on our self-operated online store, they first make the payment for their purchase to an online payment platform associated with the e-commerce platforms. This online payment platform acts as an intermediary between the customer and us.

Once the customer's payment is confirmed, we will arrange delivery of the ordered products to the customer. Pursuant to the sales policies of third-party e-commerce platforms on which we operated our online stores, customers who purchase our products through these channels are entitled to return the items within seven days of receipt, without needing to provide any specific reasons for doing so. Upon the expiry of the seven-day product return period, the customer's payment (after deductions of the service fees of the relevant e-commerce platform and the abovementioned online payment platform) will be transferred to our account on the online payment platform. During the Track Record Period and up to the Latest Practicable Date, we did not record any material product returns in respect of products sold via our self-operated online stores after expiry of the aforementioned seven-day product return period.

The self-operated online stores enable us to showcase our products at relatively lower costs, manage brand presentation, and facilitate a seamless purchase experience for our online customers. Meanwhile, the online settlement agents facilitate secure and convenient payment processing, ensuring a smooth transaction flow.

Our PRC Legal Adviser is of the view that except for the business license, no particular licence, approval or registration is required for our Group to conduct online sales through these self-operated online stores on the third party e-commerce platforms under the relevant PRC laws and regulations.

Revenue breakdown by sales channels

The following sets forth a breakdown of our revenue generated under our OBM business model by sales channels during the Track Record Period:

Sales channels					Revenue generated under our OBM business model[1]					
					FY2022		FY2023		FY2024	
					RMB('000)	%	RMB('000)	%	RMB('000)	%
Distributorship[2]										
Name of primary distributors	**Background and principal business nature**	**Year of establishment**	**Registered capital**	**Assigned sales regions**						
Shenzhen Xinnuo Jewellery	Jewellery wholesaler and retailer headquartered in China	2007	RMB10 million	Eastern China, Southern China, Northern China (Inner Mongolia only), South-western China and North-eastern China (Heilongjiang & Liaoning only)[3]	115,872	42.95	141,219	35.05	101,539	30.07
Beijing Shiji Tongyuan Jewellery and Accessories and Beijing Shijiyuan Jewellery[4]	Jewellery wholesaler and retailer headquartered in China	2018 (deregistered in 2022) (for Beijing Shiji Tongyuan Jewellery and Accessories) 2021 (for Beijing Shijiyuan Jewellery)	RMB6 million each	North-eastern China, Northern China (Beijing, Tianjin, Hebei, eastern part of Inner Mongolia) and Eastern China (Shandong only)[4]	87,377	32.39	138,574	34.40	113,410	33.58
Xinjiang Guojin Haoyao Jewellery and Xinjiang Guojin Shengshi Jewellery[5]	Jewellery, metal products and daily necessities retailers headquartered in China (Xinjiang Guojin Haoyao Jewellery); and jewellery, watches and daily necessities retailer headquartered in China (Xinjiang Guojin Shengshi Jewellery)	2017 (for Xinjiang Guojin Haoyao Jewellery) 2021 (for Xinjiang Guojin Shengshi Jewellery)	RMB5 million (for Xinjiang Guojin Haoyao Jewellery) RMB5 million (for Xinjiang Guojin Shengshi Jewellery)	North-western China	52,703	19.54	93,137	23.12	68,585	20.31
Xi'an Fengzhenlong Jewellery Co., Ltd.* (西安豐正隆珠寶有限公司)[6]	Jewellery wholesaler, retailer and recovery and repair services provider headquartered in China	2019	RMB5 million	Northern China (Shanxi only) and North-western China (Ningxia, Gansu, Qinghai and Shaanxi only)	–	0.00	4,343	1.08	31,624	9.36
Sub-total:					255,952	94.88	377,273	93.65	315,158	93.32
Retail stores					6,623	2.46	5,890	1.45	2,915	0.86
Third-party operated online stores					6,458	2.39	9,650	2.40	5,265	1.56
Self-operated online stores					732	0.27	10,061	2.50	14,391	4.26
Total					**269,765**	**100.00**	**402,874**	**100.00**	**337,729**	**100.00**

Notes:

(1) For the avoidance of doubt, this includes all revenue generated under our OBM business model. For details of the sales channels through which we sell our OBM products, including offline distributorship, retail stores, third-party operated online stores, and self-operated online stores, please see "– Sales and Distribution".

(2) We define the geographical regions in China as follows:

Northern China: Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia

Eastern China: Shandong, Jiangsu, Anhui, Shanghai, Zhejiang, Jiangxi, Taiwan and Fujian

Central China: Henan, Hubei and Hunan

Southern China: Guangdong, Guangxi and Hainan

North-western China: Xinjiang, Ningxia, Gansu, Qinghai and Shaanxi

North-eastern China: Heilongjiang, Jilin and Liaoning

South-western China: Yunnan, Sichuan, Tibet, Guizhou and Chongqing

The categorisation above is for illustrative purpose in this document only.

(3) Shenzhen Xinnuo Jewellery was no longer assigned the sales regions of South-western China, North-eastern China (Heilongjiang & Liaoning only) and the eastern part of Inner Mongolia (but continued to be responsible for the central and western parts of Inner Mongolia) since 1 January 2023, following the adjustment of the terms of our cooperation with it upon the renewal of the framework agreement entered into between us.

(4) Beijing Shiji Tongyuan Jewellery and Accessories and Beijing Shijiyuan Jewellery were under common control by the same Independent Third Party. Pursuant to mutual agreement between us, Beijing Shiji Tongyuan Jewellery and Accessories and Beijing Shijiyuan Jewellery, we terminated the appointment of Beijing Shiji Tongyuan Jewellery and Accessories, and appointed Beijing Shijiyuan Jewellery, as our primary distributor with effect from February 2022.

Beijing Shijiyuan Jewellery was no longer assigned the sales region of Eastern China (Shandong only), but was assigned the eastern part of Inner Mongolia, since 1 January 2023, following the adjustment of the terms of our cooperation with it upon the renewal of the framework agreement entered into between us.

(5) Xinjiang Guojin Haoyao Jewellery and Xinjiang Guojin Shengshi Jewellery were under common control by the same Independent Third Party. Based on information provided by that Independent Third Party, the business carried on by Xinjiang Guojin Haoyao Jewellery had been transferred to Xinjiang Guojin Shengshi Jewellery in FY2022. On this basis and pursuant to mutual agreement between us and that Independent Third Party, we terminated the appointment of Xinjiang Guojin Haoyao Jewellery, and appointed Xinjiang Guojin Shengshi Jewellery, as our primary distributor with effect from 1 July 2022.

(6) Xi'an Fengzhenlong Jewellery Co., Ltd.* (西安豐正隆珠寶有限公司) was appointed as our primary distributor with effect from 1 November 2023.

Based on the best information and knowledge of our Directors, (i) the Company became acquainted with the ultimate beneficial owner at the relevant time of each of the primary distributors of the Group during the Track Record Period through (a) for Xi'an Fengzhenlong Jewellery Co., Ltd.* (西安豐正隆珠寶有限公司), the introduction by an industry peer in the beginning of 2023; or (b) for the remaining primary distributors, the attendance of Mr. Li YZ of industry events in or around 2007; and (ii) the primary distributors of the Group during the Track Record Period and each of their ultimate beneficial owners are Independent Third Parties.

ARRANGEMENTS WITH OUR PRIMARY DISTRIBUTORS

Under our OBM business model, we typically enter into distributorship framework agreements with each of our primary distributors, which set out the terms on which they are appointed as our primary distributors and the general terms that govern each order they place with us thereunder during the term of the agreements.

The existing distributorship framework agreements entered into between us and our primary distributors for distribution of our OBM products generally include the following principal terms:

- ***Term:*** The framework agreements are usually for a term of five years, subject to optional renewal within two months prior to its expiry.

- ***Geographical region:*** Each primary distributor is appointed to handle the sales and promotion of our OBM products exclusively within a specific geographical region to minimise the likelihood of competition.

- ***Display centres:*** Each primary distributor is required to maintain a physical display centre within its designated geographical region for showcasing our OBM products, and allocate the required number of staff for operating the display centre.

- ***Primary distributors' major responsibilities:*** Our primary distributors are permitted to sell our OBM products through the following channels within their designated geographical regions, including (i) selling our OBM products directly at the display centres operated by them; (ii) selling our OBM products to Retail Outlet operators for onward marketing and sales to end consumers; and (iii) further distributing our OBM products to sub-distributors for onward sales. Importantly, they must sell our OBM products in the capacity as our primary distributors and in their own name, but not on behalf of us as our agents or representatives. The primary distributors are solely responsible for the profitability of the display centres they operate, as well as the sales to any sub-distributors or Retail Outlet operators within their designated regions.

  The primary distributors are also responsible for recruiting and developing sub-distributor networks within their assigned territories. They shall supply our OBM products to these sub-distributors and assist them in completing product sales and brand promotion activities. The primary distributors are required to provide information of their sub-distributors to us.

  Furthermore, the primary distributors must collaborate with us to fulfill operational management, training, supervision, brand promotion, and related service tasks within their regions. This includes (i) maintaining their display centres, including but not limited to store image, display fixtures, advertising materials and promotional activities, to ensure a consistent, comprehensive, and standardised brand presentation for our proprietary products; and (ii) monitoring the operations of sub-distributors.

- ***Exclusivity:*** Our primary distributors are strictly prohibited from (i) selling, (ii) promoting, (iii) distributing, or (iv) at the display centres operated by them within their designated region, displaying or storing any precious metal watch products that are not provided by us or any products that may compete with our proprietary brands or OBM products.

- ***Order placement:*** Our primary distributors shall place orders by issuing orders to us during the term of the framework agreements. The primary distributors may place orders with us to, among others, purchase our OBM products, in which case we will be responsible for procuring the relevant raw materials and supply them with the finished products at the agreed wholesale price.

- ***Purchase quantity:*** We do not impose minimum purchase quantity requirements on our primary distributors. Instead, they are allowed to place orders based on their own market assessment and sales projections, which helps to align the distributors' operations with the actual market demand in their respective regions.

  Nevertheless, the framework agreements generally stipulate an annual sales target for our primary distributors. If the annual sales target could not be reached, we reserve the right to terminate their appointment as our primary distributors or to adjust the geographical region of their primary distributorship.

- ***Pricing:*** The terms of each order including pricing of our OBM products and processing services charged to our primary distributors shall be separately agreed under each order.

  We do not mandate the final retail prices set by our primary distributors or their sub-distributors for the sales of our OBM products. Therefore, our primary distributors have the flexibility to determine the appropriate retail prices for their local markets. This flexibility allows the distributors to adapt their pricing strategies to local market conditions and competitive dynamics.

- ***Payment terms:*** Orders and accounts are generally reconciled on monthly basis, and our primary distributors are generally required to settle payment within 30 days after reconciliation.

- ***Transportation and delivery:*** The product delivery date is subject to agreement between us and our primary distributor in respect of the relevant order, and the products may generally either be delivered by us to the primary distributor's designated location, or collected by the primary distributor from our premises. At the request of the primary distributor, the products may also be couriered to them, in which case the primary distributor will bear the transportation and insurance costs.

- ***Acceptance of delivery:*** The primary distributor must inspect the products, including their specifications and quantities, upon product delivery and sign the delivery confirmation to us. Our primary distributors are required to notify us in writing between three working days of delivery if there are any inconsistencies with the quantity being ordered or defects in our products, failing which they would be deemed to have accepted delivery of our products. If we agree that there is a product quality issue, the primary distributor shall, within three working days of our response, return the products concerned to us in accordance with the packaging and transportation requirements specified in the agreement. We do not accept product returns by our primary distributors in any other circumstances.

- ***Product warranty:*** For primary distributors, we generally provide a warranty period of two years on the delivered products, starting from the delivery acceptance date. During the warranty period, we will offer free repair services for any failures caused by product quality issues. For failures not due to quality problems, we will provide paid repair services at our quoted rates. After the warranty period expires, we have the right to decide whether to offer paid repair services based on the failure condition and parts availability.

- ***Sales planning:*** At the end of each year, our primary distributors shall prepare their comprehensive sales plan for the following year, which is subject to our review and approval. In addition to the annual planning, the primary distributors shall submit their sales plan and procurement plan for the upcoming month to us by the end of each month. We believe such planning enables us to stay informed about the primary distributors' intended sales activities and inventory management strategies for each year, and provides us with visibility into their targeted sales activities and objectives on a relatively long-term basis.

- ***Brand integrity:*** To maintain the integrity of our brand image, all materials relating to any market activities intended to be conducted by the primary distributors within their designated region, including activity plans, proposals and promotional materials, must be submitted to us for review and approval prior to execution or distribution. Furthermore, the primary distributors must ensure that any product claims or positioning communicated during these activities are fully consistent with our own statements and representations regarding the products. Our primary distributors are also prohibited from committing any acts which may be detrimental to our proprietary brands.

- ***Information reporting:*** Our primary distributors are required to regularly provide us with various written reports. This includes reports on the work and training of sales and technical staff, details of marketing and promotional, as well as timely data and analysis on market competition, competitor performance, consumer demand trends, and any significant changes in the local market. Our primary distributors are also required to procure the sub-distributors within their assigned geographical region to report the same to them. This comprehensive reporting framework could help ensure that we stay well-informed about the on-the-ground dynamics within the primary distributors' assigned sales territories, enabling us to make strategic decisions and provide appropriate support to them.

- ***Product complaint:*** Our primary distributors are responsible for handling any customer complaints related to our OBM products within their designated region, regardless of where the products were purchased, and promptly report the details of the complaints to us.

- ***Use of trademarks and other IP rights:*** We authorise our primary distributors to use our relevant trademarks or IPs solely for the purpose of their performance of the agreements entered into between us during the term thereof. Our primary distributors must comply with all terms relating to the use of our IPs in printed materials or product packaging materials, and are prohibited from taking any actions which may cause harm to our IP rights.

- ***Anti-bribery:*** Our primary distributors are prohibited from providing any gifts, rebates, commissions or other benefits to our personnel in connection with the business contemplated under the agreements entered into between us. Violation will attract a monetary penalty.

- ***Termination:*** In the event that the primary distributor breaches the agreement, e.g. allowing unauthorised sale, display or storage of products other than those supplied by us at the display centres operated by them, making unauthorised changes to our trademarks, infringing our trade secrets, causing damage to our brand and reputation, transferring its rights and obligations under the agreement without our prior consent or engaging in non-compliant behaviours, and is unable to take rectification actions to our satisfaction, we may unilaterally terminate the agreement. In such cases, we have the right to require the primary distributor to pay us a penalty fee representing 30% of the total value of products ordered during the term of the agreement and compensate us for any losses incurred by us in relation to its breach.

As at the Latest Practicable Date, we were not aware of any of our primary distributors committing any material breaches of the distributorship framework agreements.

During the Track Record Period, a primary distributor also engaged us to provide subcontract processing services for its products on ODM basis. In this relation, it had, in the capacity as ODM customers, entered into subcontract processing services framework agreements with us. For details of the principal terms of the existing framework agreements entered into between us and our ODM customers, please see "– Arrangements with ODM Customers".

Selection and monitoring of primary distributors

To uphold the image and reputation of our proprietary brands, we are highly selective in choosing our primary distributors. We evaluate them based on several criteria, including their sales and distribution experience in the watch and jewellery and accessories industries, their market coverage and connections with within their assigned sales region, their scale of operations, as well as the capability of their business team, their management abilities and service quality.

Our sales and marketing department closely monitors the performance of our primary distributors through various means. These include ad-hoc inspections of their display centres to ensure compliance with our pricing, merchandising, and display policies. We also regularly review the sales and inventory reports they submit to track and analyse their sales performance. Additionally, we assess their operational strategies, such as advertising plans and product mix, and may provide recommendations to help increase the sales of our OBM products, such as suggesting changes to product displays.

For details, please see "– Support provided to our primary distributors", "– Management of our primary distributors" and "– Marketing activities by our primary distributors".

Turnover of our primary distributors and their sub-distributors

During the Track Record Period, the numbers of our primary distributors and the sub-distributors to whom they sold our OBM products under the distributorship business model remained relatively stable. The following table sets forth the turnover of our primary distributors and their sub-distributors during the Track Record Period:

	FY2022	FY2023	FY2024
No. of primary distributors *(Note 1)*			
– Total (as at the end of the relevant period)	3	4	4
– Appointed	2	1	0
– Terminated	2	0	0
No. of sub-distributors *(Note 2)*			
– Total (as at the end of the relevant period)	31	31	32
– Appointed	4	3	8
– Terminated	2	3	7
Total no. of primary distributors and sub-distributors *(Note 2)*			
– Total (as at the end of the relevant period)	34	35	36
– Appointed	6	4	8
– Terminated	4	3	7

Notes:

(1) In FY2022, we terminated the appointment of two of our then primary distributors, namely Beijing Shiji Tongyuan Jewellery and Accessories and Xinjiang Guojin Haoyao Jewellery, and appointed two new primary distributors, namely Beijing Shijiyuan Jewellery and Xinjiang Guojin Shengshi Jewellery, due to the following reasons:

(i) Beijing Shiji Tongyuan Jewellery and Accessories and Beijing Shijiyuan Jewellery were under common control by the same Independent Third Party. Pursuant to mutual agreement between us, Beijing Shiji Tongyuan Jewellery and Accessories and Beijing Shijiyuan Jewellery, we terminated the appointment of Beijing Shiji Tongyuan Jewellery and Accessories, and appointed Beijing Shijiyuan Jewellery, as our primary distributor with effect from February 2022; and

(ii) Xinjiang Guojin Haoyao Jewellery and Xinjiang Guojin Shengshi Jewellery were under common control by the same Independent Third Party. Based on information provided by that Independent Third Party, the business carried on by Xinjiang Guojin Haoyao Jewellery had been transferred to Xinjiang Guojin Shengshi Jewellery in FY2022. On this basis and pursuant to mutual agreement between us and that Independent Third Party, we terminated the appointment of Xinjiang Guojin Haoyao Jewellery, and appointed Xinjiang Guojin Shengshi Jewellery, as our primary distributor with effect from 1 July 2022.

In FY2023, Xi'an Fengzhenlong Jewellery Co., Ltd.* (西安豐正隆珠寶有限公司) was appointed as our primary distributor with effect from 1 November 2023.

(2) The numbers of sub-distributors as at the relevant dates or appointed/terminated during the relevant years were provided by our primary distributors to us. Solely based on information provided by our primary distributors, the reasons for the appointment and termination of sub-distributors during the Track Record Period were as follows:

- ***Appointment:*** four, three and eight new sub-distributors were appointed in FY2022, FY2023 and FY2024, respectively, following their inquiries with our primary distributors to seek collaboration through participation in the sub-distributorship network; and

- ***Termination:*** (i) two sub-distributors were terminated in FY2022 primarily as a result of the merger of two existing sub-distributors, and the cessation of cooperation with a sub-distributor as it intended to shift its business focus to retail sales; (ii) three sub-distributors were terminated in FY2023 primarily because they had adjusted their business model and decided to withdraw from the watch distribution business; and (iii) seven sub-distributors were terminated in FY2024 either because they had adjusted their business model and decided to withdraw from the watch distribution business, or they had reduced their procurement volume and transitioned to retail partnerships with our primary distributors instead.

Support provided to our primary distributors

To support our primary distributor's establishment and operation of the distribution network within their designated region, we provide necessary assistance and guidance in various areas:

- *Strategic planning and execution:* We support our primary distributors in relation to market research, site selection, and overall display centre design and decor for their display centre locations. This ensures their display centres are strategically positioned and aligned with our brand image.

- *Daily operations and ongoing enhancement:* Our sales and marketing department provides consistent support services to the display centres operated by our primary distributors. This includes marketing, branding and training.

- *Opening of new display centres:* Leveraging our resources and experience, we help distributors with site selection analysis and business planning to ensure their display centres are strategically positioned. For specific display centre types, we offer standardised design, decor, and product display solutions to ensure brand consistency and visual appeal.

- *Capability development:* We have developed a comprehensive training system to enhance the operational, service, and sales capabilities of our primary distributors, their display centre managers, and frontline staff. This includes specialised training for newly opened display centre locations to provide systematic guidance.

Management of our primary distributors

We aim to help our primary distributors align their operations with our requirements. We provide them with operational standards, policies, and detailed manuals to facilitate consistent display centre management and high-quality product/service delivery by our distributors. These materials cover, among others, descriptions of the selling points of our OBM products, basic knowledge of gold watches, daily use and maintenance of gold watches, product display techniques and sales promotion skills.

Moreover, we assign staff to conduct on-site visit of the display centres operated by our primary distributors to check if their operation and services are in line with our standards, and we may provide suggestion to primary distributors for their improvement. During the Track Record Period, such on-site visits were generally conducted at least once per year per display centre. During our on-site visits to our primary distributors, we conducted inspections and assessments across several key areas of operations of their display centres. These include (i) sales performance and efficiency, where we analysed the progress of sales and the achievement rates of sales targets, as well as the overall sales scale and the primary distributors' pricing policies adopted at their display centres; (ii) product management, which covers the categorisation and composition of their product offerings; (iii) inventory management, which cover inventory turnover rates and inventory efficiency; (iv) team management practices, focusing on the primary distributor's execution power, loss prevention measures, and overall management of its sales team; (v) promotion management, emphasising brand promotion efforts and the effectiveness of new product introductions; and (vi) quality maintenance and market influence, which covers the overall quality standards maintained by the primary distributor and its ability to uphold the brand's reputation and customer satisfaction. After each site visit, a work report recording the observations of our staff during the site visit shall be prepared and submitted to the management of our sales and marketing department for further analysis.

Marketing activities by our primary distributors

We are responsible for planning and coordinating all regional marketing campaigns in collaboration with our primary distributors. Our primary distributors are required to submit their promotional plans for our review and approval before proceeding with any marketing initiatives, which are evaluated by us to ensure consistency with our strategic marketing objectives. Primary distributors must adhere strictly to the approved content and are responsible for all associated costs of their own marketing activities.

We have established a standardised display centre design and visual identity system to maintain a consistent brand image across the distribution network. Our primary distributors must follow these design guidelines and obtain our approval before commencing the fitting out works for any new display centres.

Furthermore, we centralise the supply of all materials used in the display centre locations operated by our primary distributors, including fixtures, packaging, promotional items, and gifts. This allows us to maintain control over brand presentation and operational standards.

Measures to avoid channel stuffing and cannibalisation

Measures to avoid channel stuffing

We have set up and implemented multiple measures to avoid channel stuffing, including:

- *Buyer-seller relationship:* The commercial relationship between us and our primary distributors is buyer-seller relationship. We typically do not accept product returns unless the products are defective, ensuring that primary distributors cannot compel us to accept unsold products. Also, as we sell our OBM products to primary distributors directly, in case of termination of our distribution agreements, we do not refund our primary distributors for their unsold inventory of our watches.

  We do not maintain direct business relationships, in respect of our sales to primary distributors under our distributorship business model, with any of the sub-distributors and the Retail Outlet operators to whom our primary distributors and/or their sub-distributors sell our OBM products.

- *Inventory monitoring*: During the Track Record Period, we generally conducted on-site visits to the display centres operated by our primary distributors at least once per year. These on-site visits include inspections on the primary distributors' inventory management practices, which cover inventory turnover rates and inventory efficiency. We requested our primary distributors to provide information on the level of their inventory for our monitoring purpose where required. For instance, during the Track Record Period, we requested each of our primary distributors to submit, on a yearly basis, an inventory report setting out its inventory level for each SKU of our OBM products as at the end of each year, based on stock-taking carried out by the primary distributor. We consider that these reports could enable us to track and analyse our primary distributors' inventory levels. Based on these reports, our primary distributors' inventory balances of our OBM watches were approximately 6,000 units, 7,000 units and 7,000 units as at 31 December 2022, 2023 and 2024, respectively.

  Moreover, we do not accept any product returns by our primary distributors, unless it is agreed that there is a product quality issue in respect of the products concerned and the issue is raised within the designated time period (usually three working days) from product delivery. This strict policy precludes primary distributors from returning unsold inventory of our OBM products. As we implement stringent quality control measures prior to our products are being delivered, we had not experienced any product return, and we had not recalled any product due to quality or other issue, under our distributorship business model during the Track Record Period and up to the Latest Practicable Date.

- *No minimum purchase requirements:* As we do not impose any minimum purchase requirements on our primary distributors, they typically place their orders according to their needs and are incentivised to maintain their inventory levels prudently to avoid overstocking and obsolescence.

- *Regular inspection on display centres:* We conduct on-site visit of the display centres operated by our primary distributors and to supervise the operation and management of the display centres. In addition, our sales and marketing department maintained a close connection with primary distributors to gain insights into their business operations.

Measures to avoid cannibalisation

We have implemented anti-cannibalisation measures to balance competition among each of our main sales channels, namely offline distributorship, retail stores, third-party operated online stores and self-operated online stores channels.

In FY2022, FY2023, FY2024, revenue generated from our OBM business model amounted to RMB269.77 million, RMB402.87 million and RMB337.73 million, respectively, representing 83.34%, 90.44% and 73.97% of our total revenue, respectively. During the Track Record Period, we primarily sold our OBM products through our offline distributorship sales channel, which accounted for 94.88%, 93.65% and 93.32% of the revenue from our OBM business model in FY2022, FY2023, FY2024, respectively. We have also been developing other sales channels for our OBM products, which accounted for 6.35%, 5.30% and 6.68% of the revenue from our OBM business model in FY2022, FY2023, FY2024, respectively. Specifically, in FY2022, FY2023, FY2024, sales of our OBM products through (i) our offline retail stores channel accounted for 2.46%, 1.46% and 0.86% of the revenue from our OBM business model, respectively; (ii) third-party operated online stores accounted for 2.39%, 2.40% and 1.56% of the revenue from our OBM business model, respectively; and (iii) self-operated online stores accounted for 0.27%, 2.50% and 4.26% of the revenue from our OBM business model, respectively. In terms of the types of OBM products, we sold our OBM traditional precious metal watches, smart watches and watch accessories like watch straps under each of our offline distributorship, retail stores, third-party operated online stores and self-operated online stores channels.

Managing competition among offline distributors

We sell our OBM products primarily through our offline distributorship business model during the Track Record Period. As disclosed above, under our offline distributorship business model, we sell our OBM products to our primary distributors, who may, within their assigned sales regions, (i) sell our OBM products directly at the display centres operated by them; (ii) sell our OBM products to Retail Outlet operators for onward marketing and sales to end consumers; and (iii) further distribute our OBM products to sub-distributors.

We have taken the following steps to prevent cannibalisation and undue competition among our offline distributors:

- *Assignment of exclusive sales regions:* we typically assign our primary distributors exclusive sales regions to avoid competition between them. Our primary distributors should also only appoint sub-distributors within their assigned sales region. For details of the sales regions assigned to each of our primary distributors during the Track Record Period, and a breakdown of the locations of our primary distributors and sub-distributors by tiers of cities in China, please see "– Sales and Distribution – Revenue breakdown by sales channels" and "– Sales and Distribution – Distribution network in China – Offline Retail Outlets". Under the distribution agreements entered into with our primary distributors, they are prohibited from selling our OBM products beyond their assigned sales regions. This helps maintain a balanced distribution network and prevent conflicts that could arise from overlapping territories;

- *Defining sales regions:* In defining sales regions (for example whether a province/city shall be considered as a sales region, or if various neighboring provinces/ cities shall be combined into one sales region), we assess the appropriate number of primary distributors a geographical region can accommodate based on factors like sales potential, existing market coverage, demographics and spending patterns;

- *Market feedback collection:* Our market service team collaborate with our primary distributors to actively gather feedback and through our primary distributors. This helps us understand customer experiences and needs across different sales regions, as well as their satisfaction with pricing and services. We believe this process would enable us to identify retail price competition issues under our offline distributorship model; and

- *Right to terminate non-complying primary distributors:* ultimately, we retain the discretion to terminate relationships with primary distributors that engage in non-compliant or unfairly competitive practices, including but not limited to initiating or participating in price wars.

We considered that the measures taken by us in managing the competition among offline distributors and the risk of cannibalisation among them had been effective during the Track Record Period, primarily on the following bases:

(i) typically, significant changes in the size of a distribution network can indicate underlying challenges or competitive pressures that lead to consolidation or expansion. However, in our case, the number of both primary distributors and sub-distributors had remained stable throughout the Track Record Period. As at 31 December 2022, 2023 and 2024, we had three, four and four primary distributors, respectively, and 31, 31 and 32 sub-distributors, respectively. For details, please see "– Turnover of our primary distributors and their sub-distributors".

We believe the minimal fluctuation in the number of both our primary and sub-distributors during the Track Record Period indicates a balance between the market coverage and competitive dynamics of our offline distributorship business model, which had successfully prevented disruptive market entry or forced exits that would typically manifest as significant changes in distributor numbers. The stable distributor numbers may also imply that our offline distributors perceive clear, well-defined territories and roles within their assigned exclusive sales regions, which helped reduce the pressure of aggressive competition that could lead to price wars or market saturation;

(ii) As shown in "– Sales and Distribution – Revenue breakdown by sales channels", sales to our primary distributors had remained stable and there had been no significant changes in our sales (in terms of total revenue derived within a particular period in percentage terms) to any primary distributor during the Track Record Period.

We believe the absence of significant fluctuations in sales percentages to individual primary distributors suggest that there are clear, non-overlapping market boundaries between them. This has helped prevent competition among them and helped ensure that each primary distributor could operate within a defined geographical or market segment without encroaching on others' territories.

We also believe that the stability in our sales to our primary distributors shows that no single primary distributor gains an outsized competitive advantage that could destabilize the entire distribution network. This balanced approach prevents potential market distortions that could emerge if one distributor were to significantly outperform others, which might trigger aggressive competitive behaviours or create incentives for cannibalisation; and

(iii) During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint from primary or sub-distributors on breach of exclusive sales regions/cannibalistic behaviours in violation of distributor agreements.

Managing competition among offline and online channels

We assess the competitive interaction between our offline distributorship channels and third-party/self-operated online channels as insignificant on the basis set out below:

- Our offline distributorship channels have consistently dominated our OBM business model revenue, accounting for 94.88%, 93.65%, and 93.32% in FY2022, FY2023, and FY2024, respectively. In contrast, third-party and self-operated online channels represented a progressively growing but still marginal segment, contributing 2.67%, 4.89%, and 5.82% of OBM business model revenue during the same years in aggregate.

- As at 31 December 2024, our OBM product portfolio consisted of over 10,000 SKUs (stock keeping units), of which only less than 1.0% were sold simultaneously via both offline distributorship and online sales channels.

- We consider that there is minimal competition between our offline and online sales channels, primarily in light of the inherent consumer preferences in the watch and accessories market. According to CIC, consumers predominantly favor offline purchasing for high-value, precious metal products like our watches, primarily because physical retail environments offer critical advantages that online platforms cannot fully replicate. For example, in offline channels, customers can physically examine product quality, assess intricate design details, and verify the authenticity of gold-based accessories. The in-person interaction provides tangible reassurance about product genuineness and allows immediate validation of craftsmanship. Moreover, offline purchases enable direct engagement with knowledgeable sales representatives who can provide personalised guidance, answer technical questions, and offer immediate product demonstrations. These experiential factors are particularly significant for gold watches and accessories, where tactile assessment and personal verification are crucial to consumer confidence. We therefore believe that our online sales channels complement our offline sales channels rather than competing with them.

- Our offline and online sales channels target distinct customer groups. For example, through our online sales channels, we intend to primarily attract younger, digitally-native consumers who are generally more comfortable with digital transactions and seek convenient, rapid purchasing experiences. We believe the digital marketing, social media engagement, and efficient transaction processes associated with e-commerce platforms appeal to this demographic. Conversely, our offline distributorship channel cater to more traditional consumer segments who generally prioritise personal interaction, professional guidance and physical product examination. From this perspective, we believe our online and offline channels complement rather than compete with each other.

Given that our revenue has been predominantly generated through offline distributorship channels, we prioritise its sustained growth and expansion. We remain vigilant about potential channel conflicts and have established proactive management strategies.

Managing competition among online channels

As regards our online sales channels, we sell our OBM products through self-operated online stores on e-commerce platforms including Tmall, JD.com and Douyin, as well as third-party operated online stores on e-commerce platforms including Taobao, JD.com and Douyin. During certain years in the Track Record Period, there had been an increase in the revenue contribution of our online sales channels. In FY2022, FY2023 and FY2024, our third-party operated online channels accounted for 2.39%, 2.40% and 1.56% of the revenue from our OBM business model, respectively; and our self-operated online channels accounted for 0.27%, 2.50% and 4.26% of the revenue from our OBM business model, respectively. During FY2024, the total number of SKUs which were sold via both our self-operated and third-party operated online channels was less than 150, accounting for less than 1.0% of the total number of SKUs sold during that period.

To proactively prevent potential cannibalisation between these online channels, we have implemented strategic differentiation mechanisms:

(i) *Channel-specific product lines*: We have developed exclusive product lines designed specifically for our self-operated online stores, ensuring unique value propositions that cannot be found through third-party platforms. This approach creates distinct market segments and reduces direct competition; and

(ii) *Tailored product development*: We collaborate with third-party online store operators to design and produce channel-specific products with exclusive designs. Specifically, we from time to time agree with the third-party online store operators to specifically design and produce certain products for exclusive sales via the online stores operated by them. The products designed for exclusive sales through different sales channels have distinct offerings which are intended to cater to the different needs and behaviours of the relevant group of target online consumers.

Our strategy for mitigating cannibalisation risk is further reinforced by two primary mechanisms:

(i) *Market intelligence and research*: Our sales and marketing department conducts periodic, comprehensive market assessments to track evolving market dynamics, consumer behaviour patterns, and emerging preferences. Through these assessments, we believe we can promptly identify potential competitive risks, such as emerging price war indicators, signs of unfair competitive practices, and early signals of potential cannibalisation between different sales channels. Such analysis could allow us to detect subtle market shifts and competitive pressures before they can materially impact our business model. When potential risks are identified, we can swiftly develop targeted interventions. These may include recalibrating pricing strategies, adjusting product positioning, realigning sales channel offerings, or implementing strategic product differentiation; and

(ii) *Cross-departmental collaboration*: We have established a robust internal communication framework that facilitates seamless information exchange among management, sales, marketing, and customer service teams. This integrated approach ensures real-time visibility into channel performance, challenges, and opportunities, allowing us to develop collaborative solutions that minimise cannibalisation risks.

Providing distributors and other third-party operated sales channels with pricing autonomy

We consider that allowing primary distributors and sub-distributors and other third-party operated sales channels to set their own retail prices for our OBM products can contribute to a reduced risk of cannibalisation due to several reasons:

- *Market adaptability*: China's diverse income levels across different regions result in significant variations in consumer purchasing power. By granting pricing flexibility to distributors and other third-party operated sales channels, they can adjust prices based on local market conditions, consumer spending habits, and competition. We believe this adaptability helps ensure that our products are priced appropriately for each regional market, preventing cannibalisation that could arise from misaligned pricing across different territories;

- *Incentivising distributors and operators*: We believe that providing distributors and other third-party operated sales channels with pricing autonomy would not only boosts their motivation but also encourages them to explore new market opportunities and optimise their sales strategies to maintain their profit margins. Empowering distributors and other third-party operated sales channels to promptly adjust prices based on factors such as supply and demand dynamics, competitor pricing, and promotional activities also enables them to respond swiftly to market changes. We also believe that this flexibility helps them maintain a competitive edge and avoid engaging in price wars that could lead to cannibalisation within their respective markets;

- *Targeted promotions*: Without a fixed retail price mandate, distributors and other third-party operated sales channels could launch targeted promotional activities, discounts, or bundling strategies to drive sales in their local markets. By tailoring these efforts to their specific customers, they can avoid undercutting each other's prices and preserve profit margins, thereby minimising the risk of cannibalisation;

- *Aligning inventory management*: Without a centralised pricing mandate, distributors and other third-party operated sales channels can better manage their inventory levels and align their replenishment strategies with the unique demand patterns of their assigned/target markets. This helps prevent oversupply and the resultant price wars that could otherwise contribute to cannibalisation. When distributors and other third-party operated sales channels have the autonomy to set their own retail prices, we believe they can closely monitor the demand and sales trends in their respective regions, which may allow them to optimise their inventory levels to match the specific needs of their target customers. For example, a distributor serving a higher-income region may stock a greater proportion of premium-priced products, while a distributor in a more price-sensitive area may prioritize mid-range or value-oriented offerings. By tailoring their inventory to local preferences, we believe that distributors may be less likely to compromise their profit margins and engage in aggressive price-cutting to clear excess stock, which could otherwise trigger a downward spiral of price competition and cannibalisation. Moreover, the pricing flexibility enables distributors to and other third-party operated sales channels adjust their replenishment strategies dynamically. For example, they may increase or decrease order quantities based on seasonal fluctuations, emerging trends, and other market factors specific to their regions. We believe this could help prevent overstock situations, and in turn the risks that distributors and other third-party operated sales channels may undercut each other's prices to liquidate excess inventory.

As confirmed by CIC, it is a common industry practice among global watch brands not to mandate the final retail prices set by distributors or sub-distributors. This practice is reflected in the operations of leading companies within both the precious metal jewellery and watch industries.

Conclusion

We believe our measures to avoid channel stuffing and cannibalisation are effective as we are not aware of any signs of potential channel stuffing, for example, excessive amount of inventory build-up of our OBM products by primary distributors, or cannibalisation, such as price wars or other unhealthy competition behaviours among primary distributors and among our various sales channels, during the Track Record Period and up to the Latest Practicable Date.

Measures to effectively mitigate exposure to material adverse changes to or termination of our relationship with primary distributors

We have adopted the following measures to mitigate any potential exposure to any material adverse changes to or termination of the relationships with our primary distributors:

- *Continued efforts in expansion of customer base in relation to primary distributors:* As at 31 December 2022, 2023 and 2024, we had three, four and four primary distributors, respectively. Our Directors believe that establishing a core group of primary distributors is more commercially beneficial compared to maintaining business relationships with a larger number of primary distributors since (i) we can select the most suitable primary distributor candidates which fulfil our selection criteria and are the most capable in satisfying our business and distribution needs, instead of relying on a larger number of primary distributors that have varying capabilities and competence, (ii) focusing our resources on fostering stronger business relationships with a core group of primary distributors can allow a better understanding of each other's business needs, which may result in improved customer loyalty, repeated business opportunities and purchase orders with higher transaction amounts and/or sales volumes, (iii) time, resources and selling and marketing expenses associated with client acquisition and the maintenance of customer relationships with a larger number of primary distributors can be reduced, and (iv) it is easier to maintain control over a core group of primary distributors in order to prevent channel stuffing, cannibalisation and undue competition among our primary distributors. According to CIC, the utilisation of a core group of primary distributors is a very common business model and is consistent with the general market practice in various industries, such as the jewellery and accessories industry, of the PRC.

  Nevertheless, we have continued to explore potential business opportunities with primary distributors in the jewellery and accessories industry of the PRC in order to expand the customer base in relation to our primary distributors through various marketing and promotion initiatives, such as the operation of accounts on various social media platforms, the attendance of industry events and our industry involvement and accolades. See "– Sales and Marketing – Marketing and promotion" for details. Based on the best information and knowledge of our Directors, as at the Latest Practicable Date there were at least 30 entities in the jewellery and accessories industry of the PRC that fulfil our selection criteria and may potentially be engaged by us as our primary distributors. As such, we believe that there are alternative primary distributors readily available for us to cooperate with should there be any material adverse changes to or termination of our relationship with our current primary distributors.

In addition, as part of our business strategy to expand into overseas markets, we entered into a cooperation agreement with a primary distributor in Malaysia for the distribution of our OBM products in Malaysia in November 2024, and will seek to further expand into Singapore and the Middle East in the next few years through the cooperation with local primary distributors. For details, please see "– Our Business Strategies – Expand into overseas markets by strategically partnering with selected overseas distributors". As such, our Directors believe that the gradual increase in our overseas sales and distribution footprint will contribute to the expansion of customer base in relation to primary distributors.

Based on the above, our Directors believe that by leveraging on our leading position in the domestic brand gold watch and 24K gold watch markets in the PRC, we are well-positioned to establish new business relationships with domestic and overseas primary distributors, hence mitigating any potential exposure to any material adverse changes to or termination of the relationships with our primary distributors.

- *Diversification of sales channels to reduce revenue contribution from our distributorship model:* Although the majority of our revenue was derived from our distributorship model during the Track Record Period, our aggregate revenue attributable to third-party operated online stores and self-operated online stores have experienced an increasing trend during the Track Record Period. During FY2022, FY2023 and FY2024, such revenue amounted to approximately RMB7.19 million, RMB19.71 million and RMB19.66 million, respectively, representing 2.67%, 4.89% and 5.82% of our total revenue for the respective years.

  In addition to offering our products on various e-commerce platforms such as Tmall, JD.com and Douyin during the Track Record Period, in order to further increase the revenue contribution from online sales, (i) we have established additional self-operated online stores on two new e-commerce platforms (namely Dewu and Kuaishou) in the first two months of 2025 to further bolster the online presence of our products; and (ii) we are also undergoing and expect to complete by the second quarter of 2025 the establishing of a self-operated online store on another new e-commerce platform.

  As such, our Directors believe that the diversification of our sales channels can reduce the revenue contribution as a percentage of our total revenue from our distributorship model, hence reduce any potential impact which may result from any material adverse changes to or termination of the relationships with our primary distributors.

- *Enhancement of product design and development capabilities to cater to market demand for gold watches and 24K gold watches:* As product design and development is a critical step in our production cycle in terms of laying the foundation for the creation of new watch collections or the refinement of existing designs, we have been dedicated to investing in our R&D infrastructure and prioritising continuous product innovation and iterative enhancements in order to produce products which cater to market demand for gold watches and 24K gold watches in the PRC. See "– Our Business Strategies – Strengthen our R&D capabilities to drive sustained business growth" and "– Research and Development" for details in relation to our R&D efforts in our product design and development capabilities.

  Furthermore, leveraging on our product design and development capabilities, we have been proactively establishing and positioning our Group in the smart wearable products sector, and have integrated intelligent technology into our product offerings, and successfully (i) developed for ODM customers, and launched under our proprietary brand, smart watch products in 2023 and 2024, and (ii) launched silver, platinum and gemstone smart watch collections incorporating the same smart movement technology in 2024. Coupled with such product offerings, we also believe that we are well-positioned to experience a significant increase in the sales volume of our smart wearable products over the next few years. See "– Our Business Strategies – Further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market – (i) Setting up the New Putian Production Base – (2) Further production capacity required for the production of smart watches and smart accessories" for details in relation to the basis of the aforementioned anticipated growth in sales volume over the next few years.

  According to CIC, the gold watch and 24K gold watch markets in the PRC are expected to experience continuous growth, which is primarily attributable to factors such as (i) the rise in gold prices highlighting the investment value of gold and stimulating consumers' interest, (ii) gold products such as gold watches gaining popularity, (iii) the younger generation gradually becoming the key consumer segment for gold watches, and (iv) the 24K gold watch industry expanding its role as a growth engine of the gold watch market. According to CIC, from 2023 to 2028 in terms of GMV, (i) the market size of the gold watch market in the PRC is expected to increase from RMB28.10 billion to RMB44.40 billion, representing a CAGR of 9.58%, and (ii) the market size of 24K gold watch markets in the PRC is expected to increase from RMB1.62 billion to RMB4.00 billion, representing a CAGR of 19.78%.

Based on the above, our Directors believe that our dedication to the enhancement of our product design and development capabilities enables us to produce well-crafted products that are attuned to the evolving preferences of the market and take advantage of the consumer demand for gold watches and 24K gold watches in the PRC, thus providing us with the opportunity to take advantage of the expected increase consumer demand for gold watches and 24K gold watches in the PRC in the event of the occurrence of any material adverse changes to or termination of the relationships with our primary distributors.

Cash management

Substantially all payments made by end consumers through our online sales channels are non-cash payment. Our primary distributors generally settle payments, fees and other expenses with us through bank transfer to our designated bank accounts. When receiving payments from primary distributors, we make cross-reference of the payment information against the data recorded in our internal systems. We do not receive or otherwise process any payment made by end consumers at the display centres operated by our primary distributors.

We have established stringent and detailed policies governing cash management, security, and processing within our internal operations and display centre management practices. For instance, we require cash handling to be carried out by specifically designated teams, with each team member assigned distinct duties and responsibilities to ensure the safety and proper accounting of cash. Any cash-related activities, such as payments, deposits, transfers, and settlements, must undergo explicit internal authorisation and proper documentation. Furthermore, we mandate regular planning, inspections, and supervision of our cash management practices across the organisation.

ARRANGEMENTS WITH THIRD-PARTY ONLINE STORE OPERATORS

Since 2021, we have been selling some of our OBM products to certain third-parties for their onward sales on third-party e-commerce platforms such as Taobao, JD.com and Douyin. To govern these sales arrangements, we typically enter into framework agreements with each of these third-party online store operators. The specific terms of these framework agreements may vary, as different e-commerce platforms often have unique requirements and policies that need to be accommodated. There are two main types of sales arrangements with third-party online store operators: (i) Payment upon purchase order: The online store operators place orders with us in advance based on their sales plans. They are required to settle the purchase price with us, regardless of whether the ordered products are ultimately sold on their online stores. We recognise revenue when we deliver the products to the third-party online store operators; and (ii) Payment upon consumer sales: the online store operator only pays us the purchase price after the ordered products have been successfully sold on their online stores. We recognise revenue when our products are sold through the online store operator's online store.

Payment upon purchase order

During the Track Record Period, we cooperated with three third-party online store operators under the payment upon purchase order model, including:

- Shenzhen Mobao Technology Co., Ltd.* (深圳魔寶科技有限公司) ("**Shenzhen Mobao**"), a company established in China in 2017 and is situated in Shenzhen, China. Based on publicly available information, as shown in Shenzhen Mobao's 2023 annual report, its subscribed capital contribution was RMB1.15 million, with an actual paid-in capital of RMB0.02 million. The registered scope of business of Shenzhen Mobao covers, among others, (i) the design, technical development, leasing and sales of electronic computer hardware and software; (ii) technical consulting and maintenance; (iii) enterprise management consulting; (iv) domestic trade; (v) computer and peripheral equipment technical maintenance; and (vi) technological development in mobile internet and cloud computing domains.

  Based on information provided by Shenzhen Mobao, it initially focused on producing beaded accessories and silver jewellery in Shenzhen but pivoted towards developing online sales channels in response to the challenges brought by the COVID-19 pandemic. Through industry connections, we became acquainted with Shenzhen Mobao's management in 2021.

  At that time, our management understood that the barriers to establishing a live-streaming e-commerce storefront for gold watches on Douyin were significant. According to CIC, these challenges stemmed from (i) the complex rules and management systems governing live-streaming sales on the platform, and (ii) the intense competition on Douyin which necessitated substantial investment in advertising and traffic purchasing. Shenzhen Mobao's management indicated that they possessed the necessary resources and connections to launch a watch and jewellery online store on Douyin. Recognising our limitations in establishing a self-operated online store at that time, and the importance of enhancing our HIPINE brand's online market presence in response to emerging market trends, we strategically decided to partner with them to successfully create the first online store for selling HIPINE products on the Douyin e-commerce platform in 2021. By granting Shenzhen Mobao the authority to manage and promote HIPINE products on Douyin, we aimed to leverage their specialised skills in executing live-streaming sales strategies and benefit from their deep understanding of Douyin's e-commerce ecosystem.

  As of the Latest Practicable Date, the online store operated by Shenzhen Mobao on Douyin features their own brand of bracelets and silver products, while exclusively selling gold watches from HIPINE.

- Hangzhou Sijian Technology Co., Ltd.* (杭州思踐科技有限公司) ("**Hangzhou Sijian**") and Hangzhou Mosin Technology Co., Ltd.* (杭州莫尋科技有限公司) ("**Hangzhou Mosin**"), which are commonly controlled by an Independent Third Party. Hangzhou Sijian and Hangzhou Mosin were established in China in 2020 and 2021, respectively, and are situated in Hangzhou, China. Based on publicly available information, as shown in Hangzhou Sijian's 2023 annual report, its subscribed capital contribution was RMB10 million, with an actual paid-in capital of RMB2.65 million; and as shown in Hangzhou Mosin's 2023 annual report, its subscribed capital contribution was RMB10 million, with an actual paid-in capital of RMB0.05 million.

  The registered scopes of business of Hangzhou Sijian and Hangzhou Mosin cover a range of areas, including, among others, (i) television drama production and distribution (which includes live streaming and other social media productions), performance brokerage, and cultural exchange activities; (ii) provision of technical services; (iii) marketing, advertising, and sales of diverse product categories including communication equipment, software, clothing, accessories, electronic products, cosmetics, jewellery, and daily consumer goods; (iv) provision of conference and exhibition services; and (v) technical consulting, development, and promotion. Based on information provided by Hangzhou Sijian and Hangzhou Mosin, Hangzhou Sijian is primarily engaged in the sales of various consumer goods and related sales and marketing activities, and Hangzhou Mosin primarily focuses on the sales of watches and related sales and marketing activities.

  Based on information provided by Hangzhou Sijian, in pursuit of expanding its watch retail business in 2020, Hangzhou Sijian's founder strategically searched for suppliers in Shenzhen, which is renowned as China's renowned "Watch Capital" (中國鐘錶之都). During this search, the founder was introduced to our Group, and collaborated with us to launch three watch models in 2021 as a starting point. In light of the market response to the three watch models, Hangzhou Sijian entered into a long-term cooperation agreement with us in 2021 to collaboratively develop custom-designed watch models. As Hangzhou Sijian was engaged in the sales of other consumer goods, it subsequently transitioned the watch retail business to Hangzhou Mosin, which was specifically established for operating the watch retail business via a Douyin flagship store.

  Based solely on information respectively provided by Hangzhou Sijian and Hangzhou Mosin: (a) Hangzhou Sijian recorded annual sales volumes of around 4,000 units, 3,500 units and 900 units for FY2022, FY2023 and FY2024, respectively. In FY2024, Hangzhou Sijian managed an SKU portfolio of 60 products across its consumer goods categories and employed 30 staff members; and (b) Hangzhou Mosin, focused on watch retail, recorded annual sales volume of around 3,200 units and 2,300 units for FY2023 and FY2024, respectively. In FY2024, Hangzhou Mosin maintained 60 SKUs in its Douyin flagship store and employed 30 staff members.

In general, the existing framework agreements entered into between us and the third-party online store operators under the advance order sales model include some or all of the following terms:

- ***Term:*** The framework agreements are generally for a fixed term ranging from one to three years and shall continue until terminated by either party in accordance with the terms set out therein.

- ***Online store:*** We may authorise the third-party online store operator to operate and sell our OBM products on the e-commerce platform. The third-party online store operator is expected to operate the online store in compliance with national laws and regulations, the e-commerce platform rules, as well as our brand management requirements. Furthermore, the third-party online store operator may be required to provide us with information regarding the sales of our products on the relevant e-commerce platform.

- ***Support to online primary distributor:*** We shall actively assist the third-party online store operator in conducting necessary product sales knowledge training and supervision.

- ***Exclusivity:*** In respect of the online stores through which the online store operators sell our products, we may prohibit the third-party online store operator from selling, promoting or showcasing (i) any products that are not provided by us or (ii) any products that may compete with our proprietary brands or OBM products.

- ***Exclusive products:*** We may agree with the third-party online store operator to produce specific models of our OBM products on an exclusive basis for it to sell through the online store it operates. In such cases, the third-party online store operator is typically required to first settle an upfront fee with us, representing the costs for tailoring the mould and procuring the raw materials needed to produce a basic volume of the exclusive product. Upon receipt of this upfront fee, we will develop the mould and procure the necessary spare parts and raw materials to prepare for the third-party online store operator's orders. Once the orders for the exclusive product placed by the third-party online store operator with us exceeds a pre-agreed level, the upfront fee will be refunded to it.

  This arrangement allows us to maintain control over the production and distribution of our exclusive products, while leveraging the online store operated by the third-party online store operator. We believe the upfront fee structure serves as a basis for the provision of the exclusive distributorship right to the third-party online store operator for the exclusive products, and the potential refund could incentivise the third-party online store operator to exceed the pre-agreed sales volume targets.

In such cases, given the products are exclusively customised for the third-party online store operator, we are prohibited from selling these exclusive products to other parties during the term of the framework agreement without its consent. However, in the event that we cease to cooperate with the third-party online store operator, we reserve the right to sell these exclusive products through other channels.

- ***Sales target:*** We do not impose minimum purchase quantity requirements on the third-party online store operator.

- ***Order placement:*** The third-party online store operator shall place orders with us in advance according to its sales plan. An order that has been mutually confirmed in writing could not be returned, exchanged, or cancelled.

- ***Pricing:*** The terms of each order including pricing of our OBM products shall be separately agreed between us and the third-party online store operator. We do not mandate the final retail prices set by the third-party online store operator for the sales of our OBM products on its online store.

- ***Payment terms:*** There the payment terms agreed between us and each third-party online store operator. For instance, we may require the relevant third-party online store operator to settle the gold raw material products with us on the order delivery date, and to settle the remaining balance after reconciliation of the accounts, which is typically conducted on a monthly basis. For other third-party online store operator(s), payment may be settled on monthly basis after accounts reconciliation.

- ***Order delivery, product warranty:*** In general, the terms regarding order delivery to the third-party online store operator, acceptance of the products delivered and product warranty in respect of products sold on the online store shall be in line with those as set out in the framework agreements entered into between us and our primary distributors.

- ***Compliance:*** The third-party online store operator is generally expected to avoid infringement of the legitimate rights and interests of our Group or any third party. Furthermore, the third-party online store operator is typically responsible for any legal liabilities and associated costs arising from violations of laws or regulations, such as making misleading, exaggerated or false claims in video content or live product explanations, which lead to consumer complaints and government investigations.

Payment upon consumer sales

During the Track Record Period, we cooperated with one third-party online store operator under the payment upon consumer sales model, namely Beijing Jingdong Century Trade Co., Ltd.* (北京京東世紀貿易有限公司) ("**JD Store Operator**"), a company established in China in 2007 which is ultimately wholly-owned by JD.com Inc. (a company listed on the Nasdaq Global Select Market and the Stock Exchange). As disclosed in JD.com Inc.'s prospectus issued in 2020 and its latest annual report, (i) the JD Store Operator is primarily engaged in online wholesale and retail business; (ii) under its online retail business, it acquires products from suppliers and sell them directly to customers; and (iii) it had over 50,000 suppliers as at 31 December 2023.

While we had established our self-operated online store on JD.com, in 2023, with a view to further expanding the online sales and market outreach of our HIPINE products, we applied to be admitted as a supplier of JD.com Inc. for online retail of our HIPINE products through its online store. Pursuant to this arrangement, we, same as other online retail suppliers of JD.com Inc., were required to enter into a standard supplier agreement with the JD Store Operator to govern the terms of our business relationship. Set out below are the principal terms of this standard supplier agreement:

- ***Term:*** The agreement is for a fixed term of one year, renewable upon mutual agreement of the parties.

- ***Ordering process:*** The online store operator JD Store Operator must place all procurement orders with us through the supplier section of the e-commerce platform. We must confirm the order within one day, or the order will be deemed confirmed. The online store operator JD Store Operator retains the right to cancel or modify orders up to one day before the scheduled delivery date.

- ***Delivery and ownership transfer:*** We are responsible for delivering the ordered products to the online store operator JD Store Operator's designated locations. The ownership of the products transfers to the online store operator JD Store Operator upon its acceptance and warehousing.

- ***Inspection and acceptance:*** The JD Store Operator has the right to inspect the products upon receipt to ensure they conform to the order specifications. It can reject any products that do not meet the agreed standards, such as those with damaged packaging or labelling issues. The JD Store Operator also reserves the right to conduct further inspection within ten days of product delivery, and request the return of any defective products. When processing returns, the JD Store Operator can directly deduct the value of the returned products from the payments owed to us.

- ***Payment terms:*** The JD Store Operator only settles payment with us after the products are successfully sold through its online store.

- ***Profitability:*** In respect of the sales of HIPINE products recorded by the JD Store Operator on its online store, if the JD Store Operator's actual accounting gross margin rate falls below the agreed margin rate, we shall compensate the JD Store Operator by deducting the difference ("**Compensation Amount**") from the JD Store Operator's payment to us in the current or following month. The Compensation Amount shall be calculated as follows: the JD Store Operator's actual sales amount multiplied by the agreed margin rate, and then minus the JD Store Operator's actual accounting gross profit amount. This arrangement is a standard term in the JD Store Operator's supplier agreement, with the margin rate negotiated between us and the JD Store Operator on an arm's length basis. In determining the margin rate, we primarily considered the cost and nature of our OBM products, as well as the potential marketing and brand-building advantages of selling through this well-established online platform. According to CIC, this arrangement is consistent with the JD Store Operator's standard practices with its other suppliers in respect of such online store. Furthermore, the agreed margin rate in our agreement with the JD Store Operator aligns with the range of margin rates applied to other suppliers in the same product category.

  We accepted the terms of this arrangement with the JD Store Operator due to its strategic advantages and market positioning. As it is one of China's largest e-commerce platforms, we believe it offers high market coverage and deep digital penetration, presenting an opportunity to expand our HIPINE product's online sales and market reach. We also believe that **[REDACTED]** our HIPINE products on this online store may provide brand-building and marketing benefits, including (i) increased market visibility and brand exposure; (ii) access to a large, digitally-engaged consumer base; and (iii) enhanced brand credibility through association with a reputable online marketplace. The above margin compensation mechanism is a small trade-off compared to the potential for market expansion and brand recognition, and the strategic value of cooperating with the JD Store Operator.

- ***Discounts and promotions:*** We shall provide various support for the JD Store Operator's promotional activities such as live streaming and group purchases. We shall also notify the JD Store Operator promptly about any new product launches and ensure adequate product supply to it where required.

- ***After-sales service:*** The JD Store Operator authorises us to provide customer service for specific products on the relevant e-commerce platform, following its customer service standards. The after-sales service period begins when the customer of the JD Store Operator receives the product. We shall provide comprehensive after-sales services in compliance with relevant law and regulations and the JD Store Operator's rules.

- ***Termination of cooperation***: Either party can terminate the agreement without cause by providing written notice to the other party. Upon termination, if the JD Store Operator still has inventory of our products, it may require us to collect them, or it may continue selling the inventory until it is fully depleted.

During the Track Record Period, the total Compensation Amount deducted from the JD Store Operator's payment to us was approximately RMB15,000.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material product returns from any of the third-party online store operators.

SALES OF GOLDBEAR PRODUCTS

Commencement of the approach of selling GOLDBEAR Products to retail stores

Our two proprietary brands, HIPINE and GOLDBEAR, target different consumer segments under our OBM model. As a small-scale business at the time when we started developing our GOLDBEAR brand, we opted to primarily use a direct sales approach to market and sell GOLDBEAR products directly to retail stores. We believed this would allow for closer engagement with these retail stores, enabling a deeper understanding of GOLDBEAR's target consumer group, being the relatively higher income consumer segment in second and third-tier cities in China, to inform product positioning and marketing. This sales model was also expected to allow us to forge closer ties with these retail stores, which would be crucial for establishing our presence and quickly penetrating our target markets to gain market share. During FY2022, FY2023 and FY2024, sales of GOLDBEAR products to retail stores amounted to approximately RMB2.61 million, RMB0.28 million and RMB0.29 million, respectively, representing 0.8%, 0.1% and 0.0% of our total revenue for the respective years.

Product exchange of GOLDBEAR products

Our sales contracts entered into with the retail stores prior to 2021 allowed them to request product exchanges for GOLDBEAR products, in-principle once every quarter ("**Product Exchange Term**"). The contracts also stipulated that the retail stores must comply with our product exchange policies, as notified to them from time to time.

We considered these exchange requests on a case-by-case basis, and would typically approve the exchange if the initially purchased GOLDBEAR products ("**Original GB Products**") were to be exchanged for other GOLDBEAR products ("**Replacement GB Products**") priced ("**Replacement GB Price**") the same as or higher than the original selling price ("**Original GB Price**") of the Original GB Products at the time of exchange ("**GB Product Exchange Requirements**"). In cases where the Replacement GB Price was higher than the Original GB Price, the retail store would be required to settle the surplus amount upon delivery of the Replacement GB Products.

However, the retail stores were not allowed to exchange Original GB Products (i) for HIPINE products; or (ii) where the Replacement GB Price was lower than the Original GB Price at the time of exchange. Additionally, we would not process any product returns under these contracts under any circumstances, unless the product was defective and the return request was raised within three working days of delivery in accordance with the relevant contracts. During the Track Record Period and up to the Latest Practicable Date, apart from handling certain product returns due to quality issues in accordance with the contract terms, we did not process any other GOLDBEAR product returns from retail stores.

If the GB Product Exchange Requirements are met and the product exchange is approved by our management, we would arrange for the Original GB Products to be delivered to us for inspection. This is to ensure that the returned items are: (i) the genuine Original GB Products; and (ii) suitable for secondary sale. Our inspection on the products returned would cover, among others, appearance, label, logo and weight of the precious metal contained therein. Moreover, as our GOLDBEAR products have a unique serial number engraved on the internal parts for product identification and traceability, a critical part of the inspection would involve verifying that the returned items bear the correct unique serial numbers. We would only process the product exchange for Original GB Products which passed our inspection, and the inspected Original GB Products would be returned to our inventory for subsequent sale. The total Original GB Price of all the Original GB Products accepted for product exchange during FY2022, FY2023 and FY2024 amounted to approximately RMB0.85 million, RMB0.25 million and RMB1,000, respectively. We recorded gross profit for the exchange of GOLDBEAR products of RMB0.27 million, RMB0.09 million and RMB0.01 million for FY2022, FY2023 and FY2024, respectively.

Downsizing the GOLDBEAR product line

Prior to 2021, the inclusion of the Product Exchange Term in our sales contracts with retail stores was a strategic approach to maintaining customer relationships. By providing operational flexibility through such arrangement, we aimed to foster stronger ties with the retail stores, and to establish a stable sales network in target regions. However, as the business environment evolved and our flagship HIPINE brand matured, our management decided to shift the focus of our resources towards developing and growing HIPINE. Consequently, we began a systematic downsizing of the GOLDBEAR product line, through making gradual changes to our contract structures and business focus.

Specifically, we slowed down GOLDBEAR watch production since 2021 and gradually ceased such production altogether in FY2023. Also, since 2021, new or renewed sales contracts entered into with retail stores no longer contain the Product Exchange Term. As a result, we had no longer been contractually obligated to entertain any exchange requests under these contracts. Moreover, by early FY2024 and up to the Latest Practicable Date, all sales contracts entered into with retail outlets containing the Product Exchange Term had expired. Nevertheless, prior to our complete cessation of product exchanges for GOLDBEAR products sold to retail stores in early FY2024 (as detailed in "– Cessation of GOLDBEAR product exchange" below), while not contractually bound, we continued to consider exchange requests received from retail stores from time to time at our sole discretion. During that period, in considering exchange requests, we continued to evaluate the requests based on the GB Product Exchange Requirements and the inspection process outlined above. We were only willing to consider these discretionary exchanges due to our ongoing business relationships with the retail stores, and the potential for future cooperation on sales of our HIPINE products.

Cessation of GOLDBEAR product exchange

Following our decision to downsize our GOLDBEAR product line, we experienced a significant decreasing volume of GOLDBEAR sales to retail stores, from 679 units in FY2022 to 129 units in FY2023, and further to 10 units in FY2024. This has effectively reduced the pool of GOLDBEAR products that could potentially be exchanged.

By early FY2024, we completely ceased product exchanges for GOLDBEAR products sold to retail stores sales. This decision was made to minimise the administrative burden and corresponding costs and expenses associated with handling such exchanges, such as inspection, transportation, and packaging costs. With our focus shifting towards growing the HIPINE brand, the benefits of maintaining the product exchange programme were no longer seen to outweigh the operational costs and resources required. By eliminating this programme, we can streamline our sales processes and redirect those resources towards more strategic priorities for the business going forward.

Compliance

Our PRC Legal Adviser is of the view that the product exchanges of GOLDBEAR products sold to retail stores as described above had been conducted in compliance with the relevant PRC laws and regulations.

ARRANGEMENTS WITH ODM CUSTOMERS

Our ODM customers during the Track Record Period were primarily jewellery brands and wholesalers. Most of our major ODM customers had business relationships with us for over four years as at 31 December 2024, including various renowned domestic jewellery brands such as Lao Feng Xiang, Sino Gem and Chow Tai Seng. Since 2023, we have also cooperated with the largest retailer and supermarket chain worldwide for the promotion and sales of products supplied by us in China. For details, please see "– Arrangements with Customer A". During the Track Record Period, a primary distributor also engaged us to provide subcontract processing services for its products on ODM basis, and was regarded as our ODM customers in these subcontract processing services transactions.

Typical framework agreements with ODM customers

We typically enter into framework agreements with our ODM customers, which govern the terms on which we are appointed to manufacture, or process their semi-finished goods into, watch and accessories products under their labels on ODM basis, and set out the general terms governing each order they place with us during the term of the framework agreements. While the terms of our existing framework agreement entered into with each ODM customer vary according to our relationship with it and the manner in which we cooperate, our existing ODM framework agreements generally include some or all of the following principal terms:

- ***No exclusivity:*** No obligation of exclusivity is imposed on our ODM customers.

- ***Term:*** The framework agreements are generally for a term of one year. Renewal of the framework agreements are usually negotiated between the parties prior to their expiry.

- ***Our obligations:*** We were generally required to (a) maintain equipment, facilities and other resources required to support, and to produce products in sufficient quantities to meet our ODM customers' production needs during the term of the framework agreements; and (b) comply with, among others, (i) national industry standards and the relevant ODM client's prescribed standards in respect of, among others, product quality and specifications, raw materials quality and delivery periods; and (ii) all applicable laws, rules and regulations.

- ***Quality assurance:*** We are required to establish a quality management system that meets national industry standards to demonstrate our capability to provide our ODM customers with compliant products. We allow certain ODM customers to conduct factory audits or site visits at our production bases to assess whether our quality assurance capabilities meet their requirements. For any required corrective actions identified by the ODM customers during such inspections, we must implement them within the specified timeline.

  To ensure our product quality meets the ODM customers' requirements, we are required to deliver the products ordered along with all supporting documentation, including product inspection and testing records, as well as contracts and purchasing information for all raw materials, to our ODM customers for inspection. For watch movements in particular, the original country of production's certificates of compliance, as well as import clearance documentation, shall be provided to validate their sourcing and quality. Our ODM customers may also randomly select the products produced and send them to a third-party laboratory for testing.

- ***Order placement:*** Our ODM customers shall place orders by way of issuing orders to us during the term of the framework agreements. Our ODM customers may either place orders with us (i) to purchase ODM products, in which case we will be responsible for procuring the relevant raw materials and supply them with the finished products at the agreed ex-factory price; or (ii) to process raw materials (including 24K gold) provided by them into ODM products, in which case they will be responsible for procuring the relevant raw materials for our processing and we will charge them a processing service fee.

- ***Purchase quantity and pricing:*** The terms of each order, including the purchase quantity and pricing of the ODM products and processing services provided to the ODM customers, are to be separately agreed upon for each individual order. Specifically, if the order involves precious metal raw materials, the pricing shall be determined with reference to the price of the relevant precious metals as quoted on the Shanghai Gold Exchange on the date of order confirmation. The final order price is subject to adjustment based on the actual weight of the products delivered.

- ***Acceptance of delivery:*** Title in finished goods manufactured by us shall generally be transferred to our ODM customer upon its acceptance of the delivery. Our finished goods are subject to a comprehensive acceptance inspection by the ODM customer. If the ODM customer considers that the products do not meet their requirements, they may reject the delivery and return those non-conforming products to us, and may deduct a quality-related penalty from the order value.

To ensure the batch quality of the products to be delivered, the ODM customer has the right to conduct random sample inspections before final delivery. If the ODM customer discovers during these inspections that any of the sampled products do not meet their requirements, they shall notify us in writing within five working days. We shall then promptly investigate the root cause, provide a written explanation to the ODM customer, and make the necessary corrections. We shall also submit the improved samples for the ODM customer's re-inspection. If the samples still fail to meet the required standards after this remediation process, the ODM customer has the right to unilaterally terminate the framework agreement and all associated orders. We shall be responsible for any operational losses incurred by the ODM customer as a result of the contract termination.

- ***Product warranty:*** We shall provide warranty on any non-human induced quality issues for the watches supplied to our ODM customers. The warranty period generally ranged from one to three years, starting from the date of delivery acceptance. However, normal wear and tear from end consumer usage, such as strap aging, are not covered under the warranty. For quartz movements, we will replace the battery free of charge within the first three years. For mechanical watch movements, we will provide any necessary replacement parts free of charge.

- ***Ownership of IPs:*** We are required to undertake to ODM customers that the ODM products manufactured or processed by us for the ODM customer will not infringe on any third-party IP rights. Products that are independently designed and modified by the ODM customer are their exclusive products, and we are prohibited from using these designs for other purposes.

- ***Termination:*** Our ODM customers shall be entitled to terminate the framework agreements entered into with us or purchase orders placed with us with immediate effect if, among others: (a) we are unable to carry out product development or production as required by our major customers, or are otherwise unable to produce the products in accordance with the product specifications prescribed by our major customers; (b) we fail to make timely delivery of products ordered by our major customers; and/or (c) we commit a material breach of any terms therein and such breach remains uncured.

Arrangements with Customer A

In the second half of 2023, Customer A's procurement team contacted us to evaluate our potential as a supplier for accessory products. Through a comprehensive evaluation process involving multiple stages of product assessment, sample testing, and strategic communications, we believe Customer A had gained more in-depth understanding of our product quality, customised design capabilities, operations and supply chain management. Accordingly, in October 2023, Customer A had appointed us as its supplier and entered into a supplier agreement with us to govern the terms of our business relationship. During the Track Record Period, the products supplied by us to Customer A mainly included accessories such as wearable accessories and gold bars. Customer A would generally initiate the product development process by furnishing us with the design requirements and product specifications for the items it planned to introduce on its online store. Set out below is a summary of the main terms of the supplier agreement:

- ***Term***: The supplier agreement is for a term of one year, and will automatically renew for one year each time upon the expiration of the term unless any party notifies the other party of its intention not to renew. Customer A has the right to terminate the agreement at any time subject to prior written notice to us.

- ***Order placement***: Customer A shall place orders by way of issuing orders to us during the term of the supplier agreement.

  Customer A shall generally provide sales data of relevant products to us on a weekly basis, and consult with us to determine replenishment quantity and items. We shall arrange replenishment of the products based on sales status.

- ***Payment***: Payment terms shall date from Customer A's receipt of the products at the place designated in the order. We shall deliver invoices to Customer A within one business day following the shipment for timely settlement.

- ***Price***: We agreed to offer favorable terms in respect of the sales of the relevant products to Customer A.

  Customer A has the right to determine the selling price of the products at its retail stores, which shall take into account, among others, the supply and demand and market competitiveness of the relevant products.

- ***Delivery***: We shall only ship the products after receiving an order. We must deliver products to Customer A in accordance with each individual order. Failure to ship products within the delivery time or in the quantities specified in the order may result in cancellation of the order, rejection of products, and/or a monetary penalty. We must inform Customer A immediately of any actual or anticipated failure to ship all or part of an order.

  Customer A is not allowed to move or transfer products supplied by us between its retail stores without the prior knowledge and consent of us, and vice versa.

- ***Products return***: Customer A may return defective products or products with unsatisfactory sale records. Unless otherwise agreed, the price of the returned products shall be the last purchase price prior to return of such returned products. During the Track Record Period, we had not recorded any direct product return from Customer A.

  Based on the return policy of Customer A with its retail customers, such retail customers are generally allowed to refuse to confirm receipt of and return our products if they are defective (for all of our products) or without reason within seven days of receipt of such products (for our products other than gold bars).

  If receipt of any products which are sold by us through Customer A to a retail customer was not confirmed by such retail customer and subsequently returned to us in accordance with its return policy, the sales amount paid by Customer A to us in respect of such products shall be deducted from any sales amount to be paid by Customer A to us. Revenue in relation to our sales to Customer A is recognised when the product is delivered to and receipt has been confirmed by the retail customer of Customer A. The amounts of products delivered by us to the retail customers of Customer A but of which receipt was not confirmed and returned to us in FY2024 and the three months ended 30 April 2025 amounted to RMB4.3 million and RMB3.2 million, respectively, which were mainly attributable to the refusal of such retail customers to confirm receipt of our products without reason within seven days of our delivery to them.

- ***Loss or damage***: Customer A shall be responsible for any damage or loss of the products caused while the products are in their stores. However, if the damage or loss is caused by us, we shall bear the loss thereof.

- ***Use of intellectual property***: We shall not refer to the name of Customer A or use any of its intellectual property in any advertising or published communication without its prior written approval.

In October 2023, we had also entered into a cooperation agreement with Customer A to govern the terms of our provision of short-term promotional activities in respect of the products we supply to Customer A from time to time. The term of the cooperation agreement is same as that of the supplier agreement. Under the cooperation agreement, we shall organise short-term promotional activities, including product demonstrations and sales assistance, within areas designated by Customer A during specified periods. Details of each cooperation, such as store locations and timing, are subject to negotiation and confirmation separately. Nevertheless, Customer A has the discretion to set sale prices of the products being promoted during the cooperation, and we shall provide favorable price and conditions to help ensure Customer A's retail stores have a competitive edge during the agreed promotional period. We shall ensure that our promotion staff engaged in these promotional activities comply with all relevant rules set by Customer A and its retail stores. Upon termination of each cooperation, we shall cease promotion activities, withdraw all products, equipment, and promotion staff, and restore the designated areas of Customer A to their original condition.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in fulfilling our ODM customers' orders or experienced any product returns due to product quality issues that result in material adverse effect in our results of operation and financial position.

Increase in the revenue contribution of our ODM business model in FY2024

Revenue from our ODM business model accounted for RMB53.9 million, RMB42.6 million and RMB118.8 million for FY2022, FY2023 and FY2024, respectively, representing 16.7%, 9.6% and 26.0% of our total revenue for the respective years. The revenue from our ODM business model to our total revenue increased significantly from RMB42.6 million for FY2023 to RMB118.8 million for FY2024, primarily driven by the diversification of our ODM product portfolio and increased proportion of smart watches and precious metal accessories and products in our ODM sales mix in FY2024.

Set out below is a breakdown of our revenue under of our ODM business model by product type during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Revenue from ODM business						
Watches						
– Traditional precious metal watches	30,261	9.3	16,946	3.8	4,326	0.9
– Smart watches	–	–	–	–	22,213	4.9
	30,261	9.3	16,946	3.8	26,539	5.8
Accessories (Note)						
– Precious metal accessories and products	20,923	6.5	23,532	5.3	92,179	20.2
– Watch straps and other watch accessories	2,755	0.9	2,125	0.5	109	0.0
	23,678	7.4	25,657	5.8	92,288	20.2
Total revenue from ODM business	**53,939**	**16.7**	**42,603**	**9.6**	**118,827**	**26.0**
Total	**323,704**	**100.0**	**445,477**	**100.0**	**456,556**	**100.0**

Note:

Our accessories product portfolio includes (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories.

As shown in the above, the revenue contribution of smart watches and precious metal accessories and products accessories had significantly increased in FY2024, as compared to earlier years of the Track Record Period, for the reasons set out below:

Smart watches

Towards the end of FY2023, we strategically launched a new collection of 24K gold smart watches integrated with smart movements supplied by Huawei, a leading global Chinese technology company recognised for its cutting-edge 5G technology. In FY2024, smart watch sales were substantially attributed to an ODM customer, generating a revenue contribution of RMB12.5 million, representing 2.7% and 10.6% of our total revenue and our total revenue from ODM business model for FY2024, respectively.

As a result, our ODM revenue from sales of smart watches amounted to nil, nil and RMB22.2 million in FY2022, FY2023 and FY2024, respectively.

Precious metal accessories and products

In October 2023, we had been appointed by Customer A as an accessory supplier, initially focusing on precious metal accessories such as necklaces and bracelets. Over time, our partnership expanded to include other precious metal products, such as gold bars. This collaboration has contributed to our ODM revenue growth, with Customer A's order volumes increasing consistently over FY2024. ODM revenue from Customer A amounted to RMB0.5 million in FY2023 (representing 0.1% and 1.2% of our total revenue and our total revenue from ODM business model for FY2023, respectively), and RMB79.9 million in FY2024 (representing 17.5% and 67.3% of our total revenue and our total revenue from ODM business model for FY2024, respectively). Specifically, in FY2024, all ODM revenue from Customer A was attributable to sales of precious metal accessories and products.

Apart from Customer A, we had also recorded a notable increase in the orders for precious metal accessories and products from other ODM customers in FY2024. According to CIC, China's average settlement spot price of Au9999 gold in 2024 experienced a notable increase of 23.9% compared with 2023, while the sales volume of gold bars and coins in 2024 surged by 24.5% compared with 2023. With high purity, gold bars and coins offer reliable value retention, while their smaller weights make them affordable and easier to trade. This combination of high purity and smaller weight makes them both a practical and secure choice of investment especially when gold prices rise. For instance, our ODM revenue from sales of precious metal accessories and products significantly increased from RMB23.5 million in FY2023 to RMB92.2 million in FY2024. We believe such increase was primarily attributable to stronger consumer preferences for gold investment products like gold bars, medals and coins during periods of rising gold prices, due to their direct correlation with market value, lower fabrication costs and higher marketability.

SALES AND MARKETING

Sales and marketing department

Our sales and marketing department is primarily responsible for the overall coordination of our sales plan, inventory control, replenishment of stocks and maintaining and enhancing our brand image. It coordinates our marketing efforts across various channels to maintain a cohesive brand identity across all markets and communication touchpoints, and strives to ensure that our OBM product collections are designed and presented in alignment with the core brand values of our proprietary brands. Our sales and marketing department manages our marketing channels and oversee the execution of marketing activities with a view to maximising exposure of the brand and products to the target customer base.

Marketing and promotion

We dedicate significant resources to promote our proprietary brands and watches. For FY2022, FY2023 and FY2024, our selling expenses were RMB13.19 million, RMB17.92 million and RMB19.56 million, respectively, accounting for 4.1%, 4.0% and 4.3% of our revenue, respectively.

We have adopted a comprehensive sales and marketing strategy to promote its products and strengthen its brand presence:

- ***Online initiatives:*** We maintain our official social media accounts across platforms like WeChat, Weibo, Douyin, and Little Red Book (Xiaohongshu). These digital channels allow us to widely disseminate product information, marketing collateral and brand messaging. We place strong emphasis on our social media presence, tailoring our content strategy to the unique user preferences of each platform. From time to time, we also participate in promotional events hosted by third-party platforms, such as the Double 11 Shopping Festival (雙十一購物節), and the Double 12 Shopping Festival (雙十二購物節), to increase brand exposure and gain outreach to a wider consumer base. We have also collaborated with key opinion leaders (KOLs) and influencers on these social platforms, leveraging their reach and followers to connect with target consumers through initiatives including social media posts and live-streamed product showcases. During the Track Record Period and up to the Latest Practicable Date, our collaborations with KOLs and influencers had been limited to marketing activities only, and we had not engaged any KOLs or influencers to distribute our products.

- ***Offline initiatives:*** Our offline promotion efforts include participating in industry events and forging valuable collaborations. For example, we have forged partnerships with complementary brands and organisations to co-host events and develop co-branded products, such as our collaboration with The Palace Museum of Beijing on a co-branded product launch in 2023. Moreover, we host product launch events and roadshows to extend our reach to target customers. For instance, we set up experiential booths and product demonstration stations at high-traffic locations like shopping malls and trade shows, allowing potential customers to interact with our OBM products firsthand.

- ***Advertising:*** In terms of advertising, we utilise a variety of media, including print media and magazine advertisements, outdoor advertising such as billboards at train stations, and digital advertisements on e-commerce platforms and social media platforms. All marketing content undergoes a rigorous review process, involving our sales and marketing department and senior executives. This ensures our promotional efforts adhere to appropriate standards and regulations.

- ***Industry involvement and accolades:*** We believe our industry involvement and accolades further strengthen our brand positioning and recognition. We actively participate in various industry conferences, such as the 29th China (Shenzhen) International Gift and Home Products Fair (第29屆中國(深圳)國際禮品及家居用品展覽會) in 2021, The Penang Signature Gold, Gem & Jewellery Fair (檳城特色黃金、寶石和珠寶展) in 2023, the Second China (Putian) International Gold Jewellery Expo (第二屆中國(莆田)國際黃金珠寶博覽會) in 2023, the China (Shenzhen) Cross Border E-Commerce Fair (深圳跨境電商展) in 2024, the 32nd China (Shenzhen) International Gift and Home Products Fair (第32屆中國(深圳)國際禮品及家居用品展覽會) in 2024 and 19th Guangzhou Smart Wear and Modern Horologe Exhibition (第十九屆中國國際中小企業博覽會的智慧穿戴與現代鐘錶展) in 2024, to showcase our products and deeply engage with peers. We were honoured by the Guangdong Province Horologe Industry Association (廣東省鐘錶行業協會) as the Most Promising Enterprise in the Guangdong Province Horologe Industry (廣東省鐘錶行業協會最具潛力企業) in 2023 and recognised by the China Gold Association (中國黃金協會) as one of the Top Five Key Enterprises in National 24K Gold Watch Processing (中國足金手錶加工五大重點企業) in 2022. Besides, we also hold memberships in prestigious industry bodies like the China Gold Association (中國黃金協會), China Horologe Association (中國鐘錶協會), Guangdong Province Horologe Industry Association (廣東省鐘錶行業協會), Shenzhen Watch & Clock Association (深圳市鐘錶行業協會) and Shenzhen Smart Wearable Association (深圳市智能穿戴行業協會).

As we continue to evolve, our marketing strategy will adapt to capitalise on emerging opportunities and enhance our market presence, drawing on our multi-faceted approach to build brand equity, drive product awareness, and foster meaningful connections with both distribution partners, ODM customers and end consumers.

Going forward, we plan to further enhance and expand our marketing and service network capabilities through a comprehensive, multi-faceted strategy. This includes establishing new marketing showcase and experience centres to directly engage with consumers and showcase our products. Additionally, we intend to open a network of directly-operated retail stores to provide greater control over the customer experience and better cater to local preferences. Complementing our sales presence, we will also set up localised after-sales service outlets to ensure convenient access to product support and maintenance services for our customers. Alongside this physical network expansion, we will execute a programme of comprehensive brand promotion activities, such as advertising, digital marketing, events, and collaborations. For details, please see "– Our Business Strategies – Expand and optimise our marketing and service network and enhance our brand influence and recognition".

Seasonality

Our sales volume may be affected by seasonality. Revenue fluctuations throughout the year are common for the precious metal watch and jewellery and accessories industries which are subject to the seasonal purchase patterns of consumers.

We generally record higher sales revenue from ceremonial and festival events such as Mid-Autumn Festival, Chinese New Year, PRC National Day holiday, Valentine's Day and other national holidays, which are typically associated with Chinese tradition of gift-giving. Furthermore, some shopping festivals set by some third-party online shopping platforms, such as 618 Shopping Festival (618購物節), Double 11 Shopping Festival (雙十一購物節) and Double 12 Shopping Festival (雙十二購物節), encourage higher sales of our products. As a result, these events have historically generated heightened consumer purchasing activities, leading to increase in our sales volumes. We generally record lower sales volumes during less festive seasons such as June, July and August.

As a result of these fluctuations, comparison of sales and operating results from different periods in different financial years may not be relied on as indicators of our performance.

AFTER-SALES SERVICES AND WARRANTIES

After-sales services

We recognise that the quality of our watches is crucial to the goodwill and image of our brand. As a customer-centric organisation, we focus on providing comprehensive after-sales support to its clients.

As at the Latest Practicable Date, we work with watch repair technicians to provide after-sales repair and maintenance services for our OBM watch products at ten locations across China. Consumers may either send their watches to the Retail Outlets where they purchase the watches or any of our service locations for repair or maintenance services. Watches sent to the Retail Outlets for repair and maintenance will usually be further delivered to our service locations for handling.

We have placed strong emphasis on fostering a customer service-oriented culture. Through our various service initiatives, we aim to not only address technical issues but also cultivate long-term brand loyalty and trust. For instance, our watches come with comprehensive after-sales packages, including regular maintenance, repairs and strap replacements. We also organise regular "technician service days" at the display centres operated by our primary distributors, allowing end consumers to interact directly with our specialised technical personnel. This not only provides an opportunity for hands-on maintenance and troubleshooting but also reinforces our technical expertise and commitment to customer satisfaction. These value-added services are designed to educate customers on the importance of proper care and support of watches, and establish a closer relationship between us and our end consumers. In February 2024, our precious metal watch and accessories after-sales services was certified by the Zhongzheng International Certification (Shenzhen) Co., Ltd. (中正國際認證深圳有限公司) to have met the five-star standard under the "Commodity After-sales Service Evaluation System" (商品售後服務評價體系) (GB/T 27922-2011) national standard. We believe these certifications serve as a testament to our service capabilities and commitment to customer satisfaction.

We charge a service fee for providing maintenance and repair services which are not covered under our product warranty policy at our repair and maintenance centres. We also sell spare parts of our watch and accessories products at our repair and maintenance centres, mainly for the purpose of and ancillary to the provision of repair and maintenance services. For FY2022, FY2023 and FY2024, we recorded watch maintenance service income of RMB3.79 million, RMB5.28 million and RMB4.47 million, respectively.

Customer feedback and complaint handling

We consider customer feedbacks a valuable tool for improving our service. We maintain a service enquiry hotline for enquiries from end consumers. We have set up standard procedures to ensure responsible and prompt response to customers' enquiries and complaints. According to our procedures, our customer-care personnel are required to complete a customer information form upon receiving a complaint or an enquiry and report to our after-sales customer service personnel. Our after-sales customer service personnel then pass the relevant case to the relevant department for further handling, such as our manufacturing department (for repairs of precious metal parts only) or our after-sales repair technicians (for repairs of mechanical parts).

During the Track Record Period and up to the Latest Practicable Date, we had not received any material complaints and product liability claims from our customers and end consumers in relation to the quality of our products or experienced any product recalls.

Product return and exchange

Our primary distributors and ODM customers are generally not allowed to return our products after product delivery and acceptance, unless the products are defective. Specifically, our primary distributors and ODM customers are required to conduct checks upon receipt of our products and may only return defective watches during the inspection period, which ranges from three to five working days of receipt, failing which they would be deemed to have accepted delivery of our products. Our primary distributors and ODM customers are otherwise not allowed to return or exchange products sold by us. For details, please see "– Arrangements with our primary distributors – Acceptance of delivery" and "Arrangements with ODM customers – Acceptance of delivery".

Our customers on our self-operated online stores are generally only allowed to return our products if they are defective or within seven days of receipt of such products in accordance with the policies of the relevant third-party e-commerce platforms. For details, please see "Sales and Distribution – Distribution network in China – Online stores – Self-operated online stores".

As we have stringent quality control measures prior to our products are being delivered, we had not experienced any material product return, and we have not recalled any product due to quality or other issue, during the Track Record Period and up to the Latest Practicable Date.

Warranties

For our OBM products, consumers generally enjoy a one-year warranty period starting from the date of purchase regardless of the sales channel through which the product was purchased, which covers the watch movement, battery and servicing. For our primary distributors, the standard product warranty period is two years from the delivery acceptance date. During this warranty period, we provide free repair services for any failures caused by product quality issues. If the failures are not due to quality problems, we offer paid repair services at our quoted rates. Once the warranty period expires, we reserve the right to decide whether to provide paid repair services, based on the failure condition and parts availability.

For the watches supplied to ODM customers, we generally provide warranty on any non-human induced quality issues. The warranty period generally ranged from one to three years, starting from the delivery acceptance date. However, the warranty does not cover normal wear and tear from end consumer usage, such as strap aging. We have also committed to a turnaround time of no more than seven business days for any required repairs under the ODM warranty.

For details, please see "– Arrangements with our primary distributors – Product warranty" and "– Arrangements with ODM customers – Product warranty".

Other than the repair and maintenance services carried out by our repair and maintenance centres in within the warranty period, costs of all repair and maintenance services mainly related to damages caused by improper use of our watches are borne by the end consumers. For FY2022, FY2023 and FY2024, the warranty expenses were RMB3.79 million, RMB5.08 million and RMB3.91 million, respectively.

INFORMATION TECHNOLOGY

We dedicate significant efforts towards developing and upgrading our information systems continuously. These systems enable various departments to function effectively and facilitate the collection, management, and analysis of critical business data.

We have a centralised and integrated IT infrastructure that supports our overall operations, data analytics, marketing, and manufacturing processes. This IT infrastructure is widely utilised across the entire business lifecycle - from sourcing materials to sales. We continually enhance the reliability and scalability of our IT systems to provide satisfying and convenient user experiences for our internal departments and external customers.

We believe the success of our business is largely dependent on our robust information systems. These systems allow us to monitor and manage the activities and performance of various departments, as well as track our sales data. Our integrated information systems span multiple aspects of our business operations, including procurement, sales and distribution, quality control, inventory and logistics, financial reporting, and human resources. These systems enable us to collect, manage and analyse data related to sales, inventory, employee performance, and customer feedback. Furthermore, our information systems empower our management to monitor and assess the real-time performance of various departments. This allows them to make timely, informed decisions to enhance the efficiency and productivity of our operations.

In particular, we have invested in an Enterprise Resource Planning (ERP) system to consolidate data across individual stages of our production operations. This includes metrics on production efficiency, costs, and inventory levels, which we analyse to develop strategic plans for enhancing our manufacturing performance. By leveraging our ERP system, we can track the real-time status of raw materials, semi-finished goods, and finished products, as well as evaluate the efficiency of our production facilities and workers. This enables us to improve production efficiency and manage the overall process more accurately. Furthermore, the ERP system allows us to quickly respond to customer requests for product design changes during development and production. It also enables us to closely monitor our production capacity and utilisation rates, which enhances our order planning, scheduling, and the accuracy of our costing and production processes.

By continuously investing in and upgrading our IT infrastructure and information systems, we are able to maintain a competitive edge and support the evolving needs of our business.

DATA PRIVACY AND PROTECTION

We generally do not collect personal data of individual end consumers of our products. During the Track Record Period and up to the Latest Practicable Date, any customer information required for completion of online sales through our self-operated online stores, such as registered ID and delivery details, was handled by the third-party platforms responsible for protecting user data. We may also collect personal information of consumers in the course of providing repair and maintenance or other after-sales services. Any such information collected will be solely used for the stated purpose, such as informing the relevant consumer of the status of repair and maintenance of the product concerned, and will not be retained after completion of the provision of the relevant services.

During the Track Record Period and up to the Latest Practicable Date, we had never received any administrative penalties related to the collection, storage and use of our customers' personal data, nor had we experienced any material legal proceedings concerning data privacy. Considering that (i) we are not engaged in digital economy or Internet platform businesses and do not conduct any data development and processing activities; (ii) we have obtained authorisation or consent from our customers' before the collection and use of their personal data, and (iii) we have adopted a range of measures to secure the privacy of our customers (if any), our PRC Legal Adviser is of the view that we have complied with all PRC laws and regulations in relation to cybersecurity and data security that are applicable to us, and would be able to comply with all applicable draft laws and regulations when they become effective in current form.

PROCUREMENT

The raw materials for our products primarily comprise (i) precious metals including gold and silver; (ii) watch components such watch movements, hands, cases, dial, crown, bracelet and strap; and (iii) other raw materials such as packaging material. In terms of value, gold is our primary raw material used in the production of our products. In FY2022, FY2023 and FY2024, 85.34%, 89.05% and 82.48% of our total purchases were attributable to gold purchases, respectively.

We maintain strict standards when selecting the raw materials used in our products, ensuring the overall quality of its offerings. We primarily procure gold used in our products from the Shanghai Gold Exchange through its members. We primarily source watch movements manufactured under Swiss and Japanese brands, as well as smart movements of Huawei. For details of our supplier selection and monitoring, please see "– Our Suppliers".

Purchase volume

The following table sets forth a breakdown of the purchase amount (exclusive of tax) and purchase volume of our raw materials by type for each year comprising the Track Record Period:

	FY2022	FY2023	FY2024
Purchase amount (before tax) *(RMB'000)*			
Gold	207,043.40	382,564.00	274,513.41
Silver	246.30	857.10	1,365.68
Watch movements	8,650.30	14,140.60	26,615.21
Purchase volume			
Gold *(g'000)*	601.23	966.43	573.05
Silver *(g'000)*	61.00	168.69	234.8
Watch movements *(unit '000)*	104.42	154.81	136.01

Purchase price

During the Track Record Period, our purchase prices (inclusive of tax) for gold were generally in line with the then prevailing market prices (inclusive of tax) of Au9999 traded on the Shanghai Gold Exchange. See below table for details:

	FY2022	FY2023	FY2024
	RMB/g	*RMB/g*	*RMB/g*
Average purchase price *(Note)*	389.13	447.31	541.31
Closing gold price of Shanghai Gold Exchange on the last trading day of the period	410.49	473.45	614.80

Note: Average purchase price equals our total purchase amount of gold (inclusive of tax) for the respective year divided by the total purchase volume of gold for the same corresponding year.

Procurement plan

We formulate annual procurement plans primarily based on our business planning and inventory levels, and adjust our plans on a monthly basis according to actual business conditions and requirements as they evolve. This dynamic planning and adjustment strategy has enabled us to avoid shortage of gold raw materials.

We primarily base our raw material purchases on production plans and will also consider raw material price and our available working capital in devising and adjusting our procurement plan. Specifically, our procurement department adjusts our procurement plans on a monthly basis, taking into account customer order requirements while maintaining appropriate safety stock levels. Our procurement department is responsible for monitoring the delivery schedule of purchased materials. On a monthly basis, it conducts a statistical analysis to track the on-time delivery rate of suppliers, and completes a comprehensive supplier evaluation report based on factors such as delivery lead times. We generally place orders with our suppliers based on our procurement plans, and settle with them by prepayment or payment upon delivery of goods under a credit term according to the payment terms negotiated between our suppliers and us.

We conduct multiple gold purchases in batches and the timing of these purchases is primarily determined by product order volumes and corresponding production requirements, as well as gold price and our available funds. If we anticipate that the price of gold will rise in the future, and if we have sufficient funds available, we may consider increasing our purchase of gold raw materials in one or several batches appropriately. This policy enables us to reduce the risk of overstocking of gold materials and mitigate the impact of the cost fluctuation on our business operation and financial performance. Our gold procurement policy is intended to reduce the likelihood of stock shortages during times of high demand or price surges.

Since we primarily use gold in our production, which is a commodity with standardised specifications available from a wide range of suppliers in the market and are widely traded on precious metal exchanges with transparent spot prices, and also that the amount of gold that we procure is insignificant when compared with the trading volume of gold on the China commodity market, we are not subject to significant risks in relation to shortages or delays in the supply of raw materials. Moreover, we had developed stable relationship with members of the Shanghai Gold Exchange from whom we purchase gold (see "– Procurement of gold" below for details) and our key suppliers through years of cooperation, which in turn help ensure stability of supply.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any shortages or delays in the delivery of raw materials required for our production that had a material adverse effect on our business operations. For detailed risks relating to our raw materials, see "Risk Factors – Risks relating to our business and industry – Fluctuations in prices, or any unavailability, of the raw materials that we use in our products, in particular gold, may materially and adversely affect our business, results of operations or financial condition".

Procurement of gold

During the Track Record Period, all of our gold was sourced within China. Direct trading on the Shanghai Gold Exchange is exclusive to its members. As a non-member, we primarily procure gold supplied by the Shanghai Gold Exchange through brokerage arrangements with members of the Shanghai Gold Exchange, as detailed in "– Procurement from the Shanghai Gold Exchange" below. Given the standard trading hours of the Shanghai Gold Exchange (9 a.m. to 5 p.m., Monday to Friday), we also from time to time directly purchase from members of the Shanghai Gold Exchange to help ensure operational flexibility, as detailed in "– Procurement from members of the Shanghai Gold Exchange" below. Our gold purchases from the Shanghai Gold Exchange through brokerage arrangements in each year during the Track Record Period amounted to RMB154.07 million, RMB382.56 million and RMB275.72 million, accounting for 63.50%, 89.05% and 82.48% of our total purchases for the respective years; whereas our direct gold purchases from a member of the Shanghai Gold Exchange in each year during the Track Record Period amounted to RMB52.98 million, nil and nil, accounting for 21.84%, nil and nil of our total purchases for the respective years.

According to CIC, it is common for industry players to procure gold through the two aforementioned methods as they are complementary to each other, with the brokerage approach providing systematic access to the Shanghai Gold Exchange, while direct purchases allow for more adaptable sourcing strategies. The choice between these approaches depends on factors like timing, market conditions, pricing, and specific procurement needs. As advised by our PRC Legal Adviser, based on their review of the relevant procurement agreements and invoices, our procurement transactions under the aforementioned two methods during the Track Record Period were conducted in accordance with the relevant PRC law and regulations.

Procurement from the Shanghai Gold Exchange

To secure our supply of gold, we enter into long-term brokerage agreements with members of the Shanghai Gold Exchange for the procurement of gold from the Shanghai Gold Exchange. We have opened designated accounts with these members, which allow us to access the trading platform of the Shanghai Gold Exchange and through which we primarily conduct our gold procurement during the Track Record Period. Under this arrangement, we settle the payment for our gold purchases through these designated accounts, and the invoices for the procurements are issued directly to us by the Shanghai Gold Exchange. As such, we consider the Shanghai Gold Exchange being our primary gold supplier during the Track Record Period. Salient terms of our brokerage agreements with the members of the Shanghai Gold Exchange include:

Duration: We enter into long-term framework brokerage agreements with those members with no specific expiration dates.

Transaction Arrangements:

- Whenever we require gold supplies, we place procurement orders through the accounts opened with those members on the trading platform of the Shanghai Gold Exchange, specifying the required volume and delivery timeline.
- Those members are authorised to make gold purchases on our behalf from the Shanghai Gold Exchange, provided that the gold spot price falls within a pre-agreed range. If the price falls outside this range, the members must obtain our prior approval before making the purchase.
- After we make payments to the members, they will submit the gold withdrawal applications to the Shanghai Gold Exchange and assist us with gold collection at specified vaults of the Shanghai Gold Exchange.

Pricing policy:

- For each procurement transaction, we pay to the member the sum of (i) the spot price (i.e. the real-time trading price) of Au9999 gold traded on the Shanghai Gold Exchange at the time we place the purchase order with the relevant member; and (ii) a pre-agreed fixed brokerage fee per gram of the procured gold charged by the member for its procurement services.

Payment arrangements:

- We shall make full payments of the gold purchase price to the members on the same day that the gold is withdrawn from the specified vaults of the Shanghai Gold Exchange.

Each gold procurement is required to be approved by our management. Once approved, our finance department transfers the procurement funds to our accounts opened with the members of the Shanghai Gold Exchange on the trading platform of the Shanghai Gold Exchange. Our general manager authorises designated personnel to carry out the purchase transactions through the designated accounts.

Procurement from a member of the Shanghai Gold Exchange

In FY2022, apart from procuring gold from the Shanghai Gold Exchange through the brokerage arrangements detailed above, we also purchased gold directly from a member of the Shanghai Gold Exchange, namely Shenzhen Guofu Gold Co., Ltd.* (深圳市國富黃金股份有限公司) ("**Shenzhen Guofu Gold**"). As invoices for these direct purchases were issued directly by Shenzhen Guofu Gold, Shenzhen Guofu Gold was therefore considered our gold supplier for these transactions.

Based on information on its website, Shenzhen Guofu Gold is principally engaged in the development, design, processing and sales of jewellery and cultural and artistic gifts made of precious metals such as gold and platinum; and Shenzhen Guofu Gold is a primary member (綜合類會員) of the Shanghai Gold Exchange, one of the first council members of the Shanghai Gold Exchange (上海黃金交易所第一屆理事單位), and a company in the gold and jewellery industry awarded the title of "Chinese Famous Brand" (中國名牌). In September 2021, we had entered into a framework agreement with Shenzhen Guofu Gold to govern the arrangements for our gold purchases from them. Salient terms of this framework agreement include:

Duration:	The agreement was for a term of one year. We had not renewed the agreement upon its expiry in August 2022, as we considered at the relevant time that our procurement from the Shanghai Gold Exchange could adequately meet our gold procurement needs.
Order placement:	We would place orders with Shenzhen Guofu Gold for each gold purchase during the term of the agreement. Specifically, we would issue a purchase requisition to Shenzhen Guofu Gold for each gold purchase, stating the type and volume of gold to be procured. In response, Shenzhen Guofu Gold would provide a procurement order setting out the order details including the purchase price, which would be based on the spot price (i.e. the real-time trading price) of Au9999 gold as quoted on the Shanghai Gold Exchange, for our confirmation.

	The quality of gold delivered by Shenzhen Guofu Gold under the agreement must comply with national standards and industry standards, as well as the requirements outlined in the framework agreement and each procurement order.
Payment arrangement:	Under the agreement, we shall settle the total amount of each procurement order on the date on which it is confirmed.
Product delivery and acceptance:	Shenzhen Guofu Gold was generally required to make available the procured gold for our collection within two days following the confirmation of the order. Under the agreement, we shall designate a personnel to inspect and collect the procured gold from Shenzhen Guofu Gold. After conducting the inspection, our personnel shall sign a delivery note to acknowledge acceptance of the procured gold. The risk of damage or loss in respect of the procured gold shall transfer from Shenzhen Guofu Gold to us upon the signing of the delivery note.

As advised by our PRC Legal Adviser, Shenzhen Guofu Gold is a primary member (綜合類會員) of the Shanghai Gold Exchange and was therefore qualified to supply the gold concerned to us under these procurement transactions, and based on their review of the relevant procurement agreements and invoices, these procurement transactions were conducted in accordance with the relevant PRC law and regulations.

Consistent with our procurement from the Shanghai Gold Exchange through brokerage arrangements, each direct gold procurement from members of the Shanghai Gold Exchange is required to be approved by our management. Once approved, our general manager authorises designated personnel to issue the purchase requisition and confirm the procurement order, and our finance department arranges settlement of the procurement order.

Inspection of procured gold

Under both kinds of gold procurement, our quality control department conducts purity and weight inspection on the gold raw materials upon receipt/collection. Only gold raw materials which passed these inspections will be accepted and arranged for storage in our gold vault.

Reliance on the Shanghai Gold Exchange for gold procurement

For FY2022, FY2023 and FY2024, the amount paid to Shanghai Gold Exchange amounted to RMB154.07 million, RMB382.56 million and RMB275.72 million, respectively, representing 63.50%, 89.05% and 82.48% of our total purchase of the respective year. All our purchases from the Shanghai Gold Exchange during the Track Record Period were procurement of gold bullion.

According to CIC, the Shanghai Gold Exchange is the largest gold exchange in China and is directly regulated by the Chinese government, purchasing gold from the Shanghai Gold Exchange is an industry norm in the gold watch and jewellery and accessories industries. Given the various restrictions on importing gold from overseas, our Directors are of the view that procurement from the Shanghai Gold Exchange is the most reliable source of procurement in China. Furthermore, only members of the Shanghai Gold Exchange are permitted to trade directly on the exchange. Since we are not a member of the Shanghai Gold Exchange and are not qualified to directly made gold transactions at the Shanghai Gold Exchange, we primarily source gold from qualified members of the Shanghai Gold Exchange. Accordingly, we believe our reliance on the Shanghai Gold Exchange for gold procurement is reasonable and aligns with the industry practice, and it is in our best interest to continue procuring gold from the Shanghai Gold Exchange.

During the Track Record Period, we procured gold from three qualified members of the Shanghai Gold Exchange, all of whom are Independent Third Parties. According to the Shanghai Gold Exchange, since it has over 290 members which are qualified to purchase gold from the Shanghai Gold Exchange to be sold onwards to non-member organisations like us, we believe that there will be alternative qualified members of the Shanghai Gold Exchange to purchase gold from should any of the qualified members of the Shanghai Gold Exchange which we currently conduct business with fails to provide to us a stable supply of gold on commercial acceptable terms or terminates their business relationships with us.

MEASURES TO MANAGE RAW MATERIALS PRICE FLUCTUATIONS

We continuously monitor and adjust our procurement plans based on our operational requirements and prevailing market conditions. We generally manage the volatility of raw material prices through the careful coordination of our production and sales cycles. By closely aligning our procurement with production schedules and promptly delivering finished products to the market, we are able to effectively mitigate the impact of raw material price fluctuations. This dynamic approach enables us to flexibly adjust inventory levels and respond swiftly to changes in raw material costs and market demand.

Obtaining gold loans to hedge against gold price fluctuations

During the Track Record Period, we had taken out gold loans from time to time primarily for the purpose of hedging against risks associated with gold price fluctuations. Gold loans refer to financial transactions where we (as lessee) borrow gold from commercial banks (as lessors) for a specified period. Our gold loan arrangement also involves the Shanghai Gold Exchange (as a trading platform) and its member (as a facilitator by allowing us to maintain an account to indirectly transact on the Shanghai Gold Exchange). During this process, (i) the commercial bank (the "**Commercial Bank**"), which also has its own account with the Shanghai Gold Exchange as its member, first transfers the gold to our account opened with a member of the Shanghai Gold Exchange, (ii) we receive physical gold from such account, and (iii) we pay the Commercial Bank interest on the loaned gold. At the end of the loan period, we return the borrowed gold to the Commercial Bank through the Commercial Bank retrieving gold from our account opened with a member of the Shanghai Gold Exchange upon our prior authorisation. According to CIC, conducting transactions involving gold, such as gold loans, through the Shanghai Gold Exchange and its members is consistent with the industry norm in gold-related industries in the PRC since such arrangements can (i) minimise the need for physical delivery of gold and associated costs and risks, and (ii) facilitate traceability of the gold to reduce possible quality and authenticity issues. In addition, we decided to borrow and return gold from the Commercial Bank through our existing account with a member of the Shanghai Gold Exchange during the Track Record Period in order (i) to fully utilise our existing relations with the member of the Shanghai Gold Exchange and (ii) to reduce the resources associated with the opening and maintaining of multiple accounts with different members of the Shanghai Gold Exchange.

We carefully assess our available funds and production and operating conditions before taking out gold loans. By adopting this strategy, we aim to improve the efficiency of capital utilisation, reduce finance costs and avoid risks associated with gold price fluctuations. For instance, if the market price of gold decreases when we repay the gold loan, we would make a gain from the price difference between the borrowing and repayment dates, offsetting the loss we suffer due to lower selling prices of our products based on the market price of gold. Also, the financial impact from changes in the fair value of gold loans is evened out and would not materially and adversely impact our financial results. For instance, (i) if the gold price declines during the loan term, we may experience a loss in the value of the gold products (produced with the borrowed gold) we sold, but simultaneously we may benefit from a fair value gain on such gold loans; and (ii) if the gold price rises during the loan term, we may incur a loss on gold loans, but we will be able to sell our gold products (produced with the borrowed gold) at a higher price to realise the increase in gold price.

During FY2022, FY2023 and FY2024, we borrowed 69.0 kg, 81.0 kg and 84.0 kg of gold by way of gold loans only from the Commercial Bank, respectively, representing gold loans with an aggregate monetary value of RMB26.9 million, RMB35.6 million and RMB40.3 million during the respective years/period. We decided to obtain a gold loan for the first time in or around mid-2022 since (i) notwithstanding that weighted average monthly gold spot prices quoted on the Shanghai Gold Exchange remained relatively stable at between RMB368.32 per gram and RMB376.07 per gram in the second half of 2021, the gold spot price quoted on the Shanghai Gold Exchange in or around the first half of 2022 experienced a fluctuation due to (a) the Russia-Ukraine conflict which began in February 2022, resulting in an increase in the closing price from RMB369.04 per gram on 28 January 2022 to RMB415.11 per gram on 9 March 2022; and (b) the raises of target range for the federal funds rate announced by the US Federal Reserve in the second quarter of 2022 resulting in a slight decrease in the gold price (closing price from RMB394.09 per gram on 17 March 2022 to RMB379.50 per gram on 28 July 2022), and our Directors anticipated that it would be an optimal time to lock into the then gold price by obtaining a gold loan, (ii) our cash balance as at 31 December 2021 being significantly lower than that of 31 December 2020, and our Directors believed that obtaining gold through gold loans would be of a lesser financial burden to and was in the best interest to our Group, and (iii) the loan prime rate of the People's Bank of China on or around the relevant time was slightly higher than the interest rate of the gold loan obtained by us from the Commercial Bank.

We chose the Commercial Bank to be the lessor of our gold loans since, at the material time, (i) our Directors believed that despite the existence of alternative commercial banks which offered gold loan services in Shenzhen, the Commercial Bank was our most suitable option in terms of the quality of its service offerings and industry reputation, and (ii) we had already obtained working capital loans from one of the other commercial banks and our Directors believed that obtaining further gold loan financing from such commercial bank would be difficult. As such, we obtained our first gold loan from the Commercial Bank in FY2022 in order to hedge against risks associated with gold price fluctuations. During FY2022, FY2023 and FY2024, we returned nil, 69.0 kg and 81.0 kg of gold to the Commercial Bank pursuant to the terms of the relevant gold loans, respectively. As at 31 December 2022, 2023 and 2024, the remaining gold balances of our gold loans (if any) were 69.0 kg, 81.0 kg and 84.0 kg, respectively, representing 11.77%, 9.83% and 8.48% of our total gold balances as at the respective dates.

We had maintained a significant inventory of gold during the Track Record Period since (i) while we have implemented a dynamic inventory management strategy, we have also strived to maintain a sufficient level of gold raw materials in our inventory where possible and appropriate in order to cater to our gold usage needs during the Track Record Period; and (ii) for FY2023, RMB82.5 million of the proceeds in relation to the share subscription by Jinyingu Investment as announced on the NEEQ on 30 May 2023 shall be used for payment for procurement from suppliers and other operating expenses, and since gold is used in our ordinary course of business in voluminous quantities and was one of the primary raw material that we used during the Track Record Period, and taking into account the general rising trend of gold prices at the material time, we used the majority of such proceeds (i.e. RMB74.9 million) to purchase gold raw materials in accordance with use of proceeds requirements under such subscription. Save for in FY2023 for the reasons mentioned above, there was no material discrepancy between the quantity of gold purchased (as raw materials) and consumed in production and sales (as finished goods) by us during the Track Record Period.

As at the Latest Practicable Date, Mr. Li YZ, Mr. Hu, Mr. Li Shuo and Mr. Li LM, being our Controlling Shareholders and Ms. Li Yaxiang (李亞香), being the spouse of Mr. Li YZ, provided personal guarantees for the gold loans taken out by our Group, see note 27 to the Accountants' Report in Appendix I for further details. Our Directors expect that these guarantees will be released on or before the **[REDACTED]**.

OUR SUPPLIERS

Our suppliers mainly include the Shanghai Gold Exchange, suppliers of precious metals other than gold and watch component suppliers. We source substantially all of our raw materials in China, including watch movements manufactured under Swiss and Japanese brands from domestic suppliers and smart movements of Huawei, a leading global Chinese technology company.

As disclosed above, we primarily procure gold from the Shanghai Gold Exchange through its members. For details, see "– Procurement" above. We purchase our other raw materials only from selected suppliers who meet our evaluation criteria and listed on our approved supplier list, although there are alternative suppliers available for such materials. The selection of raw material suppliers is based on a thorough evaluation of several key factors, such as their business scale, industry reputation, financial management, the quality of the materials, production capacity and production lead time, delivery lead time, pricing, regulatory compliance and relevant qualifications. Furthermore, we require our suppliers to adhere to our compliance policies, including those related to anti-bribery measures. We regularly assess our suppliers based on their product quality, price and delivery time.

Top five suppliers

The aggregate purchases from our five largest suppliers in each year during the Track Record Period amounted to RMB220.10 million, RMB403.45 million and RMB308.90 million, respectively, accounting for 90.72%, 93.92% and 92.40% of our total purchases for the respective years. Our purchase from our largest supplier in each year during the Track Record Period amounted to RMB154.07 million, RMB382.56 million and RMB275.72 million, accounting for 63.50%, 89.05% and 82.48% of our total purchases for the respective years.

All of our five largest suppliers in each year during the Track Record Period are Independent Third Parties. To the best of our Directors' knowledge, none of our Directors or their respective associates or any person who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our five largest suppliers in each year during the Track Record Period.

The table below sets out information of our top five suppliers in each year during the Track Record Period:

For FY2022

Supplier	Background and principal business nature	Principal products/services supplied	Years of relationship	Transaction amount *(RMB million)*	% of our total purchases	Credit terms and payment method
Shanghai Gold Exchange *(Note)*	The largest gold exchange in China, which is directly regulated by the Chinese government	Gold	Since 2013	154.07	63.50%	See above
Shenzhen Guofu Gold	A member of the Shanghai Gold Exchange, which is principally engaged in the trading of gold sourced from the Shanghai Gold Exchange	Gold	Since 2021	52.98	21.84%	Payment on date of procurement order; bank transfer
Huizhou Xinrong Watch Industry Co., Ltd.* (惠州市欣榮表業有限公司)	Manufacturer and retailer of clocks, watches and timekeeping instrument headquartered in China	Watch case main body, casebacks and crowns and their customisation services	Since 2019	4.77	1.97%	Payment upon presentation of invoice; bank transfer
Dongguan Baofa Precision Metal Products Co., Ltd.* (東莞市寶發精密五金製品有限公司)	Manufacturer, processor, and wholesaler of hardware products headquartered in China	Watch case main body, casebacks and crowns and their customisation services	Since 2020	4.48	1.85%	Payment upon presentation of invoice; bank transfer

Supplier	Background and principal business nature	Principal products/services supplied	Years of relationship	Transaction amount	% of our total purchases	Credit terms and payment method
				(RMB million)		
Shenzhen Xinjinlong Jewellery Co., Ltd.* (深圳市鑫錦隆珠寶首飾有限公司)	Jewellery manufacturer and seller headquartered in China	Processing services	Since 2021	3.81	1.57%	30 working days from date on which the following has been completed: (i) reconciliation of the payment amount by both parties; (ii) due completion of the purchase order; and (iii) our receipt of the invoice
			Total:	**220.10**	**90.72%**	

For FY2023

Supplier	Background and principal business nature	Principal products/services supplied	Years of relationship	Transaction amount *(RMB million)*	% of our total purchases	Credit terms and payment method
Shanghai Gold Exchange *(Note)*	See above	Gold	Since 2013	382.56	89.05%	See above
Huizhou Xinrong Watch Industry Co., Ltd.* (惠州市欣榮表業有限公司) and Shenzhen Xinrong Intelligent Manufacturing Technology Co., Ltd.* (深圳欣榮智造科技有限公司)	See above	Watch case main body, casebacks and crowns and their customisation services	Since 2019 (Huizhou Xinrong Watch Industry Co., Ltd.*); since 2023 (Shenzhen Xinrong Intelligent Manufacturing Technology Co., Ltd.*)	6.20	1.4%	Payment upon presentation of invoice; bank transfer
Shenzhen Hezhi Intelligent Technology Co., Ltd.* (深圳市合智智能科技有限公司)	Manufacturer of smart wearables headquartered in China	Movements such as quartz (Ronda) and mechanical (Time Module) movements	Since 2022	5.28	1.23%	Payment upon presentation of invoice; bank transfer
Dongguan Baofa Precision Metal Products Co., Ltd.* (東莞市寶發精密五金製品有限公司)	See above	Watch case main body, casebacks and crowns and their customisation services	Since 2020	5.20	1.22%	Payment upon presentation of invoice; bank transfer
Guangzhou Lidong Trading Co., Ltd.* (廣州利東貿易有限公司)	See above	Movements	Since 2019	4.21	0.98%	Payment upon presentation of invoice; bank transfer
			Total:	**403.45**	**93.92%**	

For FY2024

Supplier	Background and principal business nature	Principal products/services supplied	Years of relationship	Transaction amount *(RMB million)*	% of our total purchases	Credit terms and payment method
Shanghai Gold Exchange *(Note)*	See above	Gold	Since 2013	275.72	82.48	See above
Huawei	Developer and manufacturer of electronic products headquartered in China	Movements	Since 2023	19.00	5.68	Prepayment; bank transfer
Shenzhen Xinrong Intelligent Manufacturing Technology Co., Ltd.* (深圳欣榮智造科技有限公司) and Huizhou Xinrong Watch Industry Co., Ltd.* (惠州市欣榮表業有限公司)	Manufacturers and retailers of clocks, watches and timekeeping instrument headquartered in China, which are under the same contract by an Independent Third Party	Watch case main body, casebacks and crowns, and their customisation services	Since 2023 (Shenzhen Xinrong Intelligent Manufacturing Technology Co., Ltd.*); since 2019 (Huizhou Xinrong Watch Industry Co., Ltd.*)	5.80	1.74	Payment upon presentation of invoice; bank transfer
Dongguan Baofa Precision Metal Products Co., Ltd.* (東莞市寶發精密五金製品有限公司)	See above	Watch case main body, casebacks and crowns and their customisation services	Since 2020	4.60	1.38	Payment upon presentation of invoice; bank transfer
Shenzhen Hezhi Intelligent Technology Co., Ltd.* (深圳市合智智能科技有限公司)	See above	Movements such as quartz (Ronda) and mechanical (Time Module) movements	Since 2022	3.77	1.13	Payment upon presentation of invoice; bank transfer
			Total:	**308.90**	**92.40**	

Note: As disclosed in "– Procurement – Procurement of gold", we adopt two approaches for our gold procurement: (i) procuring gold from the Shanghai Gold Exchange through brokerage arrangements with members of the Shanghai Gold Exchange; and (ii) direct procurement from a member of the Shanghai Gold Exchange.

Under the first approach (procurement from the Shanghai Gold Exchange), we have entered into long-term brokerage agreements with members of the Shanghai Gold Exchange. We have opened designated accounts with those members to conduct procurement, through which we primarily conduct our gold procurement during the Track Record Period. Under this arrangement, we settle the payment for our gold purchases through these designated accounts, and the invoices for the procurements are issued directly to us by the Shanghai Gold Exchange. As such, the Shanghai Gold Exchange has been considered our gold supplier during the Track Record Period. For details, please see "– Procurement – Procurement of gold - Procurement from the Shanghai Gold Exchange".

In FY2022, we also procured gold from Shenzhen Guofu Gold Co., Ltd.*, a member of the Shanghai Gold Exchange, which directly issued the relevant invoices for the procurement transactions to us. As invoices for these direct purchases were issued directly by Shenzhen Guofu Gold, Shenzhen Guofu Gold was considered our gold supplier for these transactions. For details, please see "– Procurement – Procurement of gold - Procurement from a member of the Shanghai Gold Exchange".

In FY2023 and FY2024, our procurement from the Shanghai Gold Exchange adequately met our gold procurement needs, therefore we did not make direct purchases from Shenzhen Guofu Gold.

INVENTORY

Our inventory primarily comprises (i) raw materials, mainly including gold, silver, watch movements and other watch components, bracelets, straps and packaging materials; (ii) work-in-progress watches and accessories products; (iii) finished watch and accessories products; and (iv) goods in transit.

Inventory security

Due to the nature and inherent value of the raw materials used in our production, we have implemented a comprehensive and robust security system to safeguard our inventory:

- *Secured storage facilities:* We utilise vaults to store our gold materials, with restricted access granted only to a limited number of authorised personnel. These vaults are equipped with 24-hour surveillance monitored by a third party security firm at our production sites. Only a select few authorised employees have the necessary keys and passwords to access the secured gold materials stored in our vaults.

- *Tracking system:* After each manufacturing step, the work-in-progress must be promptly returned to our secured inventory centre for inspection and stock-taking. This ensures tight control over the materials throughout the production process.

Access to inventory is strictly controlled, requiring registration in our computerised inventory system whenever raw materials or work-in-progress are withdrawn from or returned to our secured inventory centre. This system meticulously documents details of each withdrawal or return of raw materials or work-in-progress, including but not limited to the specific raw material or work-in-progress involved, its quantity and condition upon withdrawal or return, the personnel involved, and the date of the withdrawal or return.

This rigorous tracking mechanism not only bolsters security but also facilitates transparent and real-time monitoring throughout the production cycle, enabling us to promptly identify and address any discrepancies.

- *Regular stock takes:* We conduct monthly stock takes as well as half-yearly full inventory counts to closely track and verify our inventory levels.

This multi-layered approach to inventory security, involving secure storage, continuous monitoring, and restricted access, ensures the proper safeguarding of our critical raw material supplies. The lead role of the supply chain management department in overseeing inventory further strengthens the overall control and accountability mechanisms in place. Through these comprehensive security measures, we are able to maintain tight control over our inventory and mitigate the risks of loss, theft, or unauthorised access to our precious metal raw materials, work-in-progress and finished goods.

Inventory turnover days

For FY2022, FY2023 and FY2024, our average inventory turnover days were 699 days, 620 days and 708 days, respectively, while the balance of our inventory as at 31 December 2022, 2023 and 2024 accounted for 84.42%, 89.83% and 86.56% of our total current assets, respectively. For detailed analysis on our inventory level, please refer to "Financial Information – Description of certain items of consolidated statements of financial position – Inventories".

Inventory management

We have established an inventory management system that monitors each stage of the warehousing process.

To minimise the risk of building up inventory, we adopt inventory management policies, pursuant to which we regularly review our inventory levels through our information technology system and by carrying out physical stock counts and stock inspections internally, generally on a monthly basis, to monitor inventory movements of each type of product and raw material, and adjustments are made to the procurement or production plan as necessary to maintain a reasonable inventory level for each type of product and raw material, and to ensure on time delivery of our finished products to the distributors.

Gold inventory

As gold is a highly durable and stable element, and is a key element used in our gold watch production, we consider that there is minimal risk of our gold inventory losing marketability or otherwise becoming non-usable by us as a raw material over time. We implement a dynamic inventory management strategy that balances cost efficiency with the need to ensure uninterrupted manufacturing operations. Our procurement decisions primarily take into account key factors including (i) macroeconomic indicators including geopolitical developments and currency trends that may affect gold supply and international prices; (ii) real-time Shanghai Gold Exchange benchmark prices; (iii) our available cash reserves; and (iv) long-term production planning, as detailed in "– Procurement – Procurement plan" above. Specifically:

- we employ a flexible purchasing approach, acquiring gold in strategic batches when market forecasts indicate impending price increases, or when gold spot prices quoted on the Shanghai Gold Exchange are deemed favourable (e.g. when prices dip below recent average trading prices). For example:

  (a) we increased our gold procurement volume from 27,000 grams in June 2022 to 90,000 grams in July 2022 (representing an increase of 233.33%), just as the weighted average monthly gold spot prices quoted on the Shanghai Gold Exchange fell by 4.67% from RMB395.76 per gram in June 2022 to RMB377.29 per gram in July 2022;

  (b) we increased our gold procurement volume from 32,000 grams in May 2023 to 127,998.80 grams in June 2023 and further to 189,999.40 grams in July 2023 (representing an increase of 493.75% from May to July 2023), as we anticipated the continuous price hikes in the second half of 2023. The weighted average monthly gold spot prices quoted on the Shanghai Gold Exchange increased consecutively on monthly basis during the second half of 2023, from RMB449.32 per gram in June 2023 to RMB475.21 per gram in December 2023, representing an overall increase of 5.76% from June to December 2023;

  (c) we made relatively larger amounts of gold purchases of 128,150.75 grams and 135,998.80 grams in December 2023 and January 2024, respectively (as compared to 32,000 grams in November 2023), as we anticipated another price hike in the first and second quarter of 2024. The weighted average monthly gold spot prices quoted on the Shanghai Gold Exchange increased significantly by 5.66% from RMB480.24 per gram in February 2024 to RMB507.41 per gram in March 2024, and further by 9.03% from March 2024 to RMB553.25 in April 2024; and

(d) we also made a relative large gold purchase of 129,999.40 grams in July 2024 (as compared to 46,999.40 grams in June 2024), as we anticipated a further price increase in the second half of 2024. The weighted average monthly gold spot prices quoted on the Shanghai Gold Exchange increased significantly from RMB549.38 per gram in June 2024 to RMB617.10 per gram in December 2024, representing an overall increase of 12.3% from June to December 2024;

- our procurement volumes are adjusted accordingly to mitigate volatility. For example, we substantially reduced purchases during the aforementioned price spike in March and April 2024, procuring only 23,000 grams and 25,000 grams of gold, respectively. We only moderately scaled up our procurement volume to 39,000 grams and 46,999 grams in May and June 2024, when the price hikes slowed down and the weighted average monthly gold spot prices quoted on the Shanghai Gold Exchange remained relatively stable at RMB555.35 and RMB549.38 in May and June 2024, respectively;

- our monthly average gold procurement price had been largely within ±1.00% of the weighted average monthly gold spot prices quoted on the Shanghai Gold Exchange during the Track Record Period; and

- to optimise working capital and mitigate risks while ensuring a reasonable inventory level, we generally maintain a minimum of one month of raw material inventory, adjusting monthly based on production forecasts, as detailed in "– Procurement – Procurement plan". To ensure that we have sufficient inventory to prepare for peak seasons in the first and last quarters of each year (as detailed in "– Sales and marketing – Seasonality"), we also generally procured relatively more inventory in the first and third quarters of each year during the Track Record Period. We believe that maintaining a buffer of inventory based on production cycles protects us against both supply disruptions and price volatility while preventing overstocking.

We rigorously monitor inventory through monthly physical audits cross-referenced with our ERP system data, ensuring accurate tracking and demand-responsive adjustments. To hedge against market risks associated with gold price fluctuation, we also take out gold loans. For details, please see "– Measures to manage raw materials price fluctuations – Obtaining gold loans to hedge against gold price fluctuations".

By aligning our gold purchasing decisions with available cash reserves, favourable market pricing and production planning, we seek to ensure a steady supply of this crucial raw material at optimal prices to support our manufacturing needs. This inventory policy not only optimises our working capital, but also insulates us from the volatility of gold commodity prices, mitigating the risk of stockouts during periods of high demand or price spikes. Moreover, it enables us to capitalise on market conditions, potentially leading to cost savings in the long run.

According to CIC, the Company's gold procurement policy and inventory management policy are in line with industry practices.

Our inventory levels during the Track Record Period

Movements in our inventory during the Track Record Period

Set out below is an overview of the movements of our inventory during the Track Record Period. For a detailed discussion of our inventory movements during the Track Record Period, please see "Financial Information – Description of certain items of consolidated statements of financial position – Inventories":

Raw materials

During the Track Record Period, gold constituted the majority of our raw material inventory in terms of value, representing 61.9%, 56.5% and 53.4% of our total raw materials inventory as at 31 December 2022, 2023 and 2024, respectively. Our raw gold inventory decreased by 15.2% from RMB52.6 million in FY2022 to RMB44.6 million in FY2023, and further declined by 9.6% to RMB40.3 million in FY2024. This represents a cumulative reduction of 23.4% over the three-year period, reflecting our refined procurement strategy in response to factors including, but not limited to, anticipated changes in gold price trends and improved demand forecasting.

Work in progress

During the Track record Period, hardened gold inventory constituted the majority of our work in progress inventory in terms of value, representing 63.2%, 78.2% and 84.4% of our total work in progress inventory as at 31 December 2022, 2023 and 2024, respectively.

Hardened gold inventory comprises gold materials involved in the initial processing stage of precious metal watches, including, among others, various forms of hardened gold at different stages of the hardening and processing process, and hardened gold sculpted into fittings. For details of the processes involved in the hardening and processing of gold, please see the flowchart set out in "– Our Business Model – Production processes – Watches". Hardened gold inventory demonstrated significant growth during the Track Record Period, increasing by 80.5% from RMB176.0 million in FY2022 to RMB317.7 million in FY2023, and further by 12.5% to RMB357.5 million in FY2024. The increase in our hardened gold inventory was primarily attributable to our operational strategy whereby we convert gold raw materials into hardened gold to prepare for further processing and production into any type of watch products containing gold.

We believe our strategy of pre-hardening gold offers multiple operational advantages. By conducting gold hardening in larger batches, we achieve economies of scale through reduced energy consumption and improved labour utilisation, which translates to lower production costs. Pre-hardening gold enhances our production flexibility, enabling us to reduce manufacturing lead times by an average of 12 days and to better respond to peak demand periods. From a supply chain perspective, maintaining a hardened gold inventory creates a buffer against potential raw material disruptions, and our approach aligns with industry practices according to CIC.

Finished goods

During the Track Record Period, gold related items (being items containing gold but are not entirely made of gold), such as gold watch straps, gold watches and 24K gold watches and accessories constituted the majority our finished goods inventory in terms of value, representing 65.4%, 74.5% and 75.0% of our total finished goods inventory as at 31 December 2022, 2023 and 2024, respectively. Gold related items (being items containing gold but are not entirely made of gold) increased by 13.2% from RMB102.7 million in FY2022 to RMB116.3 million in FY2023, and further by 7.1% to RMB124.6 million in FY2024. The increase in our inventory of such gold related items was primarily attributable to the general increasing trend of gold prices during the Track Record Period, as evident from the volume of our gold watch straps inventories, which accounted for at least 80% of our inventories of such gold related items for each of the years during the Track Record Period, remaining stable throughout the Track Record Period.

Conversion efficiency of raw materials and inventory utilisation

The conversion efficiency of raw materials into finished goods is a critical metric in assessing inventory reasonableness. Set out below is an analysis of our raw materials conversion efficiency in terms of (i) conversion ratios and (ii) expected utilisation timelines for gold and hardened gold inventories at each year-end of the Track Record Period. The following table sets forth (i) the volume of gold contained in each of our major inventory types (e.g. gold (raw material), hardened gold, gold watches and gold watch straps) as at 31 December 2022, 2023 and 2024, and (ii) the movements of each of our major inventory types in terms of volume of gold contained for each of the years during the Track Record Period:

	Volume of gold(1) contained in the major inventory type as at/for the year ended 31 December		
	2022	**2023**	**2024**
	('000g)	*('000g)*	*('000g)*
Gold (raw material)			
Opening balance as at 1 January	272	148	106
– Addition(2)	2,262	2,408	1,681
– Utilised(3)	-2,386	-2,450	-1,703
Closing balance as at 31 December	148	106	84
Gold (hardened)			
Opening balance as at 1 January	705	541	793
– Addition(4)	2,343	2,422	1,661
– Utilised(5)	-2,507	-2,171	-1,666
Closing balance as at 31 December	541	793	788
Finished goods			
(i) Gold watches			
Opening balance as at 1 January	32	25	37
– Addition	608	747	502
– Stock out	-615	-736	-509
Closing balance as at 31 December	25	37	30
(ii) Gold watch straps			
Opening balance as at 1 January	16	275	276
– Addition	956	983	672
– Stock out	-697	-982	-673

	Volume of gold[(1)] contained in the major inventory type as at/for the year ended 31 December		
	2022	**2023**	**2024**
	('000g)	*('000g)*	*('000g)*
Closing balance as at 31 December	275	276	275
(iii) Accessories			
Opening balance as at 1 January	32	158	99
– Addition	821	374	467
– Stock out	-695	-434	-475
Closing balance as at 31 December	158	99	91

Notes:

(1) The figures in the table above only relate to our Shenzhen business operations since the majority of the processing of our gold raw materials into hardened gold and all production of gold watches and gold watch straps were carried out in our Shenzhen Production Base during the Track Record Period.

(2) Addition of gold (raw material) inventories primarily involved (i) the procurement of gold from suppliers, (ii) the net of gold loans, and (iii) the gold provided to us by our ODM customers for the production of ODM products.

(3) Utilised gold (raw material) inventories primarily involved the utilisation of gold (raw material) for the purposes of (i) processing into hardened gold, and (ii) research and development.

(4) Addition of hardened gold inventories primarily involved the hardened gold which was processed from gold (raw material).

(5) Utilised hardened gold inventories primarily involved the utilisation of hardened gold in the production of our products.

The conversion ratio of raw gold to hardened gold averaged 93.4% across the three-year period, with FY2022 at 92.5%, FY2023 at 94.8%, and FY2024 at 92.9%. These figures demonstrate consistent processing efficiency, with minor fluctuations attributable to batch size variations and process optimisation initiatives. The subsequent conversion of hardened gold into finished goods demonstrated an average ratio of 72.0% across the three-year period, with FY2022 at 78.2%, FY2023 at 71.0%, and FY2024 at 66.9%, reflecting the decreasing trend in the average weight of gold in our traditional precious metal watches due to various factors such as increases in gold price during the Track Record Period.

Based on historical production rates, the gold raw material inventory held as at the beginning of FY2022, FY2023 and FY2024 fully utilised within 1.39 months in FY2022, 0.73 months in FY2023, and 0.77 months in FY2024. Similarly, the hardened gold inventory as at the beginning of FY2022, FY2023 and FY2024 were fully utilized within 3.37 months in FY2022, 2.99 months in FY2023, and 5.71 months in FY2024. These timelines fall within our target range of three to six months inventory coverage, which is designed to balance production readiness with prudent working capital management.

We believe that the movements in our inventory and raw materials conversion efficiency demonstrate that our Group maintains appropriate inventory levels relative to long-term production requirements. We also believe that the gradual refinement of procurement and processing volumes across the Track Record Period reflects continuous improvements in demand forecasting and production planning, and the reasonable conversion ratios and utilisation timelines provide evidence that our inventory management approach effectively supports operational requirements while maintaining financial efficiency. Our inventory levels are periodically reviewed and adjusted in response to market conditions and strategic objectives, which could better ensure ongoing alignment with our business needs.

Gold is stored securely in vaults with restricted access, 24-hour surveillance, and regular stock counts to guarantee the integrity of the inventory. To enhance the credibility of our security practices, we also outsource the maintenance of security at our production premises to an independent third-party security service provider, which possesses the necessary expertise and objectivity for implementing robust physical, electronic and procedural safeguards tailored to our specific needs. This multi-layered security system not only safeguards the valuable assets from theft or loss but also fosters a culture of accountability and control within our organisation. We also carry insurance to protect against contingencies including, among others, loss or theft of, and damage to, our raw materials, including gold.

Watch movements and other components inventory

The level of watch movements and other components inventory that we maintain depends on a number of factors, including (i) the previous year's number of orders, sales trend, and the actual number of pieces used in the relevant products; (ii) anticipated delivery periods to our customers; (iii) seasonal fluctuations of the sales volume; and (iv) the delivery period of relevant suppliers. Our procurement department enforces the inventory plan accordingly on a monthly basis to avoid any potential delivery delay.

This meticulous planning enables us to maintain a suitable buffer stock of watch components to address unforeseen supply interruptions.

We dynamically adjust our purchasing volume according to our actual sales figures and sales projections, adopting a procurement approach that (i) increases component purchases when demand is anticipated to rise and (ii) decreases purchases when demand is expected to decline. Our inventory management practices are not influenced by speculative price movements in the watch component market. Consequently, we maintain a lean inventory of watch components, which reflects the efficiency of our inventory control policies.

Finished goods inventory

Our inventory of finished goods as at 31 December 2022, 2023 and 2024 amounted to RMB157.11 million, RMB156.01 million and RMB166.08 million, respectively. In FY2022, amidst the significant decline in sales orders from both our OBM and ODM customers due to the COVID-19 outbreak, we adopted a strategic approach to weather the challenging circumstances rather than resorting to layoffs. Specifically, we implemented a series of cost control and efficiency improvement measures across our different departments. To prevent our production facilities and workforce from being left idle, we decided to utilise our available production capacity to manufacture high-end gold watch straps with intricate designs during FY2022. These products were intended to be sold or used in our production in subsequent years once the pandemic subsided and market demand recovered. As a result, our finished goods inventory reached RMB157.11 million as at 31 December 2022. Consequently, we continued to hold relatively high levels of finished goods, valued at RMB156.01 million and RMB166.08 million as at 31 December 2023 and 2024, respectively. Nonetheless, given that over 90% of these finished goods consisted of raw and semi-processed gold materials, we would be able to easily melt them down to re-manufacture or further process them into other products to fulfill subsequent sales orders. For details of an analysis on the historical inventory levels, please see "Financial Information – Description of certain items of consolidated statements of financial position – Inventories".

As the pandemic-related disruptions have subsided, we have returned to implementing our original production and inventory management policies. Specifically, regarding our ODM business model, our primary focus is on manufacturing ODM products on a made-to-order basis. This allows us to maintain a relatively lean finished goods inventory, aligning our production closely with customer demand. However, there are certain ODM product models that require a higher level of customisation and thus a more time-consuming process of re-adjusting and reprogramming our production equipment each time they are manufactured. For these ODM products, we have chosen to adopt a slightly different approach. Instead of producing these items solely on a made-to-order basis, we may choose to manufacture and maintain a higher level of finished goods inventory for these products, which is determined based on our estimates of future demand for such products based on, among others, historical sales data and prevailing market conditions. This strategic decision is driven by our aim to optimise the overall time and resources required for production – by having these customised ODM products readily available in our inventory, we believe we can avoid the repeated effort of re-adjusting and reprogramming our equipment, thereby improving the efficiency and responsiveness of our operations. This approach enables us to strike a balance between maintaining operational efficiency and ensuring we can promptly fulfill customer orders for these customised products.

Regarding our OBM products, we strive to achieve a balanced inventory level by evaluating the average inventory against sales revenue within specific periods, factoring in prevailing market conditions. Finished OBM products require a stock for continuous inventory rotation and to promptly replenish sold items. The quantity we hold is based on inventory turnover rates and anticipated sales forecasts. Our objective is to consistently maintain an optimal inventory level to efficiently meet customer demands without incurring excess stock. In instances where inventory levels significantly exceed the desired threshold or are projected to do so, we implement corrective measures, which include (i) promoting slow-selling models in targeted regions; and (ii) adjusting production output for those models. Conversely, if inventory levels drop significantly below the optimal level or are anticipated to drop, we promptly increase production at our own manufacturing facilities to ensure adequate supply.

Inventory provision policy

We regularly identify and make provisions for obsolete and slow-moving inventory of raw materials and finished goods that are no longer suitable for use in production or sale. This assessment considers several factors, including the historical and forecasted consumption of raw materials, the marketability of the watches, and the anticipated renewal of the watch offering. As a general guideline, we may consider making provisions for inventories that have been identified as having slower or no usage, sale, and deteriorated marketability and assign different provision rates for inventories aging above one year. This approach to managing obsolete and slow-moving inventory help ensure that we maintain an optimised inventory that aligns with our current and future production and sales needs. No provisions for inventory had been made during the Track Record Period.

Our watch and accessories products are manufactured in response to market demand and inventory turnover so we generally do not have a significant amount of slow-moving or obsolete stock. However, we cannot assure you that we can always accurately predict market trends and events and maintain adequate levels of inventory at all times. Any unexpected decrease in the market demand for the products we sell could lead to excessive inventory, and we may be forced to conduct promotional activities to dispose of slow-moving inventory, which in turn may adversely affect our financial condition and results of operations. See "Risk Factors – Risks Relating to Our Business and Industry – 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".

LOGISTICS

Our production material control department, sales department and procurement department are jointly responsible for the end-to-end management of our product supply chain. This includes receiving finished goods from our production bases or suppliers, storing them in our warehouses, picking and packing customer orders, and coordinating with third-party logistics service providers for product shipping.

Generally, our products may either be delivered directly to the customer's designated location, or the customer may choose to collect the products from our premises. At the request of the customer, we may also arrange for the products to be couriered to it. In this case, the customer will bear the responsibility for the transportation and insurance costs associated with the courier delivery.

We carefully select our logistics service providers based on multiple criteria, such as their corporate strength, operational capabilities, collaboration track record, pricing and scale. We enter into delivery service agreements with these independent third-party logistics providers to handle the transportation of our products from our production bases to our primary distributors and other customers. These service agreements typically have a term of one year(s), with the option to renew upon mutual agreement. We carry insurance to protect against the risk of loss or damage during transportation and delivery by our logistics service providers.

In addition to using third-party logistics providers, we also maintain our own delivery trucks to handle deliveries in close proximity to our production bases.

AWARDS AND RECOGNITIONS

We have obtained the following major awards during the Track Record Period and up to the Latest Practicable Date as a testament to the quality and innovation of our product offerings:

Awards	Award Year	Awarding Institution/Authority
Shenzhen Enterprise Innovation (China) Record (深圳企業創新(中國)紀錄)	2024	Shenzhen Enterprise Innovation Record Organizing Committee (深圳市企業創新紀錄組織委員會)
2024 MUSE Design Awards – Gold Winner (2024美國繆斯設計獎金獎) (for two of our product designs)	2024	Muse Awards Jurors
2024 American Good Design Gold and Platinum Awards (2024美國好設計AGD金獎及最高鉑金獎)	2024	American International Award Association
2024 French Design Award (2024 FDA法國設計獎)	2024	French Design Award
Goldsmith Award for Excellence (金匠精品獎)	2024	China Gold News (中國黃金報社)
Golden Classics Design IP Award (金典設計IP獎)	2024	China Gold News (中國黃金報社)

Awards	Award Year	Awarding Institution/Authority
The 3rd Shenzhen Top Hundred Brands (第三屆深圳品牌百強企業)	2024	Shenzhen Quality Promotion Association (深圳市質量強市促進會)
Certificate of After-sales Service Evaluation System for Products (Five-star) (商品售後服務評價體系證書(五星級))	2024	ZOZEN International Certification (Shenzhen) Co., Ltd. (中正國際認證(深圳)有限公司)
2023 Outstanding Cases of Corporate Integrity Implementation (2023年企業誠信建設實踐優秀案例)	2023	China Enterprise Confederation (中國企業聯合會) and China Enterprise Directors Association (中國企業家協會)
2023 Excellent Service Provider of the Entire Industry Chain in China's Gold and Jewellery Industry (2023中國黃金珠寶行業全產業鏈優秀服務商)	2023	Beijing Gold Economy Development Research Centre (北京黃金經濟發展研究中心), Excellent Service Providers of the Entire Industry Chain of China's Gold and Jewellery Industry Jury (中國黃金珠寶行業全產業鏈優秀服務商評委會)
Top Five Key Enterprises in National 24K Gold Watch Processing of 2022 (2022年中國足金手錶加工五大重點企業)	2023	China Gold Association (中國黃金協會)
Most Promising Enterprise in the Guangdong Province Horologe Industry (廣東省鐘錶行業協會最具潛力企業)	2023	Guangdong Province Horologe Industry Association (廣東省鐘錶行業協會)
High-Tech Enterprise Certificate (高新技術企業證書)	2022	Shenzhen Science and Technology Innovation Commission (深圳市科技創新委員會), Shenzhen Municipal Finance Bureau (深圳市財政局), State Taxation Administration Shenzhen Tax Bureau (國家税務總局深圳税務局)
2021 Specialised, Sophisticated, Distinctive and Innovative SME in Shenzhen (2021年深圳市專精特新中小企業)	2022	Shenzhen Municipal Industry and Information Technology Bureau (深圳市工業和信息化局)
Shenzhen Top Brand "HIPINE" (深圳知名品牌 "西普尼金表")	2022	Shenzhen Top Brand Evaluation Committee (深圳知名品牌評價委員會)
iF Design Award (iF設計獎)	2022	iF International Forum Design GmbH (德國漢諾威工業設計)

Awards	Award Year	Awarding Institution/Authority
International Design Excellence Award (IDEA) (2022 Finalist)	2022	Industrial Designers Society of America (美國工業設計優秀獎)
Third-Class Prize in the Science and Technology Category of the China Gold Association Science and Technology Prize (中國黃金協會科學技術獎, 科學技術成果類三等獎)	2022	China Gold Association (中國黃金協會)
Bronze Award in the Fifth China "Blue-light Cup" Horologe Design Competition (第五屆中國「藍光杯」鐘錶設計大賽銅獎)	2021	China Horologe Design Competition Committee (中國鐘錶設計大賽組委會)
Third Prize for MIYOTA Watch Design in the Chronograph Category (MIYOTA計時類腕表設計三等獎)	2021	Clockwork Department of CITIZEN Watch Co., Ltd. (西鐵城時計株式會社機芯事業部)

Furthermore, in recognition of our leading position in the domestic brand gold watch and 24K gold watch making industries in China and as a leading promoter of industry development through our various contributions such as our active participation in the formulation of various national and industry standards, we have been recognised by the following industry associations and admitted as their committee members and/or observers as at the Latest Practicable Date:

Name of Industry Association	Year of Admission
China Gold Association (中國黃金協會)	2021
China Horologe Association (中國鐘錶協會)	2020
Shenzhen Smart Wearable Association (深圳市智能穿戴行業協會)	2016
Shenzhen Watch & Clock Association (深圳市鐘錶行業協會)	2015
Guangdong Province Horologe Industry Association (廣東省鐘錶行業協會)	2015

MARKET AND COMPETITION

According to CIC, the precious metal watch and gold watch industries are important and fast-growing segments within China's overall watch market. The precious metal watch market in China has seen impressive growth, expanding from a market size of RMB21.35 billion in 2018 to an estimated RMB30.03 billion in 2023, representing a CAGR of 7.06%. Though the COVID-19 pandemic caused a temporary dip to RMB22.61 billion in 2022, the market is projected to rebound strongly and reach RMB46.83 billion by 2028, growing at a CAGR of 9.29% from 2023 to 2028.

Within the precious metal watch market, the gold watch segment dominates, accounting for 93.55% of the market in terms of GMV in 2023, equivalent to RMB28.10 billion. Gold watches are expected to maintain their leading position, with the market forecast to reach RMB44.40 billion by 2028. In terms of sales volume, gold watch sales reached 1.51 million in 2023, and are projected to reach 2.21 million units by 2028, growing at a CAGR of 7.96% from 2023 to 2028.

The key drivers fuelling the robust growth of China's gold watch market include the deep-rooted cultural significance of gold, the rising investment value of gold as prices increase, and the growing popularity of gold watches as they offer both financial value preservation and aesthetic appeal, particularly among younger consumers. The rise of the 24K gold watch segment, which is forecasted to grow at a CAGR of 19.78% from 2023–2028, is also emerging as a new growth engine for the overall market.

Entry barriers to the precious metal watch and gold watch markets are substantial. Significant capital investment is required to secure raw material supplies, invest in advanced manufacturing equipment, and build brand equity through marketing and distribution. Maintaining a high-calibre talent pool with expertise in areas like procurement, design, and engineering is crucial. Precision manufacturing capabilities and scalable production capacity are essential to meet quality standards and fluctuating demand. Lastly, diversified sales channels are necessary to effectively reach end-consumers.

Key success factors in this industry centre around technological innovation, premium product quality, comprehensive after-sales service, stable partnerships with leading retailers, and the cultivation of outstanding brand reputation. Companies that excel in these areas will be well-positioned to capitalise on the tremendous growth opportunities in China's precious metal watch and gold watch markets.

Technological innovation is critical, as brands must continuously invest in R&D to stay ahead of the competition and meet evolving consumer demands. Ensuring superior product quality through rigorous manufacturing processes and quality control is fundamental to building consumer trust. Comprehensive after-sales service systems help resolve customer issues swiftly and foster long-term loyalty. Stable relationships with top jewellery and accessories retailers provide reliable sales channels and enhanced market visibility. Ultimately, a strong brand reputation that resonates with consumers' cultural sensibilities and personal aspirations is a key differentiator in this highly competitive landscape.

Overall, the precious metal watch and gold watch markets in China exhibit robust growth potential, driven by strong cultural and investment demand as well as evolving consumer preferences. In light of our competitive strengths as set out in "– Our Competitive Strengths", we believe we could navigate the competitive landscape and leverage the key success factors mentioned above, and are well-positioned to capture the growth and expansion opportunities and maintain our leading position in these markets.

EMPLOYEES

We had a total of 331 employees as at 31 December 2024, all of which were based in China and primarily located at our headquarters at our Shenzhen Production Base, with the rest located in our Putian Production Base. Sets forth below is a breakdown of the number of our employees by functions as at 31 December 2024:

Function	**Number of employees**	**Percentage**
		(%)
Management	6	1.81
Administrative and finance	40	12.08
Production	133	40.18
Quality control and assurance	14	4.23
R&D department	37	11.18
Sales and marketing	75	22.66
Procurement	6	1.81
Logistics and transportation	20	6.05
Total	**331**	**100.00**

We believe that our success rests with our ability to attract, motivate and retain qualified employees, and that our high-quality talent pool is one of our core strengths and competitive advantages. We recruit in accordance with the specific needs of our different departments and based on the criteria and demands required for corresponding positions, such as previous work experience and work skills. Our recruitment process involves high standards and rigorous procedures through various methods, including campus recruitment, recruitment advertisement, online recruitment, internal referral and third-party recruiters. Potential candidates are also generally assessed through interviews and/or examinations in order to ensure their compatibility with our job requirements and corporate culture.

We are dedicated to providing continuing education and training programmes, including regular and specialised (for R&D, manufacturing, product quality and sales employees) internal and external training, for our employees to improve their professional knowledge and management skills, to upgrade their technical capabilities and to keep abreast of the latest industry practices and standards in their respective positions. Pre-employment induction training and orientation is provided to all new recruitments. We also organise various activities to facilitate better team-bonding between our employees and their fostering of our corporate culture.

We offer competitive remuneration packages and career advancement opportunities to our employees, which are generally based on their industry experience, technical capabilities, qualifications, position and past performance. We also regularly evaluate the performance of our employees and reward the well-performed with discretionary bonuses.

We have established a labour union and our employees may join the labour union voluntarily. We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labour disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

Inadequate contribution to the social insurance plan and housing provident fund

As required by PRC laws and regulations, we participate in various employee social security schemes organised by municipal and provincial governments of the PRC, including pension, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident funds. We are required under PRC laws and regulations to make contributions to employee social security schemes at specified percentages of the salaries, bonuses and certain allowances of our employees, within the minimum to maximum amount specified by the local government from time to time.

During the Track Record Period, we had not paid social insurance and housing provident fund in full for certain employees in accordance with PRC laws. Our Directors confirm that the non-compliance was mainly due to (i) failure to make timely contribution upon the hiring of new employees; (ii) a number of our employees had already participated in comparable new local rural social insurance plans, rural cooperative medical schemes or other similar schemes; and (iii) a number of our employees voluntarily forfeit to participate in the social welfare schemes.

Pursuant to relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the outstanding amount. Pursuant to relevant PRC laws and regulations, if there is a failure to pay the full amount of housing provident fund as required, the housing provident fund management centre may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

Based on the best information and knowledge of our Directors, (i) the shortfall for the social insurance and housing provident fund contributions payable by the Group amounted to RMB0.91 million, RMB4.51 million and RMB3.96 million for each of the three years ended 31 December 2024, respectively; and (ii) the Group has not been subject to any potential fines in relation to such shortfall during the Track Record Period and up to the Latest Practicable Date.

With a view to prevent potential future non-compliances, we plan to implement various enhanced internal control measures including:

(i) maintaining regular communication with the relevant PRC authorities to ensure our contributions calculation and payment methods comply with relevant rules and regulations;

(ii) preparing and distributing internally compliance policies with respect to social insurance plans and housing provident funds;

(iii) assigning designated personnel to handle routine administrative matters and legal department staff to monitor the status of our social insurance and housing provident fund contributions and report to our senior management on a regular basis;

(iv) consulting external legal adviser regularly to assess whether we are subject to relevant risks of non-compliance; and

(v) organising regular legal compliance training on the relevant laws and regulations to our employees to enhance their awareness of and encourage their participation in the social welfare scheme.

Our Directors believe that our enhanced internal control measures to be adopted will be sufficient for our current operations and ensure on-going compliance with the relevant rules and regulations.

As at the Latest Practicable Date, we were not subject to any administrative action or penalty imposed by the relevant regulatory authorities with respect to our social insurance and housing provident fund contributions, nor had we received any order to settle the deficit amount. As at the Latest Practicable Date, we were not aware of any material complaint filed by our employees regarding our social insurance and housing provident fund policy.

Pursuant to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilising the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) promulgated on 21 September 2018 by the Ministry of Human Resources & Social Security, administrative enforcement authorities are prohibited from organising and conducting centralised collection of enterprises' historical social insurance arrears.

Our Directors believe that such non-compliance would not have a material adverse effect on our business and financial results of operations, considering that:

(i) we were not subject to any material administrative action or penalty imposed by the relevant authorities with respect to our social insurance and housing provident fund contributions during the Track Record Period and up to the Latest Practicable Date;

(ii) we were not aware of any material employee complaints filed against us nor involved in any labour disputes with our employees with respect to social insurance and housing provident fund during the Track Record Period and up to the Latest Practicable Date;

(iii) as at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay for the shortfalls or any overdue charges with respect to social insurance and housing provident fund; and

(iv) as advised by our PRC Legal Adviser, under the premise that there are no significant changes in current regulations, policies, and the implementation and regulatory requirements of the competent authorities, with the relevant authorities in absence of employees' complaints and the controlling shareholder and the actual controller of the Company have made commitments to bear the risks of relevant penalties or disputes, the likelihood that we are subject to integrated collection of enterprises' historical social insurance arrears or any material administrative penalties imposed by the relevant government authorities due to our failure to provide full social insurance and housing provident fund contributions for our employees is remote and our Directors believe that such non-compliance would not have a material adverse impact on our financial condition or results of operations as a whole.

Our Controlling Shareholders have also undertaken to indemnify us against all of such outstanding shortfalls, penalties or damages in the event that we are required to pay any of the abovementioned outstanding contributions, or any overdue charges or penalties imposed by the relevant PRC authorities. Based on the above, no provisions were made in respect of the aforesaid underpayment of social insurance and housing provident fund. Our Directors further confirm that our inadequate contribution to the social insurance plan and housing provident fund did not, and would not, result in any material adverse impact on our Group's financial performance and business operation.

INSURANCE

We carry insurance to protect against a range of contingencies, including, among others, loss or theft of, and damage to, which may arise from events such as accidents, property, plants and equipment, machinery, raw materials (including but not limited to gold) and other inventory in our production facilities or in transit during delivery, as well as social insurance for our employees. Based on our Group having a comparable insurance premium-to-inventory balance value ratio as other companies which participate in the domestic brand gold watch industry in the PRC according to CIC, we consider our insurance coverage to be customary for businesses of our size and type and in line with the industry practice. We are not required under PRC law to maintain, and we do not maintain, any product liability insurance. We also believe that it is not the usual industry practice in China to maintain product liability insurance.

In addition to our insurance coverage, we have adopted the following security measures: (i) our production facilities and vaults to store our gold materials have restricted access granted only to a limited number of authorised personnel and are equipped with 24-hour surveillance monitored onsite by a third party security firm, (ii) our engagement of the security firm included its purchase of a security firm liability insurance which covers the loss or damage to the Group resulting from theft, robbery or malicious damage during the insured period in the event that the security firm was found to be negligent in its provision of security services; and (iii) personnel assigned by the local police station is also responsible of the general security and safety of our production facilities and vaults. Based on the adoption of the aforementioned security measures and in light of the current domestic security environment in the PRC, we believe that there are sufficient security measures to control the risks related to theft and robbery-related incidents.

The premiums that we paid for our insurance were RMB0.04 million, RMB0.20 million and RMB0.19 million for FY2022, FY2023 and FY2024, respectively, representing 0.01%, 0.04% and 0.04% of our revenues for those years.

HEALTH, ENVIRONMENTAL, WORK SAFETY MATTERS AND SOCIAL RESPONSIBILITY

Corporate social responsibility is an integral part of our business philosophy and is crucial for us to create sustainable value for our Shareholders. We are steadfast in promoting sustainable development and corporate social responsibility, integrating these principles into all aspects of our operations. Our commitment is reflected in the implementation of a comprehensive environmental, social, and governance (ESG) policy framework, which outlines guidelines for managing ESG issues, as well as our code of ethics.

Our Directors consider that the annual cost of compliance with the applicable health, work safety, social and environmental laws and regulations was not material during the Track Record Period and the cost of such compliance is not expected to be material going forward.

We have not been subject to any material claim or penalty in relation to health, work safety, social and environmental protection and have not been involved in any accident or fatality and have been in compliance with the applicable China laws and regulations in all material aspects during the Track Record Period and up to the Latest Practicable Date.

Our ESG governance structure

Our Board is fully and collectively responsible for the formation and establishment of ESG-related mechanisms and policies including, but not limited to, the reviewing and approving of all matters in relation to our ESG development strategy plan and objectives, key ESG-related issues, ESG governance structure, and ESG management system. To strengthen our sustainability capabilities, improve our governance structure and enhance our corporate ESG performance, we have (i) designated our Strategy Committee to be responsible for the supervision of our ESG-related policies, and (ii) established an ESG taskforce to manage the day-to-day implementation of our ESG-related policies. For more information relating to the qualifications and experience of our management, see the section headed "Directors, Supervisors and Senior Management – Board of Directors" in this document.

The Strategy Committee, which consists of members of the Board, is responsible for (i) researching and formulating our ESG development strategy plan and objectives, key ESG-related issues, and ESG management system, (ii) guiding the day-to-day implementation of our ESG-related policies, (iii) identifying and managing ESG risks, and (iv) reviewing and reporting the ESG report prepared by the ESG taskforce for the Board's consideration.

The ESG taskforce, which consists of members from different departments and subsidiaries and at least one Director, is responsible for (i) implementing our ESG development strategy plan and objectives and arrange for the relevant departments and subsidiaries to conduct the necessary ESG works, (ii) drafting ESG-related policies, workplans and implementation proposals, (iii) the collection of data for and the preparation of the ESG report, (iv) communicating with professional advisers, arranging ESG training sessions and tracking the performance and trends of our ESG-related policies, and (v) summarising the issues and results of our ESG works to promptly report and provide reasonable solutions to the Strategy Committee.

The ESG taskforce will hold regular meetings with the Strategy Committee, which will in turn also hold regular meetings with the Board to ensure that the Board is kept regularly informed of the implementation status of our ESG-related policies and the latest assessments of ESG-related issues. In addition, as members of both the Strategy Committee and the ESG taskforce consisted of member(s) of the Board, the Board is kept fully informed of the ESG issues being undertaken by the Company. The Strategy Committee and the ESG taskforce are also supported by representatives from various departments and subsidiaries in relation to the day-to-day operations, implementation and reporting obligations in accordance with our ESG-related policies. External consultants may also be engaged to provide the necessary ESG expertise to enhance our ESG efforts as necessary.

Environmental protection

We recognise that environmental protection has become a vital component of promoting sustainable development. Our environmental protection policies are guided by a set of principles which aim at fostering sustainable business practices and minimising our environmental impact. Foremost, we are committed to complying with all relevant environmental protection laws, regulations, and guidelines. This serves as the foundational requirement for our environmental stewardship efforts. We have consistently been dedicated to improving the environment, prioritising energy conservation and environmental protection in our production and operations. This involves reducing the use of natural resources and preventing environmental damage from excessive emissions and pollutants. To this end, we employ environmentally-friendly materials, energy-efficient technologies, and waste-reducing design principles in its operations. We implement a robust monitoring and evaluation system, and arrange external service providers to regularly assess the implementation of our environmental protection policies.

Our production process involves manufacturing and processing of precious metal watches and accessories. Pursuant to the Categorised Management List for Environmental Impact Assessment of Construction Projects (2021 Edition) (《建設項目環境影響評價分類管理名錄(2021年版)》) released by the Ministry of Environmental Protection (生態環境部), our production process does not produce substantial heavy pollutants, and our products are not named in any of the high pollution and/or high environmental risk product lists of the Comprehensive Environmental Protection Catalogue (2021 Edition) (《環境保護綜合名錄(2021年版)》) released by the Ministry of Environmental Protection (環境保護部). Throughout the Track Record Period, we have strictly adhered to environmental regulations and implemented effective measures.

In line with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), we have established a robust environmental management system, encompassing our environmental protection policies and the contingency plan for environmental emergencies. Through this framework, we continually strive to identify and assess the probability and severity of potential ESG-related risks to our business, ensuring our operations can be carried out without material interruption.

Climate-related risks

We are proactively addressing the climate-related risks that may impact our business. Physical risks, such as extreme weather events, have the potential to disrupt our supply chain operations and our primary distributors' operations, while also adversely affecting our reputation and financial results. Specifically, we may face increased operational and maintenance costs for our production facilities, warehouses and offices, as well as the need for greater investment in insurance. The health and safety of our employees could also be jeopardised. See "Risk Factors – Risks Relating to Our Business and Industry – We may experience disruptions or delays in our production, warehouse and storage facilities" and "Risk Factors – Risks Relating to Our Business and Industry – Any catastrophe could severely disrupt our business operations".

Transition risks also arise from changes in ESG-related laws and regulations, which could affect our business operations. For instance, the government may enhance sustainability requirements, restrict the materials or processes used in manufacturing our products, and increase our procurement and labour costs. We are committed to actively identifying and following global and national trends and strategies to address climate-related issues. Additionally, evolving consumer preferences due to these regulations may necessitate changes to our processes and/or products. We also recognise the legal risks associated with any violations of environmental pollution policies, particularly those stemming from improper hazardous waste discharge by our suppliers.

Responsible management of natural resources and pollutants

In addition to addressing climate-related risks, we also identify, assess, and take actions to manage the impacts related to pollution and the use of natural resources:

Water and sewage treatment	We adhere to green operations to ensure that water consumption is within a reasonable range and avoid water waste. Domestic wastewater is treated by septic tanks in the industrial park, while our production wastewater is discharged into sewage collection and sedimentation tanks. After treatment, the production sewage is collected together with the domestic wastewater and discharged into the municipal sewage treatment plant.
Electricity usage	We endeavour to proactively conserve energy and reduce greenhouse gas emissions in response to government initiatives. We closely monitor electricity consumption at our production bases to ensure it remains within a reasonable range and avoid power waste.
Waste gas management	We have installed waste gas purification devices in our factory. Organic waste gases (wax fumes) and fumes from gold melting are processed through air collection hoods waste gas purification devices before being discharged from the building roof.
Solid waste management	Domestic garbage is collected and removed by the sanitation department. Our major production wastes, such as packaging bags, waste gypsum, and sedimentation tank slag, are stored in the solid waste room. Additionally, a small amount of chemical packaging vessels and machine oil are generated. The wastes are regularly collected by a third-party environmental protection company.

Acid chemicals

While we do not engage in gold mining, our gold processing operations involve the use of acid chemicals. We have implemented a hazardous chemicals management policy that includes strict storage and handling procedures. We also emphasise environmental protection during this process, ensuring proper treatment and disposal of wastewater and waste generated. Water used for rinsing acid chemicals will be properly treated and disposed through our environmental protection equipment, and wastes generated during our processing process will be entrusted to specialised institutions for disposal.

Resource consumption and expenses on ESG-related treatment

Our major production process includes wax and metal casting, vacuum melting, metal cutting and polishing. This may produce minimal amounts of pollutants such as sewage, waste gases, noise, and solid waste. Our daily operation process also involves consumption of electricity at our production bases and offices. The following table sets forth our metrics to manage ESG-related issues during the Track Record Period:

	FY2022	**FY2023**	**FY2024**
Water consumption *(tonnes)*	5,507.75	6,115.80	4,236.95
Electricity consumption *(kWh)*	1,862,303.70	2,089,537.30	1,489,146.00
Carbon dioxide emission *(tonnes)**	1,787.81	2,005.96	1,429.58

**Note:* Refers to carbon dioxide emitted from the consumption of electricity at our production bases.

We strive to minimise the impacts of our production and operations on the environment and natural resources and take proactive measures and actions to minimise these impacts. The following table sets forth our expenses on ESG related matters during the Track Record Period:

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
Investment on purchase and operations of environmental-friendly facilities	61.95	46.25	200.75
Disposal of garbage and solid waste	22.00	16.90	16.00
Total	**83.95**	**63.15**	**216.75**

Occupational and workplace safety

Safety is of paramount importance to us. We have implemented a comprehensive and effective safety management system to ensure production safety, which includes standardised operating procedures such as the work safety management manuals, response plans for work safety accidents, and policies for classifying risks and identifying and handling hidden risks. In particular, our occupational health and workplace safety management system has received the ISO45001:2018 certification since 2021. We also conduct regular safety inspections and maintenance to identify and address any potential safety hazards.

Safety training and awareness-building activities are conducted for our employees, particularly for frontline production staff. We regularly conduct safety education, training, inspection, and evaluation for employees, especially pre-job training for frontline production employees, to help them understand the production process of our products, master equipment performance, and strictly standardise operating procedures. By enhancing our employees' safety responsibility and awareness, we aim to effectively prevent the occurrence of any safety incidents. We have also put in place detailed guidelines and policies to cover aspects like fire control, theft prevention, and emergency response. Regular emergency drills are carried out to prepare our employees for potential safety scenarios.

During the Track Record Period and up to the Latest Practicable Date, we did not have any material accidents in relation to occupational and workplace safety in the course of our operation. As advised by our PRC Legal Adviser, based on our Directors' confirmations, we were not subject to any administrate penalties as a result of breach of safety related laws, rules, regulations, or regulatory documents during the Track Record Period and up to the Latest Practicable Date.

Employee care

We are committed to fully protecting the legitimate rights and interests of our employees, ensuring equal opportunities across all aspects of employment, from recruitment to dismissal, salary, and benefits. We place great emphasis on respecting the personal dignity of our employees and fostering a harmonious labour-management relationship. We are dedicated to promoting gender diversity, with female comprising 32.63% of our workforce as at 31 December 2024. We also provide special labour protection for female employees, as per national regulations. We strictly prohibit any form of forced labour, physical or mental abuse, verbal insults, or other forms of maltreatment.

We have developed a comprehensive human resources management system, which clearly outlines policies related to remuneration, holidays, working hours, welfare, rewards, and termination of employment contracts. These policies are aligned with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》) and other relevant laws and regulations.

Our employee compensation and benefits package include salaries, bonuses, maternity leave, and various allowances, in addition to social insurance and housing provident fund contributions. For employees who work overtime, we provide compensation based on their base salary and overtime hours, and allow them to take paid leave within a reasonable period.

We actively promote a culture of work-life balance and treat all employees equally, regardless of age or gender. Our internal assessment processes ensure the fairness of employee compensation. We strictly forbid any discriminatory practices against employees in every aspect, including but not limited to hiring, compensation, training opportunities, promotion, dismissal or retirement. Additionally, we have put in place an employee supervisor election system to ensure that employees have a meaningful voice in our governance.

We support the professional development of our workforce through a comprehensive vocational training system. This has contributed to the high retention rate of our skilled personnel, mitigating the risk of technical expertise loss.

During the Track Record Period and up to the Latest Practicable Date, we did not encounter any violations of anti-discrimination or fairness principles, demonstrating our commitment to creating a diverse and inclusive work environment that safeguards the rights and interests of all our employees.

Social responsibilities

We are committed to fulfilling our corporate social responsibilities and contributing to the welfare of society. Our charitable initiatives primarily consist of external donations and sponsorship. The scope of our charitable and community care efforts encompasses public welfare donations, relief donations, and other forms of support aimed at promoting humanitarianism and advancing social development, with the beneficiaries primarily being public welfare organisations, non-profit enterprises and institutions, vulnerable social groups, and individuals in need. External sponsorship encompasses our non-advertising-related expenditures, including both charitable and commercial sponsorship. We also encourage our employees to participate in community engagement activities, such as volunteering. We believe these efforts not only promote social responsibility among our employees but also enhance our corporate image and reputation.

Responsible supply chain

Responsible sourcing and sound supply chain management are essential for ensuring the quality and sustainability of our products. We have implemented various policies and standards to manage our suppliers, including the quality standards for gold raw materials and gold products, management system for gold procurement and processing, quality standards and inspection procedures for raw materials, and the management system for production and processing suppliers. Under these policies, we set specific criteria for our suppliers, such as requiring gold suppliers to be members of the Shanghai Gold Exchange and have a minimum gold refining capability. We regularly assess and grade our suppliers based on factors like service quality (such as their ability to resolve issues raised properly and on timely basis), ability to fulfill stipulated delivery timelines, and the quality of their materials and products. We also require our suppliers to respect and adhere to our compliance policies, including anti-bribery measures.

Additionally, we primarily procure gold from Independent Third-Party suppliers who are members of the Shanghai Gold Exchange, which typically has stringent requirements on gold that its qualified suppliers provide to it as a state-level institution which. According to the Criteria for Registration and Certification of Supplier of Standard Gold Ingots and of Gold Ingot Grade Qualifications of Shanghai Gold Exchange (《上海黃金交易所可提供標準金錠企業及其金錠品級資格註冊認定準則》), to become a gold supplier of the Shanghai Gold Exchange, the applicant enterprise is required to, among others, engage in gold refining business for over five years, with gold refining capability of over ten tonnes per year. The Shanghai Gold Exchange will conduct on-site expert review and random inspection of gold ingots provided by the applicant enterprise. We believe by virtue of their strong supervision and surveillance, we are able to ensure the legality of sources of gold that we procure from our suppliers.

Business integrity

We place great importance on integrity and are committed to cultivating a culture of compliance. We firmly believe that good governance and a healthy corporate culture are essential for the well-being of our employees and the sustainable development of our business. To this end, we have implemented a series of internal regulations and policies to guide our compliance with laws and regulations, as well as to promote ethical and honest conduct. These include our code of business conduct and ethics, and an internal control manual.

Specifically, we have implemented a robust anti-bribery and corruption policy. This policy requires our employees to conduct business in a legal and ethical manner, and prohibits them from accepting or soliciting any unauthorised payments or engaging in other misconduct such as misappropriation, embezzlement, fraud, or other illegal activities. Violations of these policies can result in disciplinary actions, including dismissal and financial penalties.

Furthermore, we have established a whistle-blower programme, which enables our employees, distributors, and other third parties to directly report any instances of bribery or other wrongdoing to us. All reported cases are investigated rigorously and in a timely manner. Our internal control, legal, HR, and general office staff work together to conduct preliminary assessments and investigations, while strictly adhering to the principles of fairness, impartiality, and confidentiality to protect whistle-blowers.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any fraudulent activities, and no legal proceedings or claim alleging any fraudulent activity was known to our Directors to be pending or threatened by or against our Group.

IMPACT OF THE COVID-19 PANDEMIC

Impact of the COVID-19 pandemic on China's watch industry

According to CIC, during the COVID-19 pandemic, China's watch industry experienced significant disruptions, particularly in FY2022. Specifically, in FY2022, extended lockdowns in major cities severely impacted consumer confidence and mobility, leading to a sharp decline in watch sales. The precious metal watch segment was especially vulnerable, with logistics disruptions and rising gold prices further suppressing consumer purchases. The China Gold Association reported a 10.6% year-on-year decrease in gold product sales in 2022. Despite these challenges, the industry showed resilience post-pandemic. Since FY2023, there had been a notable shift in consumer preferences towards higher-purity gold products, despite further rises in gold prices. In particular, 24K gold watches have shown a faster rebound within the precious metal watch industry, and gold bar and coin consumption increasing by 15.7% from FY2022 to FY2023.

Impact of the COVID-19 pandemic on our Group

Control measures such as lockdowns and travel restrictions had disputed the operations of our distributors and the Retail Outlets to which they distributed our products. This was particularly evident in north-western China and Guangdong, being two of our key sales regions. Specifically, throughout 2020-2022, north-western China and Guangdong experienced multiple COVID-19 lockdown periods. Compared to the lockdown periods ranging from one to two months in various regions in north-western China and Guangdong in 2020 and 2021, the lockdown period affecting multiple regions in these areas in FY2022 extended for approximately four months. Moreover, the display centres operated by our primary distributors located in north-western China and Guangdong experienced several closures during 2021 and 2022. Specifically, our primary distributor located in north-western China temporarily closed its display centre for approximately 2.5 weeks in 2021, and for approximately 3.5 months in FY2022, and our primary distributor located in Guangdong temporarily closed its display centre for approximately 2.5 weeks in 2021, followed by two closures of approximately 3 weeks in aggregate in 2022. We thus believe the COVID-19 pandemic had resulted in more significant disruptions to the distribution network and sales activities of our distributors and the Retail Outlets to which they sold in north-western China and Guangdong in FY2022, as compared to 2020 and 2021.

In light of the control measures implemented in north-western China and Guangdong implemented in 2022, which were more comprehensive and had been in place for a longer period of time as compared to those in 2021, our revenue was primarily impacted by the COVID-19 pandemic in 2022. For instance, the COVID-19 pandemic and associated control measures taken in 2022 had led to a substantial decrease in the sales contribution from north-western China and Guangdong in FY2022. The decline in sales in FY2022 necessitated a decrease in our actual production volume, which, in turn, reduced our utilisation rates for that year. For instance, as a result of the COVID-19 pandemic and related control measures, we ceased production for certain periods during March to December 2022, whereas we had not ceased production at all in 2021. To mitigate the financial impact of the pandemic, we adopted a strategy of cost control without resorting to layoffs, and implemented efficiency improvements across different departments. While the pandemic affected our sales and profitability in FY2022, the situation started to improve towards the end of the year as COVID-19 control measures were gradually lifted in China. This, combined with the increasing market demand and price for gold jewellery and accessories products, especially from young consumers, resulted in a significant revenue growth of 37.62% from RMB323.70 million in FY2022 to RMB445.48 million in FY2023. For detailed analyses on the changes in our revenue during the Track Record Period, see "Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income – Revenue".

Although we had recovered from the impact of the COVID-19 pandemic, we may face various risks related to health pandemics and other natural disasters in the future. For details, see "Risk Factors – Risks Relating to Our Business and Industry – Any catastrophe could severely disrupt our business operations".

PROPERTIES

Our principal headquarters are located in Shenzhen, China. As at the Latest Practicable Date, we owned the land use rights to one parcel of land and leased seven properties in China. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. Such properties are mainly used for production facilities, research and development, warehouses, offices, staff quarters and product exhibitions.

Owned land

As at the Latest Practicable Date, we held land use rights to the Putian Site, which is a parcel of land in Licheng District, Putian, China, with a gross site area of 12,221.78 sq.m. As at the Latest Practicable Date, the New Putian Operations Complex, which houses the New Putian Production Base and the Putian R&D Centre, was being constructed on the Putian Site. Based on the progress of the construction works at the Putian Site as at the Latest Practicable Date, the quality inspection of the main construction works of the New Putian Operations Complex is expected to be conducted within the first quarter of 2025, and the New Putian Production Base and the Putian R&D Centre are expected to commence operations by the second half of 2025.

Leased properties

As at the Latest Practicable Date, we leased seven properties in China, with an aggregate GFA of approximately 11,009 sq.m. These properties are mainly used for production facilities, research and development, warehouses, offices and staff quarters.

All leased properties are leased under tenancy agreements which do not contain any covenants, easements, exceptions or reservations of an unusual or unduly onerous nature for an agreement of this nature. Terms of these lease agreements range from two year to three years. In the event that we are not able to renew any of our leases, we believe that we could relocate our operations to new properties without due cost or disruption to our business.

As at the Latest Practicable Date, two of the total of our seven leased properties in China are leased from Mr. Li Shuo (one of our Controlling Shareholders) and a company controlled by Mr. Li Shuo's spouse, respectively. The rental payable in relation to such leased properties was determined with reference to the prevailing market rates of similar properties in terms of size, location and permitted usage, whereas the terms of the rental agreements for such leased properties were on normal commercial terms and negotiated on an arm's length basis.

Parties to lease agreements are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases under the applicable PRC laws and regulations. Registration of lease agreements requires the lessors' cooperation, including submitting their identity documentations and immovable property ownership certificates to the relevant authorities. As at the Latest Practicable Date, despite our effort in procuring the lease registration of certain of our leased properties, we are unable to secure such registrations in respect of three leased properties, primarily because the sublease party/landlord of the relevant lease property did not cooperate with us for the registration of the sublease/lease agreement. As advised by our PRC Legal Adviser, the absence of lease registration will not affect the validity or legality of the lease agreements or impede our use of the relevant properties but we might be ordered to rectify the issue and to pay a penalty of RMB1,000 to RMB10,000 per agreement if we fail to do so. As at the Latest Practicable Date, we had not received any notice from any regulatory authority with respect to potential administrative penalties or enforcement actions as a result of the non-registration of the aforementioned leases.

The above three leased properties, in respect of which lease registrations were not made, included a property used as a staff dormitory in Shenzhen and two properties forming part of the existing Putian Production Base. In the event that we are required by competent authorities to complete the registration of the relevant leases and we are unable to do so due to the lack of cooperation from the sublease party/landlord, (i) we may terminate the lease for the staff dormitory in Shenzhen and relocate to alternative locations nearby without causing any material disturbances; and (ii) in respect of the two properties forming part of the existing Putian Production Base, we intend to terminate the leases after the Putian Production Base is relocated to the New Putian Production Base. For details of the relocation plan and timeline, please see "– Our Business Strategies – Further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market – (i) Setting up the New Putian Production Base – The Expansion Plan". Our Directors consider that we will not encounter material difficulty in relocating (i) the relevant staff dormitory in Shenzhen, an ancillary facility, to a similar property in proximity to our Shenzhen Production Base; or (ii) our existing Putian Production Base to the New Putian Production Base, which is in proximity to our existing Putian Production Base. On this basis, our Directors are of the view that the potential relocation of such leased properties would not have a material adverse effect on our business, financial condition or results of operations.

Going forward, we intend to take into consideration the lessors' title and willingness to provide assistance in registering lease agreements when renewing existing leases or entering into new leases.

As advised by our PRC Legal Adviser, save as disclosed above, our ownership of the land use rights and our leased properties are in compliance with the applicable PRC laws and regulations in all material respects.

As at the Latest Practicable Date, we had no single property with a carrying amount of 15% or more of our total assets as at 31 December 2024, and on this basis, we are not required by Rule 5.01A of the Listing Rules to include in this document any valuation report. Pursuant to 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), this document is exempted from compliance with the requirements of 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 Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

INTELLECTUAL PROPERTY

We believe that our intellectual property rights, in particular our proprietary technologies utilised in our watch manufacturing processes, are critical to our continuing success. As at 31 December 2024, we have registered (i) 201 trademarks, 196 patents and 16 copyrights in China; (ii) eight trademarks in other jurisdictions; and (iii) two domain names.

For details of our intellectual property rights, see "Statutory and General Information – B. Further information about our Business – 2. Material intellectual property rights" in Appendix VI.

In order to safeguard our intellectual property rights from potential infringements, we have entered into confidentiality agreements with (i) our customers, collaboration partners and other business partners; and (ii) our senior management and employees of the R&D department and other employees who have access to secrets or confidential information of our Group.

Despite our protective measures in relation to our intellectual proprietary rights, third parties may obtain and use our intellectual property rights without our consent. Unauthorised use of our intellectual property rights by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorised use may adversely affect our business and results of operations. See "Risk Factors – Risks Relating to Our Business – Our business depends on our intellectual property, particularly our trade name, trademarks, patents, product designs and trade secrets, which we may not be able to protect against infringement and unauthorised use in counterfeit products".

As disclosed in "– Arrangements with ODM customers", under the framework agreements entered into with our ODM customers, ODM products that are independently designed and modified by the ODM customer are their exclusive products, and we are prohibited from using these designs for other purposes. We believe we have taken reasonable measures to prevent infringement of the intellectual property rights of our ODM customers. For instance, we have adopted policies to protect confidential information arising out of our business operations, and require our staff to keep all classified information confidential.

To the best of our Directors' knowledge and belief, during the Track Record Period and up to the Latest Practicable Date, there were no material instance of infringement of intellectual property rights or disputes or other pending material legal proceedings of intellectual property rights between our Group, our customers and other third parties in respect of intellectual property rights.

LICENCES, PERMITS AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, as advised by our PRC Legal Adviser, we had obtained all material licences, permits, approvals and certificates from the relevant authorities for our business and operations in all material respects, and such licences, permits, approvals and certificates remained valid and in effect. We are also required to renew such licences, permits, approvals and certificates from time. We have not experienced any material difficulties in such renewals and applications during the Track Record Period and up to the Latest Practicable Date, and do not expect any material difficulties in such renewals and applications as long as we comply with the applicable requirements and conditions set by the relevant laws and regulations. The following table sets forth a list of our material licences, permits, approvals and certificates for our business and operations:

No.	Name of Holder	Name of Licence/ Permit/Approval/ Certificate	Issuing Authority	Term of Validity/ Issuance Date
1.	The Company	Registration form for Record Filing and Registration of Foreign Trade Operators (對外貿易經營者備案登記表)	Record Filing and Registration of Foreign Trade Operators (Shenzhen Luohu) (對外貿易經營者備案登記(深圳羅湖))	8 April 2022
2.	Fujian Xipu	Registration form for Record Filing and Registration of Foreign Trade Operators (對外貿易經營者備案登記表)	Record Filing and Registration of Foreign Trade Operators (Fujian Putian Licheng) (對外貿易經營者備案登記(福建莆田荔城))	28 June 2018
3.	The Company	Pollutant Discharge Registration Receipt for Fixed Pollution Sources (固定污染源排污登記回執)	National Pollutant Discharge Permit Management Information Platform (全國排污許可證管理信息平台)	12 September 2023 to 11 September 2028

No.	Name of Holder	Name of Licence/ Permit/Approval/ Certificate	Issuing Authority	Term of Validity/ Issuance Date
4.	Fujian Xipu	Pollutant Discharge Registration Receipt for Fixed Pollution Sources (固定污染源排污登記回執)	National Pollutant Discharge Permit Management Information Platform (全國排污許可證管理信息平台)	16 September 2023 to 15 September 2028

LEGAL COMPLIANCE

We are subject to a wide range of PRC laws and regulations in the ordinary course of our business and operations. For details, see "Regulatory Overview". We have been advised by our PRC Legal Adviser that during the Track Record Period and up to the Latest Practicable Date, save as disclosed under "– Employees – Inadequate contribution to the social insurance plan and housing provident fund" and "– Properties – Leased properties", we had complied with the relevant laws and regulations in all material respects that are material to our business and operations in China, and there were no material breaches or violations of the laws or regulations applicable to us that would have a material adverse effect on our business, financial condition or results of operations.

LEGAL PROCEEDINGS

As at the Latest Practicable Date, no member of our Group or any of our Directors was engaged in any litigation, arbitration, administrative proceedings or claim of material importance, and no litigation, arbitration, administrative proceedings or claim of material importance was known to our Directors to be pending or threatened by or against our Group or any of our Directors, that would have a material adverse effect on our business, financial condition or results of operations.

INTERNAL CONTROL AND RISK MANAGEMENT

Our Directors are responsible for the formulation of and for overseeing the implementation of the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance.

In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for our needs. We believe that our internal control systems and current procedures are sufficient in terms of comprehensiveness, practicability and effectiveness.

In order to ensure that our internal control procedures are sufficient for management of external and internal risks, we have engaged an internal control consultant to conduct a review of our internal control systems and have implemented the relevant suggestions proposed by our internal control consultant. As our business continues to expand, we will refine and enhance our internal control systems to respond to the evolving requirements of our expanded operations as appropriate. We will continue to review our internal control systems to ensure compliance with applicable regulatory requirements.

Third-Party Payment Arrangements

During the Track Record Period, to our best information and knowledge, certain of our customers, which primarily consisted of (i) individual jewellery and accessories retail stores operating in the form of individually-owned businesses (個體工商戶) and (ii) small-sized enterprises (collectively, the "**Relevant Customers**"), settled their payments which were due to us through other entities or persons, such as shareholders, legal representatives and authorised representatives (which generally included owners and employees) of the Relevant Customers (the "**Third-Party Payment Arrangements**"). During the Track Record Period, the Third-Party Payment Arrangements were initiated by the Relevant Customers which (i) consisted of customers in relation to our GOLDBEAR brand to whom we sold our products directly; and (ii) we provided repair and maintenance services at their retail stores to the end consumers of our products. To our best information and knowledge, the Relevant Customers initiated the Third-Party Payment Arrangements for payment convenience and operational flexibility purposes since the Relevant Customers were individually-owned businesses or small-sized enterprises which generally have a smaller business scale and may not have engaged dedicated financial staff or set up corporate bank accounts.

In FY2022, FY2023 and FY2024, 89, 86 and 30 Relevant Customers have settled their payments which were due to us through Third-Party Payment Arrangements, respectively. Our Directors have confirmed that, during the Track Record Period, (i) each of the Relevant Customers and their designated third-party payors were Independent Third Parties; (ii) we did not provide any fee, commission, rebate, discount, financial assistance or any other similar arrangement to Relevant Customers or their designated third-party payors to facilitate or incentivise the Third-Party Payment Arrangements; and (iii) the principal terms (such as pricing policy and credit period) of the agreements that we have entered into with the Relevant Customers were in line with our other customers which were not involved in the Third-Party Payment Arrangements.

According to CIC, it is common and reasonable business market practice in the PRC for individually-owned businesses and small-sized enterprises to make and receive payments through third-party payors (which include, but are not limited to, their shareholders, legal representatives) in their ordinary course of business since it is common in the PRC for individually-owned businesses and small-sized enterprises to lack sufficient and adequate financial functions and to not have set up corporate bank accounts for business purposes due to convenience, flexibility and cost-saving consideration, and the industry's reliance on trust-based relationships.

Our Group had ceased all Third-Party Payment Arrangements since 1 November 2024 and as at the Latest Practicable Date. Since 1 November 2024, the Relevant Customers can only settle the relevant transaction amounts through bank transfers made to us by their own respective bank accounts. Furthermore, in FY2022, FY2023 and FY2024, (i) the total revenue generated from our customers in relation to our GOLDBEAR brand which were involved in the Third-Party Payment Arrangements amounted to RMB0.53 million, RMB0.13 million and RMB0.05 million, respectively, representing 0.16%, 0.03% and 0.01% of our total revenue for the respective years; and (ii) the total income generated from the repair and maintenance services provided at the retail stores of our customers which were involved in the Third-Party Payment Arrangements amounted to RMB0.03 million, RMB0.41 million and RMB0.32 million, respectively, representing 0.52%, 4.43% and 4.47% of our total other income for the respective years. As such, our Directors are of the view that the discontinuation of the Third-Party Payment Arrangements will not have any material adverse effect on our business, results of operations and financial condition.

We are subject to various risks in relation to the Third-party Payment Arrangements. For details, see "Risk Factors – Risks Relating to our Business and Industry – We are subject to various risks relating to our third-party payment arrangements". During the Track Record Period and up to 1 November 2024, we have implemented various internal control policies in order to mitigate related risks of the Third-Party Payment Arrangements, such as (i) the Relevant Customers which engaged in the Third-Party Payment Arrangements generally issue an authorisation letter to us enlisting the entities and/or persons who were the designated third-party payors on their behalf; and (ii) upon the receipt of a payment under the Third-Party Payment Arrangements, our financial department assesses whether our internal control policies in relation to the Third-Party Payment Arrangements have been conformed with and verifies the identity of the third-party payor against the authorisation letter issued and the information provided by the Relevant Customer. Since 1 November 2024, we have also implemented various internal control policies in order to prevent the reoccurrence of Third-Party Payment Arrangements, such as (i) we only allow customers to settle transaction amounts through bank transfers made to us by their own respective bank accounts, (ii) corporate customers (including enterprises and individually-owned businesses) and individual customers are required to provide our financial department with a copy of its business licence or identification card, respectively, for identification purpose, and our financial department will cross-check the payor before accepting any payments made to us, and (iii) all payments made through Third-Party Payment Arrangements or which are non-compliant with the aforementioned policies shall be returned to the relevant payor.

Our PRC Legal Adviser are of the view that the Third-Party Payment Arrangements during the Track Record Period did not constitute material non-compliance under the applicable PRC laws, rules and regulations on the following basis:

(i) the Third-Party Payment Arrangements were not in breach of any mandatory provisions of the PRC civil law and other applicable laws, rules or regulations in the PRC;

(ii) during the payment process, we provide our customers with details of the payment method and channel for settlement purposes by the third-party payors on their behalf. In cases where we have received a payment but the payor's details do not match the name of our customer, we will cross-check the identity of the payor against the authorised third-party payors enlisted in the authorisation letter issued by the Relevant Customer and/or contact the Relevant Customer to confirm that the payment is in relation to the invoice we issued to them and to understand the reasons for using a third-party payor to settle the invoice. Therefore, it is unlikely that payments received by us are intended for another account other than our Company's. During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, we were not aware of any actual, pending or threatened disputes between information and the Relevant Customers and third-party payors arising out of the Third-Party Payment Arrangements; and

(iii) we are not subject to the requirements and obligations under the PRC Anti-Money Laundering Laws, and we have not been subjected to any actual, pending or threatened administrative investigations, proceedings and/or penalties due to money laundering issues in relation to the Third-Party Payment Arrangements during the Track Record Period and up to the Latest Practicable Date.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Li YZ, Mr. Hu, Mr. Li Shuo and Mr. Li LM were entitled to exercise the voting rights attaching to approximately 20.53%, 13.69%, 13.69% and 13.69% of the total issued Shares of our Company, respectively. Mr. Hu was the founder of our Company. Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM have been acting in concert with each other and collectively controlled, managed and supervised the entire business, operation, financial and other key aspects of our Group since Mr. Li YZ, Mr Li Shuo and Mr. Li LM became our Shareholders in November 2015.

They entered into the Concert Party Agreement on 22 January 2016 and the Supplemental Concert Party Agreements in 1 January 2021 and 12 July 2023 (collectively, the "**Concert Party Agreements**") to align their shareholding interests in our Company. Pursuant to the Concert Party Agreements, Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM agreed to act in concert at shareholders' meetings of our Company since the date of the Concert Party Agreement. If they fail to reach a consensus, Mr. Li YZ has the final decision-making power.

Therefore, as at the Latest Practicable Date, Mr. Li YZ, Mr. Hu, Mr. Li Shuo and Mr. Li LM, as our Controlling Shareholders, were collectively entitled to exercise the voting rights attaching to approximately 61.60% of the total issued Shares of our Company.

Immediately after **[REDACTED]** (assuming that the **[REDACTED]** is not exercised), Mr. Li YZ, Mr. Hu, Mr. Li Shuo and Mr. Li LM will be collectively entitled to exercise the voting rights attaching to approximately **[REDACTED]**% of the total issued Shares of our Company and will be our Controlling Shareholders for the purpose of the Listing Rules.

INTERESTS OF OUR CONTROLLING SHAREHOLDERS AND DIRECTORS IN OTHER BUSINESSES

Save for their respective interests in our Company and our subsidiaries, and save as disclosed in the section headed "Directors, Supervisors and Senior Management" in this document, none of the Controlling Shareholders and Directors or any of their respective close associates had any interest in any other company which competes, or is likely to compete, either directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules as at the Latest Practicable Date.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

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

Management Independence

Our Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors. We believe that our management and operational decisions are made by our Board and senior management, all of whom have substantial experience in the industry in which we are engaged and/or in their respective fields of expertise. See "Directors, Supervisors and Senior Management" for further details.

In addition, although two of our executive Directors, Mr. Li YZ and Mr. Hu, and our deputy general manager, Mr. Li Shuo, are our Controlling Shareholders, we consider that our Board and senior management will function independently from the Controlling Shareholders and their close associates because of the following reasons:

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

- three out of our seven Directors are independent non-executive Directors, one of our Directors is a non-executive Director, and all four of our non-executive Directors have extensive experience in different professions and they are independent from our Controlling Shareholders. They have been appointed to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. We believe our non-executive Director and independent non-executive Directors will bring independent judgement to the decision-making process of our Board;

- our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates have a material interest and shall not be counted in the quorum present at the particular Board meeting; and

- we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See "– Corporate Governance Measures" for further details.

Based on the above, our Directors are satisfied that our Board as a whole are able to perform the managerial role in our Group independently and are of the view that we are capable of managing our business independently from the Controlling Shareholders after the **[REDACTED]**.

Operational Independence

We have full rights to make all decisions on, and to carry out, our own business operations independently. We have our own departments specialising in these respective areas which have been in operation and are expected to continue to operate independently from our Controlling Shareholders and their close associates. We hold licenses, intellectual property rights and qualifications necessary to carry on our principal business. We also have independent access to suppliers and have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders and their close associates.

The section headed "Connected Transactions" in this document sets out lease arrangements of our office and production facility between our Group and one of our Controlling Shareholders, Mr. Li Shuo and his associate. Our Directors believe that the terms of such transactions were determined after arm's length negotiations and on normal commercial terms or better. Accordingly, such leases are not expected to affect our operational independence as a whole.

Based on the above, our Directors believe that we will be able to operate independently from our Controlling Shareholders and their close associates after the **[REDACTED]**.

Financial Independence

We have independent internal control, accounting and financial management systems. We also have an independent finance department responsible for discharging the treasury function. We make independent financial decisions according to our own business needs.

We are capable of making financial decisions independently according to our own needs, and our Controlling Shareholders do not and will not interfere with our use of funds. We maintain and manage bank accounts independently and do not share any bank accounts with our Controlling Shareholders and/or their respective associates. We are registered independently for tax in accordance with applicable laws and we pay tax independently pursuant to applicable PRC tax laws and regulations, rather than on a combined basis with our Controlling Shareholders or other enterprises under their control.

As at the Latest Practicable Date, Mr. Li YZ, Mr. Hu, Mr. Li Shuo and Mr. Li LM, being our Controlling Shareholders and their close associates had provided guarantees (the "**Guarantees**") and provided certain of their real properties as pledges for certain bank loans and the gold loan of our Group. See note 27 to the Accountants' Report in Appendix I for further details. Our Directors expect that the Guarantees will either be released pursuant to agreements with the relevant banks, or fully repaid on or before the **[REDACTED]**. On this basis, our Directors are of the view that our Group is financially independent from our Controlling Shareholders and their close associates in our Group's business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

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

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

(a) if there is any conflict of interest in the operations of the companies and entities controlled by the Controlling Shareholders and our Group, and in respect of any proposed contracts or arrangements entered into or to be entered into between the companies and entities controlled by the Controlling Shareholders or their close associates any Director who is considered to have a related interest in the counterparty shall not be counted towards the quorum and shall not vote in the relevant Board meeting. In general, after **[REDACTED]**, any Director who has a material interest in actual or potential connected transactions will be required, under the Listing Rules, to abstain from voting in meetings of the Board in relation to such transactions. In these circumstances, the independent non-executive Directors will exercise their independent judgement to the Board's decision-making process. They will also advise and vote on the transaction and can seek independence advice from external advisers (including where applicable, our Compliance Advisor if required). Our other non-conflicted Directors can also bring their extensive experience and expertise to the Board. We will form an independent board committee comprising the independent non-executive Directors without the attendance by any Director with beneficial or conflicting interest;

(b) we will comply with all the code provisions of the Corporate Governance Code upon **[REDACTED]** on a "comply-or-explain" basis, which sets out certain principles relating to, among other matters, directors, chief executive, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration, and communication policies with shareholders;

(c) our Board is committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element in our Board which can effectively exercise independent judgement. Our Company has appointed three independent non-executive Directors. Our Directors believe that our independent non-executive Directors are of sufficient calibre, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide impartial and professional advice to protect the interests of the minority Shareholders, which will provide advice and guidance to our Company in respect of compliance with applicable laws and the Listing Rules including various requirements relating to directors' duties and internal control;

(d) as required by the Listing Rules, our independent non-executive Directors shall review any connected transactions annually and confirm in our annual report that such transactions which have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from Independent Third Parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole; and

(e) in the event that our independent non-executive Directors shall review any conflict of interests between our Group and our Controlling Shareholders, our Controlling Shareholders shall provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors. Our Company will also appoint a Hong Kong legal advisor after its **[REDACTED]**, to advise it on matters relating to the Listing Rules to ensure that our Company receives advice on matters under the Listing Rules.

Based on the above, our Directors consider that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and their close associates to protect minority Shareholders' interests after the **[REDACTED]**.

OVERVIEW

Upon the **[REDACTED]**, the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

Name	Connected Relationship
View Bright Management Limited (滙輝管理有限公司) ("**View Bright**")	Wholly owned by Ms. Chen Yingying (陳瑩瑩) ("**Ms. Chen**"), who is the sole director of View Bright and the spouse of Mr. Li Shuo
Mr. Li Shuo	Deputy general manager of our Company and one of our Controlling Shareholders

ONE-OFF CONNECTED TRANSACTIONS BEFORE [REDACTED]

We have entered into the factory lease agreement and the office lease agreement with View Bright and Mr. Li Shuo, details of which are set out below.

Factory Lease Agreement and Office Lease Agreement

Principal Terms

During the Track Record Period, we leased from View Bright an industrial plant located at Xiufeng Industrial Park, Longgang District, Shenzhen, the PRC as our Shenzhen production facility (the "**Production Lease Property**"). On 27 October 2021, we renewed the tenancy and entered into a new lease agreement with View Bright (the "**Factory Lease Agreement**") for a term of five years. During the Track Record Period, we leased from Mr. Li Shuo an industrial plant located at Xiufeng Industrial Park, Longgang District, Shenzhen, the PRC as our office and one of our R&D centres (the "**Office Lease Property**"). On 11 January 2023, we renewed the tenancy and entered into a new lease agreement with Mr. Li Shuo (the "**Office Lease Agreement**") for a term of five years. The terms of the Factory Lease Agreement and Office Lease Agreement (collectively, the "**Lease Agreements**") are as follows:

Lease Agreement	Landlord	Tenant	Term	Leased area	Rent per month
Factory Lease Agreement	View Bright	Our Company	2021.11.01 – 2026.10.31	property area of 2,000 sq.m.	RMB32,000
Office Lease Agreement	Mr. Li Shuo	Our Company	2023.1.15 – 2028.1.14	property area of 2,210.8 sq.m.	RMB39,794.4

The rents under the Lease Agreements are determined by parties at arm's length negotiations with reference to prevailing market rate and the location, quality and size of the relevant property. As confirmed by our Directors, the rents charged under each of the Lease Agreements represent the prevailing market rent per sq.m. for comparable properties in neighbouring areas at each of the leased property is located.

Historical transaction amounts

The corresponding lease liabilities in relation to the Factory Lease Agreement for FY2022, FY2023 and FY2024 amounted to approximately RMB384,000, RMB384,000 and RMB384,000, respectively.

The corresponding lease liabilities in relation to the Office Lease Agreement for FY2022, FY2023 and FY2024 amounted to approximately RMB398,000, RMB478,000 and RMB478,000, respectively.

Reasons for and benefits of the Transactions

The Lease Agreements were entered into in the ordinary and usual course of business of our Group, and for the purpose of providing the premises for our Group's production, administrative, sales, and R&D activities. On the basis that the rentals payable the Lease Agreements were entered into with reference to the rentals charged by independent third parties on properties with similar use and in the vicinity of the properties, the Directors consider that (i) the terms of the Lease Agreements are fair, reasonable and on normal commercial terms to our Group; and (ii) the Lease Agreements were entered into in the ordinary and usual course of business of our Group.

Listing Rules Implications

In accordance with IFRS 16 "Leases", our Group recognised right-of-use assets on our balance sheet in relation to the fixed term leases in the form of an asset (representing the right to use the underlying assets during the lease term) and a liability (for the obligation to make lease payment). Therefore, the leasing of (i) factory property from View Bright under the Factory Lease Agreement and (ii) office property from Mr. Li Shuo under the Office Lease Agreement are regarded an acquisition of capital assets by our Group and one-off connected transactions entered into by our Group prior to the **[REDACTED]**, rather than a continuing connected transaction for the purposes of the Listing Rules. Accordingly, the reporting, announcement, annual review, circular and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

In the event that there is any material change to the Lease Agreements, we shall re-comply with Chapter 14A of the Listing Rules in respect to the relevant Lease Agreement including, where not exempted under the Listing Rules, seeking independent Shareholders' approval prior to effecting such change.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) consider that the transactions under the Factory Lease Agreement and Office Lease Agreement (i) had been entered into in the ordinary and usual course of our Company's business; and (ii) are on normal commercial terms or better which are fair and reasonable and in the interests of our Company and its Shareholders as a whole.

Our Directors are of the view that the five-year lease terms under the Lease Agreements is normal for our operations. This is because having longer-term leases would enable us to secure a location for our office and R&D centre and would allow us to maintain operational stability while at the same time allowing us to prevent unnecessary cost, time and the potential interruption of business caused by relocation if we enter into shorter-term leases that are not renewed. Therefore, the Directors are of the view that lease terms of greater than three years for the Factory Lease Agreement and the Office Lease Agreement is a normal business practice for agreements of this type. On this basis, the Directors consider that the relatively longer lease terms are fair and reasonable and beneficial to our Company and our Shareholders as a whole.

OVERVIEW

As at the Latest Practicable Date, our Board consisted of seven Directors, comprising three Executive Directors, one non-executive Director and three independent non-executive Directors. Our Board is responsible and has the general authority for the management and operation of our Company. Our Directors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our Supervisory Committee consists of three Supervisors. Our Supervisors are appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

Our senior management is responsible for the management of day-to-day operations of our Group.

BOARD OF DIRECTORS

The following table shows certain information of our Directors as at the Latest Practicable Date.

Name	Age	Date of joining our Group	Position	Date of appointment as a Director	Roles and Responsibilities	Relationship with other Directors, Supervisors and senior management members
Executive directors						
Mr. Li Yongzhong (李永忠)	54	January 2016	Chairman and Executive Director	22 January 2016	formulating the overall development strategies, overall supervision of the operation of our Group, leading the Board and managing overall R&D	Father-in-law of Mr. Hu Shaohua and father of Mr. Li Shuo
Mr. Hu Shaohua (胡少華) (former name: Hu Shaofeng (胡少鋒))	40	July 2013	Executive Director and general manager	15 July 2013	overall strategic planning of our Group, overseeing daily operation and management of our Group and leading R&D in gold watch	Son-in-law of Mr. Li Yongzhong and brother-in-law of Mr. Li Shuo

Name	Age	Date of joining our Group	Position	Date of appointment as a Director	Roles and Responsibilities	Relationship with other Directors, Supervisors and senior management members
Mr. Li Yangjin (李陽金)	47	October 2015	Executive Director, Board secretary, deputy general manager, chief financial officer and joint company secretary	22 January 2016	Overall strategic planning of our Group and overseeing daily operation and financial management of our Group and affairs of the Board office	None
Non-executive Director						
Mr. Huang Liangdi (黃良地)	49	July 2023	Non-executive Director	14 July 2023	Overseeing Board affairs and providing strategic advice and guidance on the business operations of our Group	None
Independent non-executive Directors						
Mr. Li Qi (李奇)	46	December 2019	Independent non-executive Director	2 December 2019	Supervising and providing independent judgement and opinion to our Board (i) on issues material to our Group and (ii) where otherwise required	None
Mr. Lin Yong (林勇)	42	December 2019	Independent non-executive Director	2 December 2019	Supervising and providing independent judgement and opinion to our Board on (i) issues material to our Group and (ii) where otherwise required	None

Name	Age	Date of joining our Group	Position	Date of appointment as a Director	Roles and Responsibilities	Relationship with other Directors, Supervisors and senior management members
Ms. Guo Xiaohong (郭曉紅) (former name: Guo Lanhong (郭嵐紅))	53	July 2023	Independent non-executive Director	14 July 2023	Supervising and providing independent judgement and opinion to our Board (i) on issues material to our Group and (ii) where otherwise required	None
Mr. WONG Sin Yung (黃善榕)	70	[●]	Proposed Independent non-executive Director	[●]	Supervising and providing independent judgement and opinion to our Board (i) on issues material to our Group and (ii) where otherwise required	None

Executive Directors

Mr. Li Yongzhong (李永忠), aged 54, is one of our Controlling Shareholders, our Chairman and executive Director. He joined our Company as the Chairman since January 2016. Mr. Li YZ was re-designated as an executive Director on 14 November 2024. Mr. Li YZ is primarily responsible for formulating the overall development strategies, providing overall supervision of the operation of our Group, leading the Board and managing overall R&D. Mr. Li YZ is also the chairman of our Strategy Committee.

Mr. Li YZ has over 20 years of experience in the jewellery and watch industry. From October 2003 to June 2020, Mr. Li YZ served as the operator of Putian Licheng District Zhongshuo Jade Store (莆田市荔城區中碩玉石商行) (formerly known as Putian Licheng District Beigao Zhonggang Jewellery Equipment Trading Company (莆田市荔城區北高中港首飾設備器材行) where he was primarily responsible for the overall business management. From April 2010 to May 2020, Mr. Li YZ served as the executive director and general manager of Putian City Minxuan Diamond Tools Co., Ltd. (莆田市民煊金剛石工具有限公司). From May 2012 to May 2020, Mr. Li YZ served as the executive director and general manager of Shenzhen Meizhou Bay Enterprise Management Consulting Co., Ltd. (深圳市湄洲灣企業管理諮詢有限公司). From December 2014 to December 2019, Mr. Li YZ served as the executive director of Putian City Jinying Diamond Tools Co., Ltd. (莆田市金映金剛石工具有限公司). Mr. Li YZ served as the director of Shenzhen Pushang Financing Guarantee Co., Ltd (深圳市莆商融資擔保有限公司) (formerly known as Shenzhen Pushang Security Co., Ltd (深圳市莆商擔保有限公司) from December 2012 to June 2022, and was re-designated as the Supervisor since June 2022.

Mr. Li YZ attended Beigao Middle School (北高中學) in the PRC (now known as No. 16 Middle School of Putian (莆田第十六中學)) from September 1985 to July 1988.

Mr. Li YZ is the father-in-law of Mr. Hu and father of Mr. Li Shuo.

Mr. Li YZ was a director or operator of the following company or entities that were established in the PRC, at the time or within 12 months from the time of their deregistration and the relevant details are as follows:

Name of company	Nature of Business	Status	Date of deregistration	Reason	Mr. Li Yongzhong's position
Shenzhen Xipu Machinery Automation Co., Ltd. (深圳市西普機械自動化有限公司)	Sales of equipment for diamond production	Deregistration	4 December 2020	No business operation since its establishment	Director
Putian Licheng District Zhongshuo Jade Store (莆田市荔城區中碩玉石商行)	Sales and processing of jade	Deregistration	17 June 2020	Cessation of business	Operator
Putian Crafts Town Gudai Jadeware Store (莆田工藝美術城古黛玉器經營部)	Sales of jadeware	Deregistration	15 November 2019	No business operation since its establishment	Operator
Putian Crafts Town Xipu Jewelry and Watch Store (莆田工藝美術城西普珠寶表業中心)	Sales of jewellery and golden watch	Deregistration	21 April 2010	No business operation since its establishment	Operator

Mr. Li Yongzhong confirmed that (i) each of the deregistered companies and the entities was solvent; (ii) there was no wrongful act on his part leading to the deregistrations; and (iii) he was not aware of any actual or potential claim that has been or will be made against him as a result of the deregistrations of these companies or entities.

Mr. Hu Shaohua (胡少華) (former name: Hu Shaofeng (胡少鋒)), aged 40, is one of our Controlling Shareholders, our Executive Director and general manager. Mr. Hu has served as our Director and general manager since our establishment in July 2013. He was re-designated as an executive Director on 14 November 2024. Mr. Hu is primarily responsible for overall strategic planning of our Group, overseeing daily operation and management of our Group and leading R&D in gold watch. Mr. Hu is also the member of our Remuneration and Assessment Committee.

Mr. Hu has over 15 years of experience in the watch and accessories industry. Prior to founding our Company, Mr. Hu worked as a customer service manager of Putian New Thinking Advertising Co., Ltd. (莆田市新思維廣告有限公司) from March 2007 to December 2008. From December 2008 to July 2013, Mr. Hu served as the department manager in Shenzhen Diamond Tools Co., Ltd. (深圳市西普金剛石工具有限公司) (formerly known as Shenzhen Hipine Jewellery Co., Ltd. (深圳市西普珠寶首飾有限公司)).

Mr. Hu obtained his bachelor's degree in advertising from Fujian School of Technology (福建工程學院) located in the PRC (now currently known as Fujian University of Technology (福建理工大學)) in July 2007. Mr. Hu was awarded the degree of executive master of business administration by University of Macau in August 2024. Mr. Hu was admitted as a senior analyst in gold investment by China Gold Association in August 2023.

Mr. Hu is the son-in-law of Mr. Li YZ who is our Chairman and Executive Director, and brother-in-law of Mr. Li Shuo who is our deputy general manager.

Mr. Hu was a person-in-charge or operator of the following branches of our Company and entities, which were established in the PRC, at the time or 12 months from the time of their deregistrations and the relevant details are as follows:

Name of company	Nature of Business	Status	Date of deregistration	Reason	Mr. Hu's position
Shenzhen Luohu District Zunshangheng Watch Store (深圳市羅湖區尊尚恒時鐘錶行)	Sales of watch and jewellery	Deregistration	18 September 2013	No business operation since its establishment	Operator
Chenghua District Hu Shaohua Store (成華區胡少華龍商貿部)	Sales of jewellery and watch	Deregistration	9 May 2016	No business operation since its establishment	Operator

Mr. Hu confirmed that (i) each of the deregistered branches of our Company and entities was solvent at the time of their respective deregistration; (ii) there was no wrongful act on his part leading to the deregistrations; and (iii) he was not aware of any actual or potential claim that has been or will be made against him as a result of the deregistrations of these branches or entities.

Mr. Li Yangjin (李陽金), aged 47, is our Executive Director, Board secretary, deputy general manager and chief financial officer. Mr. Li YJ joined our Group as the deputy general manager in October 2015 and was appointed as our chief financial officer in August 2018. From January 2016 to December 2019 and since December 2020, Mr. Li YJ served as our Board secretary. Mr. Li YJ was appointed as a Director in January 2016 and re-designated as an executive Director on 14 November 2024. He has also been appointed an a joint company secretary on 29 November 2024. Mr. Li YJ is primarily responsible for overall strategic planning of our Group and overseeing daily operation and financial management of our Group and affairs of the Board office. Mr. Li YJ is also the executive director and general manager of Hainan Hipine.

Mr. Li YJ has over 18 years of experience in financial management. Prior to joining our Company, Mr. Li YJ previously worked as a department manager of Shenzhen Tangshangyuan Tax Accountant Firm Co., Ltd. (深圳市唐商源稅務師事務所有限責任公司) from January 2002 until December 2004. From October 2006 to September 2015, Mr. Li YJ served as the deputy general manager of Shenzhen Ritu Science and Technology Co., Ltd. (深圳市日圖科技有限公司), where he was mainly responsible for financial management and general corporate governance.

Mr. Li YJ obtained his bachelor's degree in administration from China Coal Economics College (中國煤炭經濟學院) (now known as Shandong Technology and Business University (山東工商學院)) in the PRC in July 2001 and obtained his master's degree in accounting from Chinese University of Hong Kong in November 2018. Mr. Li YJ obtained his Intermediate Accountant Certificate issued by Ministry of Personnel of the PRC in September 2003. He was accredited as a Registered Tax Agent by State Administration of Taxation in June 2004. Mr. Li YJ was admitted as a senior analyst in gold investment by China Gold Association in December 2022.

Mr. Li YJ was a director or supervisor of the following companies, which were established in the PRC, at the time or 12 months from the time of their respective deregistration or business licence revocation and the relevant details are as follows:

Name of company	Nature of Business	Status	Date of deregistration/ revocation	Reason	Mr. Li Yangjin's position
Shenzhen Jinju Heat Transfer Co., Ltd. (深圳市今巨熱傳股份有限公司)	Production and sales of electronic products	Business licence revoked	11 February 2013	Failure to undergo annual inspection	Director
Zhongke Ruomu Intelligent Automobile (Chongqing) Co., Ltd. (中科若木智能汽車(重慶)有限公司)	Production and sales of electric vehicles	Business licence revoked	25 April 2021	Failure to undergo annual inspection	Director
Chongqing Zhongke Ruomu Intelligent Automobile Research Institute Co., Ltd. (重慶市中科若木智能汽車研究院有限公司)	Technology research and development in electric vehicles	Business licence revoked	22 February 2023	Failure to undergo annual inspection	Supervisor
Shanghai Tiantu Financial Consulting Co., Ltd. (上海天圖財務諮詢有限公司)	Financial consulting	Deregistration	17 May 2005	Cessation of business	Supervisor
Sanchuan Heat Transfer Products (Shenzhen) Co., Ltd. (三川熱傳產品(深圳)有限公司)	Development and design of electronic products	Business licence revoked	18 October 2011	Failure to undergo annual inspection	Supervisor

Mr. Li YJ confirmed that (i) each of the deregistered companies and the companies with business licence revoked was solvent; (ii) there was no wrongful act on his part leading to the deregistrations or revocations of business licence of these companies; and (iii) he was not aware of any actual or potential claim that has been or will be made against him as a result of the deregistrations or revocations of business licence of these companies.

Non-executive Director

Mr. Huang Liangdi (黃良地) aged 49, was appointed as our Director in July 2023 and was re-designated as a non-executive Director on 14 November 2024. Mr. Huang is primarily responsible for overseeing Board affairs and providing strategic advice and guidance on the business operations of our Group. Mr. Huang is also the member of each of our Nomination Committee and Strategy Committee.

Mr. Huang worked at Putian Information Center (莆田市信息中心), which was a public institution located in Putian from April 2002 to June 2005. Between July 2005 and May 2006, he worked as a technician in Network Department of Putian Municipal Government Information Engineering Review Center (莆田市政府信息工程評審中心) (now known as Putian City Smart Card Operation Service Center (莆田市城市一卡通運營服務中心)), which was a public institution located in Putian. From June 2006 to April 2018, Mr. Huang successively served as an employee and a manager of business department in Putian Railway Construction and Development Co., Ltd. (莆田市鐵路建設開發有限公司) (now known as Putian Transportation Energy Investment and Development Co., Ltd. (莆田市交通能源投資開發有限公司)). Since May 2018, Mr. Huang has successively served as the director and chairman of Putian Jinli Investment Co., Ltd. (莆田市金荔投資股份有限公司). Since April 2018, Mr. Huang joined Jinyingu Investment as the deputy general manager and is currently the executive director and general manager of Jinyingu Investment.

Mr. Huang graduated from China Central Radio and TV University (中央廣播電視大學) (now known as The Open University of China (國家開放大學)), majoring in laws in the PRC in July 2005. Mr. Huang also obtained his bachelor's degree in civil engineering from Putian University (莆田學院) in January 2015. Mr. Huang was accredited as an Intermediate Engineer in Engineering Construction Management by China Straits Talent Market Title Reform Leading Group (中國海峽人才市場職稱改革領導小組) in August 2022.

Independent non-executive Directors

Mr. Li Qi (李奇), aged 46, was appointed as our independent Director in December 2019 and November 2022, respectively. He was re-designated as our independent non-executive Director on 14 November 2024. He is responsible for supervising and providing independent judgement and opinion to our Board on issues material to our Group and where otherwise required. Mr. Li Qi is also the chairman of our Remuneration and Assessment Committee and the member of each of our Nomination Committee and Strategy Committee.

Mr. Li Qi served as the deputy general manager of Zhonghengyu Asset Evaluation Co., Ltd. (中恒譽資產評估有限公司), a company principally engaged in the evaluation on jewellery and artworks from December 2001 to March 2014, where he was responsible for the general business management. Since January 2019, Mr. Li Qi has served as the executive director and general manager of Liqili (Beijing) Culture and Arts Co., Ltd. (利奇力(北京)文化藝術有限公司), a company principally engaged in organising cultural and artworks activities, where he is responsible for the overall management. Mr. Li Qi graduated from China University of Geosciences (中國地質大學) in the PRC in June 2000 with a specialisation in gemology and material craftsmanship. He was accredited as a Certified Gemologist by the Ministry of Personnel of the PRC in September 2002. Mr. Li Qi was awarded the Qualification Certificate for Independent Director by Shenzhen Stock Exchange in November 2020.

Mr. Lin Yong (林勇), aged 42, was appointed as our independent Director in December 2019 and November 2022, respectively. He was re-designated as our independent non-executive Director on 14 November 2024. He is responsible for supervising and providing independent judgement and opinion to our Board on issues material to our Group and where otherwise required. Mr. Lin is also the chairman of our Nomination Committee and the member of each of our Audit Committee and Remuneration and Assessment Committee.

Mr. Lin has over 13 years of experience in the legal industry. From December 2011, Mr. Lin joined Sundial Law Firm (廣東信達律師事務所) as an associate, and subsequently promoted as a partner. Mr. Lin graduated from Jiangxi University of Finance and Economics (江西財經大學) in the PRC in June 2007, majoring in laws. Mr. Lin has obtained his legal practitioner qualification in the PRC. Mr. Lin was awarded the Qualification Certificate for Independent Director by Shenzhen Stock Exchange in June 2019.

Ms. Guo Xiaohong (郭曉紅) (former name: Guo Lanhong (郭嵐紅)), aged 53, was appointed our independent Director in July 2023 and was re-designated as our independent non-executive Director on 14 November 2024. She is responsible for supervising and providing independent judgement and opinion to our Board on issues material to our Group and where otherwise required. Ms. Guo is also the chairlady of our Audit Committee and member of our Nomination Committee.

Ms. Guo has been teaching in the accounting faculty of Fujian Institute of Financial Administrators (福建金融管理幹部學院) (now known as Fujian Jiangxia University (福建江夏學院)) since July 1992 and was promoted as a professor in December 2014. She previously served as the associate dean of the accounting faculty. Ms. Guo has served as an independent director of Fujian Forecam Optics Co., Ltd. (福建福光股份有限公司) (engaged in the manufacture of special and civil optical lenses and optoelectronic systems), a company listed on the Shanghai Stock Exchange (stock code: 688010) since December 2022. Ms. Guo has also served as an independent director of Fujian Haixia Environmental Protection Group Co. Ltd. (福建海峽環保集團股份有限公司) (principally engaged in sewage disposal), a company listed on the Shanghai Stock Exchange (stock code: 603817) since November 2023.

Ms. Guo obtained her bachelor's degree in taxation from Hunan University of Finance and Economics (湖南財經學院) in the PRC in July 1992. She also received a master's degree in accounting from Fuzhou University (福州大學), the PRC in June 2003. Ms. Guo has became a non-practising member of the Chinese Institute of Certified Public Accountants since 2000. She was accredited as Certified Public Valuer by Ministry of Finance in February 1997. She also was accredited as the Certified Real Estate Appraiser by Ministry of Construction of PRC in November 1998. Ms. Guo was awarded the Qualification Certificate for Independent Director by Shenzhen Stock Exchange in November 2022.

Mr. Wong Sin Yung (黃善榕), aged 70, was appointed as our independent non-executive Director, which will take effect shortly before the **[REDACTED]**. Mr. Wong is responsible for supervising and providing independent judgement and opinion to our Board on issues material to our Group and where otherwise required. Upon **[REDACTED]**, Mr. Wong will also be the independent non-executive Director who is ordinarily resident in Hong Kong in accordance with the requirements under Rule 19A.18(1) of the Listing Rules.

Mr. Wong has over 30 years' experience in corporate finance, accounting, auditing, corporation administration, and project consulting. Mr. Wong has been serving as the chief financial officer, executive director and company secretary in BaWang International (Group) Holding Limited (霸王國際(集團)控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1338) since December 2008. Mr. Wong was a finance manager and an executive director of China Ting Group Holdings Limited (華鼎集團控股有限公司), a company listed on the Stock Exchange (stock code: 3398) from January 2004 to April 2008. Mr. Wong was the chief accountant and finance manager of Mark Wong & Associates (Industrial Consultants) Limited from 1988 to 1992 and from 1994 to 2003 respectively. He also worked for a certified public accountant firm from 1992 to 1994.

Mr. Wong obtained a master's of arts degree in human resource management from Macquarie University in June 1996 after having successfully completed the academic units prescribed by the university for its international MA (HRM) programme in Hong Kong and having satisfied the requirements for the award of degree. He further obtained a master's degree in business administration from The University of Hong Kong in 1999. Mr. Wong is an associate member of Hong Kong Institute of Certified Public Accountants.

SUPERVISORY COMMITTEE

The PRC Company Law requires a joint stock limited company to establish a board of supervisors. Pursuant to our Articles of Association, at least one-third of our Supervisors must be employee representatives elected by our employees. Our Supervisory Committee currently comprises three Supervisors, one of whom is an employee representative Supervisor elected by our employees.

Each of our Supervisors has been appointed for a term of three years, which is renewable upon re-election and re-appointment. The table below sets out certain details of our Supervisors.

Name	Age	Date of joining our Group	Position	Date of appointment as a Supervisor	Responsibilities	Relationship with other Directors, Supervisors and senior management members
Ms. Yao Xiangping (姚向萍)	39	July 2023	Supervisor and chairlady of the Supervisory Committee	14 July 2023	Exercising the supervisory duties in accordance with the regulatory requirements and our Articles of Association	None
Ms. Qin Yan (欽豔)	52	May 2015	Employe Representative Supervisor	2 December 2019	Exercising the supervisory duties in accordance with the regulatory requirements and our Articles of Association	None
Mr. Zou Jianping (鄒建平)	43	June 2015	Supervisor	22 January 2016	Exercising the supervisory duties in accordance with the regulatory requirements and our Articles of Association	None

Ms. Yao Xiangping (姚向萍), aged 39, has been appointed as our Supervisor and the chairlady of Supervisory Committee in July 2023.

Ms. Yao has over 15 years of experience in the financial management. From February 2008 to January 2012, Ms. Yao served as the accountant in Skshu Paint Co., Ltd. (三棵樹塗料股份有限公司) (principally engaged in paint production), a company listed on the Shanghai Stock Exchange (stock code: 603737). From October 2012 to October 2016, Ms. Yao worked as an accountant of Hua Chang Jewelry Co., Ltd. (華昌珠寶有限公司). From November 2016 to July 2017, Ms. Yao worked as an accountant of Putian Meizhou Island Fishing Port Construction Co., Ltd. (莆田市湄洲島漁港建設有限公司). From August 2017 to March 2020, Ms. Yao served as the head of finance department in Jinyingu Investment, one of our Shareholders. From January 2018 to February 2023, Ms. Yao served as the chief financial officer of Putian Jinli Investment Co., Ltd. (莆田市金荔投資股份有限公司), and subsequently promoted as the director and deputy general manager in February 2023. Since March 2020, Ms. Yao served as the deputy general manager of Jinyingu Investment.

Ms. Yao obtained a bachelor's degree in financial management from Putian University (莆田學院) in July 2008. Ms. Yao obtained her intermediate accountant qualification certificate issued by Putian Municipal Human Resources and Social Security Bureau in February 2016.

Ms. Qin Yan (欽豔), aged 52, served as our Director from January 2016 to November 2019. Due to the work allocation within our Group, Ms. Qin was appointed as our employee representative Supervisor and the chairlady of Supervisory Committee in December 2019, and she stepped down as the chairlady of our Supervisory Committee in July 2023 but remained as a Supervisor. Ms. Qin is also the supervisor of Fujian Xipu and Hainan Hipine, our subsidiaries.

Ms. Qin has over 14 years of experience in human resources management. Prior to joining our Group as the human resources and administration officer in May 2015, from November 2007 to July 2012, Ms. Qin worked as the administration and human resources manager of Shenzhen Jinhong Golden Box Craft Products Incoming Processing Factory (深圳金宏金盒工藝製品來料加工廠). Ms. Qin served as the director (總監) of Shenzhen Guoxian LCM Co,. Ltd. (深圳市國顯光電有限公司) from September 2013 until November 2013, and also worked at its parent company, Shenzhen K&D Technology Co., Ltd. (深圳市國顯科技有限公司), from December 2013 until July 2014. From August 2014 to January 2015, Ms. Qin served as the administration and human resources director of Shenzhen Rapoo Technology Co., Ltd. (深圳市雷柏科技股份有限公司) (principally engaged in the production of wireless peripherals), a company listed on the Shenzhen Stock Exchange (stock code: 002577).

Ms. Qin obtained a college diploma (專科文憑) in laws from Sun Yat-sen University (中山大學) in the PRC in December 2006. She also received a master's degree in business administration from Hong Kong Asia Business College in July 2022 through long distance learning. Ms. Qin obtained her legal practitioner qualification in the PRC in April 1994. She was accredited as an enterprise human resources manager (level two) by the Occupational Skill Testing Authority under Ministry of Human Resources and Social Security of the PRC (人力資源和社會保障部職業技能鑒定中心) in November 2009.

Mr. Zou Jianping (鄒建平), aged 43, served as chairman of Supervisory Committee from January 2016 to November 2019 and he stepped down as the chairman of our Supervisory Committee in December 2019 but remained as our Supervisor.

Mr. Zou joined our Company as the quality manager since June 2015 and has been responsible for the quality control. Since September 2017, he has been promoted to the administration manager and has been responsible for the general administration management. Prior to joining the Group, Mr Zou was employed as the production section chief of Lianxinfeng Optoelectronics (Shenzhen) Co., Ltd. (聯欣豐光電(深圳)有限公司) from September 2008 to September 2010, where he was mainly responsible for the production management and quality management.

Mr. Zou graduated from Shandong University (山東大學) majoring in human resources management in the PRC in January 2021 through long distance learning.

SENIOR MANAGEMENT

The following table sets forth information in relation to our senior management:

Name	Age	Date of joining our Group	Position	Date of appointment as senior management	Responsibilities	Relationship with other Directors, Supervisors and senior management members
Mr. Hu Shaohua (胡少華) (former name: Hu Shaofeng (胡少鋒))	40	July 2013	Executive Director and general manager	15 July 2013	Overall strategic planning of our Group and overseeing daily operation and management of our Group	Son-in-law of Mr. Li Yongzhong and brother-in-law of Mr. Li Shuo
Mr. Li Yangjin (李陽金)	47	January 2016	Executive Director, Board secretary, deputy general manager, chief financial officer and joint company secretary	22 January 2016	Overall strategic planning of our Group and overseeing daily operation and financial management of our Group and affairs of the Board office	None

Name	Age	Date of joining our Group	Position	Date of appointment as senior management	Responsibilities	Relationship with other Directors, Supervisors and senior management members
Mr. Li Shuo (李碩)	37	November 2015	Deputy general manager	November 2015	Overseeing daily operation and management of our Group	Son of Mr. Li Yongzhong and brother-in-law of Mr. Hu Shaohua

Mr. Hu Shaohua (胡少華) (former name: Hu Shaofeng (胡少鋒)), aged 40, is an executive Director and the general manager of our Company, see "– Board of Directors – Executive Directors." for further details.

Mr. Li Yangjin (李陽金), aged 47, is an Executive Director, Board secretary, deputy general manager, chief financial officer of our Company and he is one of our joint company secretaries, see "– Board of Directors – Executive Directors" for further details.

Mr. Li Shuo (李碩), aged 37, is one of our Controlling Shareholders and the deputy general manager of our Company since November 2015. Mr. Li Shuo previously served as our Director from March 2021 to June 2023. He is currently responsible for overall strategic planning of our Group, overseeing daily operation and management of our Group, and R&D in gold accessory. Mr. Li Shuo is also the executive director and general manager of Fujian Xipu, our subsidiary.

Mr. Li Shuo successively served as the general manager, executive director and supervisor of Putian Gengshang Diamond Tools Co., Ltd. (莆田市庚尚金剛石工具有限公司) since December 2014 to March 2020. From February 2015 to February 2017, he concurrently served as the executive director in Putian Changrui Diamond Tools Co., Ltd. (莆田市長瑞金剛石工具有限公司), Putian Shangxuan Diamond Tools Co., Ltd. (莆田市尚軒金剛石工具有限公司) and Putian Dingyou Diamond Tools Co., Ltd. (莆田市鼎友金剛石工具有限公司) where he worked as the general manager since February 2015 to February 2016. In July 2014, Mr. Li was appointed as the supervisor of Shenzhen Hipine Jewellery Co., Ltd. (深圳市西普金剛石工具有限公司). In February 2015, Mr. Li Shuo was appointed as the supervisor of Putian Kangheng Diamond Tools Co., Ltd. (莆田市康恒金剛石工具有限公司), Putian Yanzhi Diamond Tool Co., Ltd. (莆田市顏之鑽金剛石工具有限公司), Putian Huiming Diamond Tools Co., Ltd. (莆田市惠明金剛石工具有限公司), Putian Fuyun Diamond Tools Co., Ltd. (莆田市福運金剛石工具有限公司), Putian Youyin Diamond Tools Co., Ltd. (莆田市友銀金剛石工具有限公司).

Mr. Li Shuo obtained a college diploma (專科文憑) in jewellery appraisal and operational management from China University of Geosciences (中國地質大學) in the PRC in July 2007.

Mr. Li Shuo is the son of Mr. Li Yongzhong who is our Chairman and Executive Director, and the brother-in-law of Mr. Hu Shaohua, who is our Executive Director and general manager.

Mr. Li Shuo was a supervisor of the following company, which was established in the PRC, at the time or 12 months from the time of its deregistration and the relevant details are as follows:

Name of company	Nature of Business	Status	Date of deregistration	Reason	Mr. Li Shuo's position
Shenzhen Xipu Machinery Automation Co., Ltd. (深圳市西普機械自動化有限公司)	Sales of equipment for diamond production	Deregistration	4 December 2020	No business operation since its establishment	Supervisor

Mr. Li Shuo confirmed that (i) the deregistered company above was solvent; (ii) there was no wrongful act on his part leading to the deregistration; and (iii) he was not aware of any actual or potential claim that has been or will be made against him as a result of the deregistration.

CONFIRMATIONS FROM OUR DIRECTORS AND SUPERVISORS

Save as disclosed above and in "Statutory and General Information – C. Further Information about our Directors, Supervisors, and Substantial Shareholders – 1. Disclosure of Interests" in Appendix VI to this document, each of our Directors (including the proposed independent non-executive Director, Mr. Wong Sin Yung) and Supervisors confirms with respect to him/her that:

(a) he/she 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;

(b) he/she had no other relationship with any Directors, Supervisors, senior management or substantial shareholders of our Company as at the Latest Practicable Date;

(c) he/she 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;

(d) 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) of or paragraph 47 in Appendix D1A to the Listing Rules; and

(e) to the best of the knowledge, information and belief of our Directors and Supervisors after having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors and Supervisors that needs to be brought to the attention of our Shareholders.

Rule 3.09D of the Listing Rules

Each of the Directors has obtained the legal advice in accordance with Rule 3.09D of the Listing Rules on 16 November 2024 and that each of the Directors has confirmed that he/she understood his/her obligations as a director of a listed issuer on the Stock Exchange under the Listing Rules.

Rule 3.13 of the Listing Rules

Each of the independent non-executive Directors (including the proposed independent non-executive Director, Mr. Wong Sin Yung) has confirmed:

(a) his/her independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules;

(b) he/she has no past or present financial or other interest in the business of our Group or any connection with any core connected person of our Company; and

(c) that there are no other factors that may affect the independent non-executive Director's independence at the time of his/her appointment.

Rule 8.10 of the Listing Rules

As at the Latest Practicable Date, our non-executive Director, Mr. Huang Liangdi, holds directorships in certain entities (together the "**SASAC Entities**"), one being our substantial Shareholder after the **[REDACTED]**, Jinyingu Investment, and two other companies that are majority-held by Jinyingu Investment (the "**Majority-held Entities**"), which business scopes partially overlap with those of our Company and/or its subsidiaries.

Based on information that is available to the Company, Jinyingu Investment is wholly-owned by Putian State Owned Capital Operation Group Co., Ltd. (莆田國有資本運營集團有限公司), which is ultimately wholly owned by the State-owned Assets Supervision and Administration Commission of Putian Municipal People's Government (莆田市人民政府國有資產監督管理委員會) ("**Putian SASAC**"). Jinyingu Investment is primarily engaged in equity investment, leasing of gold and its products, real estate development, infrastructure construction, hotel management, sales of building materials, warehousing and logistics, and as confirmed by Mr. Huang, Jinyingu Investment does not conduct any sales of jewellery. The two Majority-held Entities also have in their business scopes that include (but are not limited to) the sales of gold and silver jewellery, the manufacture of arts, crafts and watches, and also the processing and/or refinement of precious metals.

Despite Mr. Huang's directorship in the SASAC Entities, our Directors are of the view that any potential competition between our Group and the SASAC Entities does not and will unlikely to be significant, and Mr. Huang is capable of avoiding any actual and potential conflicts of interest on the following grounds:

- as at the Latest Practicable Date, none of the SASAC Entities had commenced business in the area of the sales of gold or silver jewellery, or watches;

- Mr. Huang does not personally hold any interest in any of SASAC Entities, and as confirmed by Mr. Huang, he was appointed to the board of the SASAC Entities by Putian State Owned Capital Operation Group Co., Ltd. (莆田國有資本運營集團有限公司) as an employee;

- Mr. Huang's positions in our Group as our non-executive Director, a member of our Strategy Committee and our Audit Committee are not intended to and does not exert significant influence on the day-to-day management and operation of our Group. Save for Mr. Huang, none of the other Directors holds any executive or non-executive position within the SASAC Entities;

- save for the overlapping directorship of Mr. Huang in the SASAC Entities and our Company, our management team is different from that of the SASAC Entities and there are sufficient non-overlapping Directors in our Company and our management team possesses the required qualifications and experience to ensure that our Board is able to perform its functions properly and without undue influence from Mr. Huang; and

- Mr. Huang will abstain from any voting in our Company's Board meetings on any matter between the Group and the SASAC Entities where he has any conflict of interest or duties.

Save as mentioned above, each of our Directors (including the proposed independent non-executive Director, Mr. Wong Sin Yung) has confirmed 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, directly or indirectly, with our business and requires disclosure under Rule 8.10(2) of the Listing Rules.

JOINT COMPANY SECRETARIES

Mr. Li YJ (李陽金) was appointed as one of our joint company secretaries on 29 November 2024, see "– Board of Directors – Executive Directors" for further details.

Ms. Sze Suet Ling (施雪玲), aged 40, was appointed as one of our joint company secretaries on 29 November 2024. Ms. Sze is currently an assistant vice president of SWCS Corporate Service Group (Hong Kong) Limited, a company principally engaged in the provision of a wide spectrum of expertise services from company secretarial and compliance, corporate governance, risk management, specialties consultancy to corporate supporting towards global and local clients, and has assisted in discharging company secretarial responsibilities in various companies whose shares are listed on the Stock Exchange.

Ms. Sze has over 15 years of experience in handling company secretarial matters. Since July 2024, she has been appointed as a company secretary of a company listed on the Main Board of the Stock Exchange primarily engaged in the provision of higher education in the PRC.

Ms. Sze is a Chartered Secretary, a Chartered Governance Professional, and an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She is also a full member of Hong Kong Investor Relations Association.

Ms. Sze obtained her a Master's Degree in Corporate Governance from The Open University of Hong Kong (now known as "Hong Kong Metropolitan University") in June 2014 and a Bachelor's Degree in Business Administration and Management from the University of Huddersfield, the United Kingdom in November 2007.

BOARD COMMITTEES

Audit Committee

Our Group has established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of part 2 of the CG Code as set out in Appendix C1 to the Listing Rules. The primary duties of our Audit Committee are to assist our Board in providing an independent view of the effectiveness of the financial reporting process, the internal control and risk management system of our Group, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board. Our Audit Committee consists of three members, namely, Ms. Guo Xiaohong, Mr. Lin Yong and Mr. Li Qi. Ms. Guo Xiaohong is the chairlady of our Audit Committee and possesses the appropriate accounting or related financial management expertise in compliance with the requirements under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of our Audit Committee are to (i) monitor and evaluate the work of the external auditor; (ii) evaluate the implementation of the internal audit system of our Company; (iii) responsible for the communications among the management level of our Company, the internal and external auditors; (iv) review and comment on the financial reports of our Company; (v) examine the financial reporting system, risk management and internal control systems of our Company; (vi) make recommendations to our Company on the appointment, re-appointment and removal of the external auditor; (vii) monitor and evaluate connected transactions; and (viii) perform such other duties determined by our Board.

Remuneration and Assessment Committee

Our Group has established a remuneration and assessment committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph E.1.2 of part 2 of the CG Code as set out in Appendix C1 to the Listing Rules. Our Remuneration and Assessment Committee consists of three members, namely, Mr. Li Qi, Mr. Lin Yong and Mr. Hu Shaohua. Mr. Li Qi is the chairman of our Remuneration and Assessment Committee.

The primary duties of our Remuneration and Assessment Committee include, but are not limited to (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors, Supervisors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; and (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time, including matters relating to share schemes (if any) under Chapter 17 of the Listing Rules.

Nomination Committee

Our Group has established a nomination committee with written terms of reference in compliance with paragraph B3.1 of part 2 of the CG Code as set out in Appendix C1 to the Listing Rules. Our Nomination Committee consists of three members, namely Mr. Lin Yong, Ms. Guo Xiaohong and Mr. Huang Liangdi. Mr. Lin Yong is the chairman of our Nomination Committee.

The primary duties of our Nomination Committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board; (ii) identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (iii) assess the independence of our independent non-executive Directors; and (iv) make recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

Strategy Committee

Our Group has established a strategy committee. Our Strategy Committee consists of three members, namely, Mr. Li YZ, Mr. Huang Liangdi and Mr. Li Qi. Mr. Li YZ, the chairman of our Board, is the chairman of our Strategy Committee.

The primary duties of our Strategy Committee include (i) reviewing and proposing general development strategy and specific strategic development plans of our Group; (ii) evaluating factors having an impact on strategic development and implementation in light of domestic and international financial conditions and market changes as well as the overall development of our business; (iii) proposing adjustments to our strategic plan and advice to our Board; and (iv) performing other duties and responsibilities as may be assigned by our Board.

MANAGEMENT PRESENCE IN HONG KONG

Since our headquarters and principal business operations and management of our Group are carried out in mainland China, our Executive Directors are based in mainland China to better manage and attend to our Group's business operations. Therefore, we do not and, in the foreseeable future, will not have sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Pursuant to Rule 19A.15 of the Listing Rules, we have applied to the Stock Exchange for, and the Stock Exchange [has granted,] a waiver from strict compliance with the requirement under Rule 8.12 and Rule 19A.15 of the Listing Rules. See "Waiver from Strict Compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordnance – Waiver in Relation to Management Presence in Hong Kong" for further details.

CORPORATE GOVERNANCE

We are committed to achieving high standards of corporate governance, which our Directors believe are crucial to our development and would safeguard the interests of our Shareholders. To accomplish this, we expect to comply with the corporate governance requirements under the Corporate Governance Code as set out in Appendix C1 to the Listing Rules upon the **[REDACTED]**.

BOARD DIVERSITY POLICY

Our Board has adopted a board diversity policy, which will take effect upon **[REDACTED]**, which sets out the approach to achieve diversity on our Board. Our Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at our Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, cultural and educational background, ethnicity, experience (professional or otherwise), independence, knowledge and length of service and any other factors that our Board may consider relevant and applicable from time to time. Our Board currently has members of both genders. We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Directors also have a balanced mix of knowledge, skills and experience. They obtained degrees in various majors and possessed various working experience. Furthermore, our Board has a wide range of age and members of both genders are present in our Board. The presence of female members in our supervisory committee, namely Ms. Qin, who is also a member of our senior management and also Ms. Yao Xiangping also contributes to the gender diversity of our management team and offers us valuable strategic, management and operational insights from a female perspective. We have taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Taking into account our business model and specific needs as well as the presence of both genders on our Board, we consider that the composition of our Board satisfies our board diversity policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After **[REDACTED]**, our Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

Taking into account our existing business model and specific needs as well as the different background and abilities of our Directors, our Directors are of the view that the current composition of our Board satisfies the principles under our board diversity policy.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Our Directors, Supervisors and members of our senior management receive compensation from our Group in the form of fees, salaries and other allowances, discretionary bonus, and contributions to retirement benefit plan. The aggregate remuneration (including fees, salaries and other allowances, discretionary bonus, and contributions to retirement benefit plan) paid to our Directors and Supervisors for the years ended 31 December 2022, 2023 and 2024 was approximately RMB2.0 million, RMB2.1 million and RMB1.7 million, respectively. Save as disclosed above, no other amounts have been paid or are payable by any member of our Group to our Directors and Supervisors during the Track Record Period.

For each of the years ended 31 December 2022, 2023 and 2024, there were three, three and two Directors and Supervisors among the five highest paid individuals, whose remunerations are included in the aggregate amount of remuneration set out above. The total emoluments for the remaining individuals among the five highest paid individuals amounted to approximately RMB1.5 million, RMB1.7 million and RMB1.8 million, for the years ended 31 December 2022, 2023 and 2024, respectively.

No remuneration was paid by us to our Directors, Supervisors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Further, none of our Directors and Supervisors had waived or agreed to waive any remuneration during the Track Record Period.

Under the arrangement currently in force, the aggregate remuneration (including directors' fees, salaries and other allowances, discretionary bonus, and contributions to retirement benefit plan) of our Directors and Supervisors for the year ending 31 December 2025 is estimated to be no more than RMB2.2 million.

Our Board will review and determine the remuneration and compensation packages of our Directors, Supervisors and senior management which, following the **[REDACTED]**, will receive recommendation from our Remuneration and Assessment Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of our Directors, Supervisors and senior management, employment conditions of other positions in our company, the desirability of performance-based remuneration, and performance of our Group.

RESIGNATION OF FORMER DIRECTORS AND SUPERVISOR DURING THE TRACK RECORD PERIOD

Set forth below are details of our former Directors and Supervisor who resigned during the Track Record Period:

Name	Former position	Reason for resignation
Mr. Li Shuo	Director	On 14 July 2023, Mr. Li Shuo was replaced by Mr. Huang Liangdi, who was nominated by Jinyingu Investment to act as a Director.
Mr. Sun Hongwei (孫紅衛)	Director	On 14 July 2023, Mr. Sun Hongwei resigned as a Director as he wished to focus on his professional business, and the vacancy was filled by Ms. Guo Xiaohong (郭曉紅).
Mr. Li Fachun (李發春)	Supervisor	On 14 July 2023, Mr. Li Fachun was replaced by Ms. Yao Xiangping, who was nominated by Jinyingu Investment to act as a Supervisor.

Each of the above former Directors and Supervisor confirmed that he did not have any disagreement with the Group, and that there are no matters in respect of his resignation that need to be brought to the attention of the Stock Exchange.

COMPLIANCE ADVISOR

In compliance with Rules 3A.19 of the Listing Rules, we have appointed Ping An of China Capital (Hong Kong) Company Limited as our Compliance Advisor to provide advisory services to our Company. Pursuant to Rule 3A.23 of the Listing Rules, it is expected that the Compliance Advisor will, amongst other things, advise our Company with due care and skill in the following circumstances:

- before the publication of any regulatory announcement, circular and financial report;
- where a transaction, which might be notifiable or connected transaction, is contemplated including shares issues and share repurchases;
- where we propose to use the **[REDACTED]** from 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
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the **[REDACTED]** or **[REDACTED]** of the Share securities, the possible development of a false market in this Shares, or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the **[REDACTED]** and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the **[REDACTED]** and such appointment may be subject to extension by mutual agreement.

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** (but without taking into account any Shares which may be **[REDACTED]** pursuant to the exercise of the **[REDACTED]**), the following persons will have an interest or a short position in our Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the issued share capital of our Company carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

		As at 27 November 2024			Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[2]		
Name of Shareholder	**Nature of Interest**	**Class of Shares**	**Number of Shares[1]**	**Approximate Percentage**	**Class of Shares**	**Number of Shares**	**Approximate Percentage**
Mr. Li YZ[3]	Beneficial interest	Domestic Shares	9,900,833	20.53%	H Shares	**[REDACTED]**	**[REDACTED]**%
	Interests held jointly with another person	Domestic Shares	19,800,000	41.07%	H Shares	**[REDACTED]**	**[REDACTED]**%
Ms. Li Yaxiang (李亞香)[4]	Interest of spouse	Domestic Shares	29,700,833	61.60%	H Shares	**[REDACTED]**	**[REDACTED]**%
Mr. Hu[3]	Beneficial interest	Domestic Shares	6,600,000	13.69%	H Shares	**[REDACTED]**	**[REDACTED]**%
	Interests held jointly with another person	Domestic Shares	23,100,833	47.91%	H Shares	**[REDACTED]**	**[REDACTED]**%
Ms. Li Min (李敏)[5]	Interest of spouse	Domestic Shares	29,700,833	61.60%	H Shares	**[REDACTED]**	**[REDACTED]**%
Mr. Li Shuo[3]	Beneficial interest	Domestic Shares	6,600,000	13.69%	H Shares	**[REDACTED]**	**[REDACTED]**%
	Interests held jointly with another person	Domestic Shares	23,100,833	47.91%	H Shares	**[REDACTED]**	**[REDACTED]**%

		As at 27 November 2024			Immediately following the completion of the [REDACTED] (assuming the [REDACTED] is not exercised)[2]		
Name of Shareholder	Nature of Interest	Class of Shares	Number of Shares[1]	Approximate Percentage	Class of Shares	Number of Shares	Approximate Percentage
Ms. Chen Yingying (陳瑩瑩)[6]	Interest of spouse	Domestic Shares	29,700,833	61.60%	H Shares	**[REDACTED]**	**[REDACTED]**%
Mr. Li LM[3]	Beneficial interest	Domestic Shares	6,600,000	13.69%	H Shares	**[REDACTED]**	**[REDACTED]**%
	Interests held jointly with another person	Domestic Shares	23,100,833	47.91%	H Shares	**[REDACTED]**	**[REDACTED]**%
Ms. Deng Wenjing (鄧雯靖)[7]	Interest of spouse	Domestic Shares	29,700,833	61.60%	H Shares	**[REDACTED]**	**[REDACTED]**%
Jinyingu Investment[8]	Beneficial interest	Domestic Shares	9,645,000	20.00%	H Shares	**[REDACTED]**	**[REDACTED]**%
Qianhai Zunshang[9]	Beneficial interest	Domestic Shares	2,953,500	6.12%	H Shares	**[REDACTED]**	**[REDACTED]**%
Mr. Li YJ[9]	Interest in controlled corporation	Domestic Shares	2,953,500	6.12%	H Shares	**[REDACTED]**	**[REDACTED]**%
	Beneficial interest	Domestic Shares	297,000	0.61%	H Shares	**[REDACTED]**	**[REDACTED]**%
Ms. Yuan Fang (袁芳)[10]	Interest of spouse	Domestic Shares	3,250,500	6.73%	H Shares	**[REDACTED]**	**[REDACTED]**%

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of **[REDACTED]** H Shares in **[REDACTED]** immediately following the completion of the **[REDACTED]** and without taking into account any Shares which may be **[REDACTED]** pursuant to the exercise of the **[REDACTED]**.

3. Pursuant to the Concert Party Agreements, Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM have agreed to act in concert at shareholders' meetings of our Company. See "History and Development – Concert Party Agreements" for further details. By virtue of the SFO, Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM are deemed to be interested in Shares that other parties under the acting in concert agreements is interested in.

4. Ms. Li Yaxiang is the spouse of Mr. Li YZ. By virtue of the SFO, Ms. Li Yaxiang is deemed to be interested in the Shares in which Mr. Li YZ is interested in.

5. Ms. Li Min is the spouse of Mr. Hu. By virtue of the SFO, Ms. Li Min is deemed to be interested in the Shares in which Mr. Hu Shaohua is interested in.

6. Ms. Chen Yingying is the spouse of Mr. Li Shuo. By virtue of the SFO, Ms. Chen Yingying is deemed to be interested in the Shares in which Mr. Li Shuo is interested in.

7. Ms. Deng Wenjing is the spouse of Mr. Li LM. By virtue of the SFO, Ms. Deng Wenjing is deemed to be interested in the Shares in which Mr. Li LM is interested in.

8. As at the Latest Practicable Date and based on information available to our Company, Jinyingu Investment was wholly owned by Putian State Owned Capital Operation Group Co., Ltd. (莆田國有資本運營集團有限公司), which was ultimately wholly owned by State-owned Assets Supervision and Administration Commission of Putian Municipal People's Government (莆田市人民政府國有資產監督管理委員會).

9. As at the Latest Practicable Date, being the general partner of Qianhai Zunshang, Mr. Li YJ could exercise all the voting rights of Qianhai Zunshang in our Company. By virtue of the SFO, Mr. Li YJ was deemed to be interested in the Shares held by Qianhai Zunshang.

10. Ms. Yuan Fang is the spouse of Mr. Li Yangjin. By virtue of the SFO, Ms. Yuan Fang is deemed to be interested in the Shares in which Mr. Li Yangjin is interested in.

Save as disclosed above and in Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 1. Disclosure of Interests" in Appendix VI (and taking no account of any Shares which may be **[REDACTED]** pursuant to the exercise of the **[REDACTED]**), our Directors are not aware of any person who will, immediately following the completion of the **[REDACTED]**, have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the issued share capital of our Company carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL OF OUR COMPANY

As at the Latest Practicable Date, the registered share capital of our Company was RMB48,225,000, comprising 48,225,000 Shares with a nominal value of RMB1 each all of which were Domestic Shares.

Immediately after the **[REDACTED]** and the Conversion of Domestic Shares into H Shares (assuming that the **[REDACTED]** is not exercised), the share capital of our Company will be as follows.

Description of Shares	Number of Shares	Approximate % of the [REDACTED] after the [REDACTED] (assuming the [REDACTED] is not exercised)
H Shares to be converted from Domestic Shares[Note]	[48,225,000]	**[REDACTED]**%
H Shares to be **[REDACTED]** pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100%**

Notes:

(1) See History and Development – Shareholding Structure of our Company" for details of the identities of the Shareholders whose Shares will be converted into H Shares upon **[REDACTED]**.

(2) For the avoidance of doubt, both Domestic Shares and H Shares are both ordinary shares in the share capital of our Company and are regarded as one class of Shares.

Immediately after the **[REDACTED]** and the Conversion of Domestic Shares into H Shares (assuming that the **[REDACTED]** is fully exercised), the share capital of our Company will be as follows:

Description of Shares	Number of Shares	Approximate % of the [REDACTED] after the [REDACTED]
H Shares to be converted from Domestic Shares[Note]	[48,225,000]	**[REDACTED]**%
H Shares to be **[REDACTED]** pursuant to the **[REDACTED]**	**[REDACTED]**	**[REDACTED]**%
Total	**[REDACTED]**	**100%**

Notes:

(1) See "History and Development – Shareholding structure of our Company" in this document for details of the identities of the Shareholders whose Shares will be converted into H Shares upon **[REDACTED]**.

(2) For the avoidance of doubt, both Domestic Shares and H Shares are ordinary shares in the share capital of our Company and are regarded as one class of Shares.

OUR SHARES

Upon completion of the **[REDACTED]** and the Conversion of Domestic Shares into H Shares, our Company would have H Shares only. Both Domestic Shares and H Shares are ordinary shares in the share capital of our Company and are regarded as one class of Shares. Apart from certain qualified domestic institutional investors in the PRC, certain PRC qualified investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect, and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be **[REDACTED]** or **[REDACTED]** among legal and natural persons of the PRC.

The Domestic Shares and H Shares will rank *pari passu* with each other in all respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this document.

All dividends for H Shares will be denominated and declared in Renminbi, and paid in Hong Kong dollars or Renminbi, whereas all dividends for Domestic Shares will be paid in Renminbi. Other than cash, dividends could also be paid in the form of shares.

CONVERSION OF DOMESTIC SHARES INTO H SHARES

As of the Latest Practicable Date, our Shares are unlisted Shares which were not listed or traded on any stock exchange.

According to stipulations by the State Council securities regulatory authority and the Articles of Association, the Domestic Shares may be converted into H Shares. Such converted Shares may be listed or traded on an overseas stock exchange provided that the conversion and trading of such converted Shares shall only be effected after all requisite internal approval process have been duly completed and the approval from the relevant PRC regulatory authorities (including the CSRC) and the relevant overseas stock exchange have been obtained.

In addition, such conversion and trading shall in all respects comply with the regulations prescribed by the State Council securities regulatory authority and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

Subject to fulfilling the relevant procedures below, our Company may **[REDACTED]** the **[REDACTED]** of all or any portion of the Domestic Shares on the Stock Exchange as H Shares before any proposed conversion so that the conversion process can be completed promptly upon notice to the Stock Exchange and delivery of shares for entry on the **[REDACTED]**. Any **[REDACTED]** of additional Shares after our Company's **[REDACTED]** on the Stock Exchange is ordinarily considered by the Stock Exchange to be a purely administrative matter. A vote by our Shareholders in general meeting is not required for the **[REDACTED]** and **[REDACTED]** of the converted Shares on an **[REDACTED]**. Any **[REDACTED]** of the converted Shares on the Stock Exchange after the **[REDACTED]** is subject to prior notification by way of announcement to inform Shareholders and the public of any proposed conversion.

After all the requisite approvals have been obtained, the relevant Domestic Shares will be withdrawn from the Domestic Share register, and our Company will re-register such Shares on the **[REDACTED]** maintained in Hong Kong and instruct the **[REDACTED]** to **[REDACTED]** H Share certificates. Registration on the **[REDACTED]** of our Company will be on the conditions that (i) the **[REDACTED]** lodges with the Stock Exchange a letter confirming the entry of the relevant H Shares on the **[REDACTED]** and the due dispatch of H Share certificates; and (ii) the admission of the H Shares to be **[REDACTED]** on the Stock Exchange complies with the Listing Rules and the General Rules of HKSCC and the HKSCC Operational Procedures in force from time to time. Until the converted Shares are re-registered on the **[REDACTED]** of our Company, such Shares would not be **[REDACTED]** as H Shares.

REGISTRATION OF SHARES NOT [REDACTED] ON AN OVERSEAS STOCK EXCHANGE

According to the Notice on Adjustment of Business Acceptance of Registration and Depository of Non-Overseas Listed Shares of Overseas Listed Companies (《關於境外上市公司非境外上市股份登記存管業務受理調整的通知》) and the Business Guidelines for the Registration and Depository of Non-Overseas Listed Shares of Overseas Listed Companies (《境外上市公司非境外上市股份登記存管業務指南》), our Company is required to register and deposit our Domestic Shares that are not **[REDACTED]** on the **[REDACTED]** with CSDC after the **[REDACTED]**.

SHAREHOLDERS' GENERAL MEETINGS

See "Statutory and General Information – A. Further Information about our Group – 4. Resolutions of the Shareholders of our Company" in Appendix VI, "Summary of Principal PRC and Hong Kong Laws and Regulatory Provisions" in Appendix IV and "Summary of Our Articles of Association" in Appendix V for details of circumstances under which Shareholders' general meeting are required.

LOCK-UP PERIODS

In accordance with the PRC Company Law, the shares issued prior to any public offering of shares by a company cannot be transferred within one year from the date on which such publicly offered shares are listed and traded on the relevant stock exchange. As such, the Shares **[REDACTED]** by our Company prior to the **[REDACTED]** of H Shares will be subject to such statutory restriction on transfer within a period of one year from the **[REDACTED]**.

Our Directors, Supervisors and members of the senior management of our Company shall declare their shareholdings in our Company and any changes in their shareholdings. Shares transferred by our Directors, Supervisors and such members of the senior management each year during their term of office shall not exceed 25% of their total respective shareholdings in our Company. The Shares that the aforementioned persons held in our Company cannot be transferred within one year from the date on which the Shares are **[REDACTED]** and **[REDACTED]**, nor within half a year after they leave their positions in our Company.

The laws and regulations of the PRC and our Articles of Association may contain other restrictions or conditions on the transfer of the Shares held by our Directors, Supervisors, members of senior management of our Company and other Shareholders. See Appendix IV – Summary of Principal PRC and Hong Kong Laws and Regulatory Provisions and Appendix V – Summary of our Articles of Association for further details.

[REDACTED]

You should read this section in conjunction with our consolidated financial information, including the notes thereto, as set out in "Appendix I – Accountants' Report" to this document. The consolidated financial information has been prepared in accordance with IFRSs.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include those discussed in "Risk Factors".

OVERVIEW

We are a leading designer, manufacturer and brand-owner of precious metal watches in China. During the Track Record Period, our revenue was primarily derived from the sales of precious metal watches designed and manufactured under our flagship proprietary brand "HIPINE" (西普尼). Our self-branded products are principally sold through our distribution network, supplemented by sales primarily through our self-operated online stores third-party operated online stores and retail stores. We also derived revenue by serving as an ODM manufacturer for third-party domestic jewellery brands and wholesalers, including developing and manufacturing precious metal watches and accessories under their labels and providing subcontract processing services for their watches and accessories. During the Track Record Period, our ODM customers included various renowned domestic jewellery brands, such as Lao Feng Xiang, Sino Gem, and Chow Tai Seng, with whom we have formed long-term and stable supply relationships. According to CIC, in 2023, HIPINE was the largest domestic gold watch brand in terms of GMV and the largest 24K gold watch brand in terms of GMV in China, with market shares of 24.98% and 35.83% in terms of GMV of domestic brand gold watches and GMV of 24K gold watches, respectively.

Our revenue increased from RMB323.7 million in FY2022 to RMB445.5 million in FY2023, representing an increase of 37.6% from FY2022 to FY2023 mainly due to the relatively lower revenue in FY2022 due to the adverse impact of COVID-19, and slightly increased by 2.5% to RMB456.6 million in FY2024. We recorded a net profit of RMB24.5 million, RMB52.1 million and RMB49.3 million in FY2022, FY2023 and FY2024, respectively.

BASIS OF PRESENTATION

Our consolidated financial statements for the Track Record Period have been prepared in accordance with IFRSs issued by the International Accounting Standards Board. For the purpose of preparation of the historical financial information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the historical financial information includes applicable disclosures required by the Rules Governing the **[REDACTED]** of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Our consolidated financial statements have been prepared on the historical cost basis except that certain assets are measured at fair value, as explained in the accounting policies set out in the Accountants' Report in Appendix I to this document. The financial information is presented in Renminbi which is the reporting currency of our Company and subsidiaries established in China.

We have consistently adopted all applicable new and amended IFRSs throughout all the years and periods presented except for any new or interpretation that are not yet effective.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been and will continue to be affected by a number of factors, including those set out below:

General economic conditions

During the Track Record Period, we sold all our products to customers located in the PRC, from distributors to retail customer through online sales. Accordingly, our result of operations have been and will continue to be highly dependent on the demand and macroeconomic conditions in the PRC. Changes in the economies of the PRC would directly impact the disposable income of the local household, and thus, the consumer sentiment of our customers and our financial performance. We believe that our customers' spending on our products are inter-related to the overall GDP growth in their respective countries. Also, according to CIC, the market size of the watch industry in China was RMB76.81 billion in 2018 and increased to RMB88.87 billion in 2021 in terms of GMV. In 2022, the effects of the COVID-19 pandemic, particularly strict lockdowns and travel restrictions, severely impacted retail sales and led to an overall decline to RMB78.64 billion in China's watch industry. In 2023, as the impact of the pandemic gradually waned and consumer demand recovered, the Chinese watch market experienced a resurgence and reached RMB88.33 billion in terms of GMV. The market size is projected to reach RMB117.64 billion by 2028, indicating a CAGR of 5.90% from 2023 to 2028. Thus, our profit and financial performance would be greatly affected by the ability of us to capture the market in time.

Product mix

During the Track Record Period, we primarily derived our revenue from our sales of different types of watches and accessories under OBM model and ODM model. We provide a portfolio of products comprising various designs and functions. During the Track Record Period, we also provided ODM services to our customers based on their needs. These different products and range of services are composed of different selling prices and costs and hence different gross profit margins. Consequently, our gross profit margins were impacted by our sales mix. As such, any changes in the mix of our products sold during the financial year may affect the financial performance in that particular year.

During the Track Record Period, our different products reported different gross profit margin, resulting in our overall gross profit margin of 19.8%, 24.3% and 27.2% in FY2022, FY2023 and FY2024, respectively. The fluctuation of our overall gross profit margin was principally attributable to change in demand of mix in our products and hence the revenue derived from each product. Such demand may be affected by a number of factors including, but not limited to, rapid technological change, business performances of our ODM customers and intense competition.

We intend to continue to evaluate and adjust our portfolio of our product offerings from time to time to focus on products with higher profit margins, greater market demand and potential to maintain or increase our profitability. We believe our diversified product offering will strengthen our base of revenue streams and enhance our profitability.

Our ability to secure and the price fluctuation of raw materials

Our raw materials principally consist of precious metals including gold, steel cases, watch movements, dials and straps. The total costs of raw materials accounted for 90.8%, 92.1% and 92.5% of the total cost of sales for FY2022, FY2023 and FY2024, respectively, whilst gold being the primary raw material used in our production, accounted for over 80% of the total cost of raw materials during the Track Record Period. We maintain strict standards when selecting the raw materials used in our products, ensuring the overall quality of its offerings. We primarily procure gold used in our products from the Shanghai Gold Exchange through its members. We primarily source watch movements manufactured under Swiss and Japanese brands, as well as smart movements of Huawei, a leading global Chinese technology company. For details of our supplier selection and monitoring, please see "Business – Our Suppliers". According to CIC, China's gold prices have surged from 2018 to 2023 due to global geopolitical tensions and economic instability. Trade conflicts, political unrest, and inflation have driven investors towards gold as a safe-haven asset. Although fluctuation in material costs, including gold prices, is one of the factors we consider when pricing our products, we believe that such fluctuation is manageable, as we from time to time adjust our procurement plan of raw materials based on the actual market and production demand.

Assuming our selling price and other factors remained unchanged, the following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of raw materials from our cost of sales on our profit before tax during the Track Record Period. Fluctuations in our cost of raw materials are assumed to be 20%, 25% and 30%.

As a result of	**Hypothetical (decrease)/increase in profit before taxation for FY2022** *RMB'000*		**Hypothetical (decrease)/increase in profit before taxation for FY2023** *RMB'000*		**Hypothetical (decrease)/increase in profit before taxation for FY2024** *RMB'000*	
Hypothetical increase/(decrease) of 20%	(47,159)	47,159	(62,104)	62,104	(61,520)	61,520
Hypothetical increase/(decrease) of 25%	(58,949)	58,949	(77,630)	77,630	(76,900)	76,900
Hypothetical increase/(decrease) of 30%	(70,738)	70,738	(93,156)	93,156	(92,280)	92,280

Prospective **[REDACTED]** should note that the above analysis on the historical financials is based on assumptions and is for reference only and should not be viewed as the actual effect of such hypothetical fluctuations.

Competition

With the development of China's economy, the market size of the watch and gold jewellery and accessories industries in China have been constantly expanding, with moderate penetration of international watch and jewellery and accessories products in the Chinese market. The intensified industry competition may increase the risk of market elimination for industry players with low brand influence. Moreover, according to CIC, brand is one of the most important factors for consumers when choosing precious metal watches and gold jewellery and accessories, and is key to providing consumers' trust in the quality and after-sales of such products. Brand awareness therefore plays a crucial role in our ability to increase market share and pricing power. We therefore believe that it is necessary for us to enhance our marketing and brand-building initiatives through the implementation of this business strategy, in order to gain widespread recognition from consumers at the retail level, uphold our leadership position in the domestic brand gold watch and 24K gold watch markets in China and promote sustainable business growth.

Seasonality

Our sales volume may be affected by seasonality. Revenue fluctuations throughout the year are common for the precious metal watch and jewellery and accessories industries which are subject to the seasonal purchase patterns of consumers.

We generally record higher sales revenue during ceremonial and festival events such as Mid-Autumn Festival, Chinese New Year, PRC National Day holiday, Valentine's Day and other national holidays, which are typically associated with Chinese tradition of gift-giving. Furthermore, some shopping festivals set by some third-party online shopping platforms, such as 618 Shopping Festival (618購物節), Double 11 Shopping Festival (雙十一購物節) and Double 12 Shopping Festival (雙十二購物節), encourage higher sales of our products. As a result, these events have historically generated heightened consumer purchasing activities, leading to increase in our sales volumes. We generally record lower sales volumes during less festive seasons such as June, July and August.

As a result of these fluctuations, comparison of sales and operating results from different periods in different financial years may not be relied on as indicators of our performance.

MATERIAL ACCOUNTING POLICY INFORMATION AND ESTIMATION UNCERTAINTY

Our material accounting policy information, estimation uncertainty, which are important for an understanding of our financial condition and results of operations, are summarised below and the full text is set out in note 3 of the Accountants' Report contained in Appendix I to this document for details.

Material Accounting Policy Information

Revenue from contracts with customers

We recognise revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;
- our Group's performance creates or enhances an asset that the customer controls as our Group performs; or
- our Group's performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("**FVTOCI**") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned or interest earned on the financial asset and is included in the "other gains and losses" line item.

Property, plant and equipment

Our property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over the period/at the following rates per annum:

	Useful lives
Machineries	9.50%–31.67%
Motor vehicles	19%
Furniture and electronic equipment	9.50%–33.33%
Leasehold improvement	Over the shorter of the lease terms, or 10% to 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which our Group must incur to make the sale.

Taxation

Income tax expense represents the sum of the current and deferred income tax expense. The tax currently payable is based on taxable profit for the year. 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. Our 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.

Key Sources of Estimation Uncertainty

Deferred tax assets

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The realisability of the deferred tax asset mainly depends on whether sufficient future profits will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Provision of ECL for trade receivables

Trade receivables with credit-impaired debtors are assessed for ECL individually.

In addition, for debtors which are not credit-impaired, collective assessment is performed by grouping debtors based on our Group's internal credit ratings. The provision of ECL is sensitive to changes in estimates (such as the forward-looking information).

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Our Group assesses the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgement on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

RESULTS OF OPERATIONS

The following table summarises the consolidated statement of profit or loss and other comprehensive income from the financial statements during the Track Record Period, details of which are set out in the Accountants' Report in Appendix I to this document.

	FY2022		FY2023		FY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	323,704	100.0	445,477	100.0	456,556	100.0
Cost of sales	(259,577)	(80.2)	(337,172)	(75.7)	(332,399)	(72.8)
Gross profit	64,127	19.8	108,305	24.3	124,157	27.2
Other income	5,513	1.7	9,173	2.0	7,163	1.6
Impairment losses under expected credit loss ("**ECL**") model, net of reversal	(1,803)	(0.6)	331	0.0	(1,811)	(0.4)
Other gains and losses	(1,066)	(0.3)	(3,763)	(0.8)	(7,935)	(1.7)
Selling expenses	(13,191)	(4.1)	(17,922)	(4.0)	(19,562)	(4.3)
Administrative expenses	(8,496)	(2.6)	(10,673)	(2.4)	(12,653)	(2.8)
Research and development expenses	(8,451)	(2.6)	(13,491)	(3.0)	(11,787)	(2.6)
Other expenses	(5,100)	(1.6)	(7,312)	(1.6)	(4,050)	(0.9)
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Finance costs	(3,715)	(1.1)	(4,752)	(1.1)	(4,557)	(1.0)
Profit before tax	27,818	8.6	59,896	13.4	58,657	12.8
Income tax expense	(3,277)	(1.0)	(7,797)	(1.7)	(9,309)	(2.0)
Profit and total comprehensive income for the year	24,541	7.6	52,099	11.7	49,348	10.8

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

During the Track Record Period, we primarily generated our revenue from the sales of our products and the provision of our processing services for watches and accessories.

By product

The following table sets forth a breakdown of our revenue generated by product type during the Track Record Period:

	FY2022		**FY2023**		**FY2024**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Watches	289,365	89.4	403,071	90.5	350,779	76.8
Accessories	34,339	10.6	42,406	9.5	105,777	23.2
Total	323,704	100.0	445,477	100.0	456,556	100.0

During the Track Record Period, our largest revenue contributor was the sales of watches, accounting for 89.4%, 90.5% and 76.8% of our total revenue in FY2022, FY2023 and FY2024, respectively.

Sales of watches

During the Track Record Period, our revenue from sales of watches consisted of revenue from sales of traditional precious metal watches and smart watches. The following table sets forth a breakdown of the sales volume and average selling price ("**ASP**") of our revenue generated by sales of watches during the Track Record Period:

	FY2022			FY2023			FY2024		
	Revenue	**Sales volume**[(1)]	**Average selling price/ processing fee**[(2)]	**Revenue**	**Sales volume**[(1)]	**Average selling price/ processing fee**[(2)]	**Revenue**	**Sales volume**[(1)]	**Average selling price/ processing fee**[(2)]
	RMB'000	*(unit'000)*	*(RMB/unit)*	*RMB'000*	*(unit'000)*	*(RMB/unit)*	*RMB'000*	*(unit'000)*	*(RMB/unit)*
Watches[(3)]									
Manufacturing and sales									
– Traditional precious metal watches	286,335	108	2,651	402,754	141	2,856	322,752	113	2,856
– Smart watches	4	–	N/A	337	1	337	28,025	27	1,038
	286,339	108	2,651	403,091	142	2,839	350,777	140	2,506
Provision of subcontracting services									
– Traditional precious metal watches	3,026	6	504	(20)	–	N/A	2	–	N/A
Total:	289,365	114	2,538	403,071	142	2,839	350,779	140	2,506

Notes:

(1) Sales volume refers to (i) the total number of watches sold or processed; and (ii) the total weight of gold used in the accessories products sold or processed.

(2) Average selling price/processing fee equals the revenue generated from the sales of or provision of subcontracting services relating to the relevant products (as the case may be), divided by the total number of watches sold or processed or the total weight of gold used in the accessories products sold or processed (as the case may be).

(3) For the avoidance of doubt, as defined in "Glossary of Technical Terms", traditional precious metal watches as presented above do not include any precious metal watch with smart functions, and smart watches as presented above include both smart precious metal watches and other smart watches.

During the Track Record Period, our revenue from sales of watches was impacted by the sales volume and average selling price of the products we sold, as well as the sales mix of different products.

Traditional precious metal watches

During the Track Record Period, majority of our revenue from sales of watches was generated from the sales of traditional precious metal watches, which accounted for 100.0%, 99.9% and 92.0% of our revenue from sales of watches in FY2022, FY2023 and FY2024, respectively. Our traditional precious metal watches sold included gold and other traditional precious metal watches under our OBM model, and also subcontracting services of gold and other traditional precious metal watches and smart watches for our ODM customers. For details of our OBM and ODM business model, please see "– Description of Selected Items in Consolidated Statements of Profit or Loss and Other Comprehensive Income – Revenue – By business model" in this section. Thus, our revenue from sales of precious watches was generally affected by the (i) sales volume of our OBM products which is susceptible to the market sentiment and demand of our customers; (ii) average selling price of our OBM products, which is greatly impacted by the fluctuation of gold prices; (iii) different subcontracting services provided to our ODM customers; and (iv) different sales mix.

Our revenue and sales volume of our traditional precious metal watches was relatively lower in in FY2022, primarily due to the decrease in demand during the lockdown in various cities in the PRC, including northern China, where most of our sales of traditional precious metal watches took place, amidst the outbreak of COVID-19 pandemic. Whilst the outbreak of COVID-19 gradually subsided in FY2023, our revenue and sales volume from traditional precious metal watches resurged to 141,000 units in FY2023. Our revenue from sales of traditional precious metal watches decreased in FY2024, primarily due to the decrease in sales volume. We believe such decrease in FY2024 in sales volume was caused by the weak consumers' sentiment which was affected by the overall economic conditions and gold price.

The average selling price of our traditional precious metal watches increased throughout the Track Record Period primarily due to the increase in gold price. We generally adjust the selling price of our traditional precious metal watches in accordance to the fluctuation of gold price timely. Thus, the selling price of our traditional precious metal watches generally fluctuates with the gold price.

Smart watches

During the Track Record Period, we generally sold our smart watches to our ODM customers. We also sold insignificant amount of smart watches under our OBM model, or gifted insignificant amount of them as a complimentary gift for the purchases of our gold watches through online platforms. Thus, our revenue from sales of smart watches was generally affected by (i) different subcontracting services provided to our ODM customers including different specification of smart watches and their own demand; and (ii) different sales mix.

In FY2022 and FY2023, most of the smart watches were given as complimentary gifts with the purchase of our gold watches on online platforms, which had the effect of depressing our average selling price for these watches in FY2022 and FY2023. These smart watches are generally incorporated with thermometer and less advanced functions. Towards the end of FY2023, we launched a new collection of 24K gold smart watches incorporated with smart movements of Huawei. In FY2024, the sales of smart watches increased to RMB28.0 million mainly due to the increase in revenue from our ODM customers of RMB22.1 million for their business needs. In particular, one of our ODM customer contributed revenue of RMB12.5 million for the smart watches and in December 2024, in relation to the launch of a limited-edition series of 10,000 smart watch gift box sets by a leading Chinese baijiu (白酒) brand, we were granted production authorisation by the brand, and integrated smart movements into the smart watches for the brand's manufacturer, which contributed revenue of RMB6.2 million in FY2024. Our OBM sales of smart watches also increased by RMB6.0 million in FY2024 in response to the increasing demand of smart watches.

The average selling price of smart watches in different year fluctuated due to the sales mix of different types of smart watches sold. As explained above, the average selling price of our smart watches were relatively higher in FY2024, and lower in FY2022 and FY2023.

Sales of accessories

The following table sets forth a breakdown of the sales volume and average selling price of our revenue generated by sales of accessories during the Track Record Period:

	FY2022			FY2023			FY2024		
	Revenue	Sales volume(1)	Average selling price/ processing fee(2)	Revenue	Sales volume(1)	Average selling price/ processing fee(2)	Revenue	Sales volume(1)	Average selling price/ processing fee(2)
	RMB'000	*(gram'000)*	*(RMB/ gram)*	*RMB'000*	*(gram'000)*	*(RMB/ gram)*	*RMB'000*	*(gram'000)*	*(RMB/ gram)*
Accessories(3)									
Manufacturing and sales									
– Precious metal accessories and products	4,866	75	65	5,225	20	261	83,108	158	526
– Watch straps and other watch accessories	3,550	9	394	5,881	14	420	4,146	8	518
	8,416	84	100	11,106	34	327	87,254	166	526
Provision of subcontracting services									
– Precious metal accessories and products	17,008	1,291	13	18,307	1,640	11	9,213	1,096	8
– Watch straps and other watch accessories	8,915	684	13	12,993	966	13	9,309	661	14
	25,923	1,975	13	31,300	2,606	12	18,522	1,757	11
Total:	34,339	2,059	17	42,406	2,640	16	105,777	1,923	55

Notes:

(1) Sales volume refers to (i) the total number of watches sold or processed; and (ii) the total weight of gold used in the accessories products sold or processed.

(2) Average selling price/processing fee equals the revenue generated from the sales of or provision of subcontracting services relating to the relevant products (as the case may be), divided by the total number of watches sold or processed or the total weight of gold used in the accessories products sold or processed (as the case may be).

(3) Our accessories product portfolio includes (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories.

Our sales of accessories included sales of (i) precious metal accessories and products, which mainly include wearable precious metal accessories such as earrings, rings, necklaces and bracelets, and other precious metal products such as gold bars, gold medals and commemorative coins; and (ii) watch straps and other watch accessories, as well as subcontracting works of accessories to our ODM customers. Thus, our average selling price fluctuated from time to time due to the sales mix of different products category amongst accessories. During the Track Record Period, majority of our accessories were sold to our ODM customers. Thus, our revenue from sales of accessories fluctuated with the demand of our customers. Our revenue and sales volume of our traditional precious metal watches in FY2022 was relatively lower, primarily due to the decrease in demand during the lockdown amidst the outbreak of COVID-19 pandemic. Our revenue from sales of accessories then significantly increased in FY2024, primarily due to the sales to a new ODM customer, Customer A, whose revenue contribution of sales of accessories amounted to RMB79.9 million in FY2024.

By business model

The following table sets forth a breakdown of our revenue generated by different business models during the Track Record Period:

	FY2022		**FY2023**		**FY2024**	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
OBM						
– Offline distributorship	255,952	79.1	377,273	84.7	315,158	69.0
– Retail stores	6,623	2.0	5,890	1.3	2,915	0.6
– Third-party operated online stores	6,458	2.0	9,650	2.1	5,265	1.2
– Self-operated online stores	732	0.2	10,061	2.3	14,391	3.2
	269,765	83.3	402,874	90.4	337,729	74.0
ODM						
– Developing and manufacturing	33,630	10.4	24,203	5.5	109,612	24.0
– Subcontract processing	20,309	6.3	18,400	4.1	9,215	2.0
	53,939	16.7	42,603	9.6	118,827	26.0
Total	323,704	100.0	445,477	100.0	456,556	100.0

Note: For details of the sales channels through which we sell our OBM products, including offline distributorship, retail stores, third-party operated online stores, and self-operated online stores, please see "– Sales and Distribution".

During the Track Record Period, our largest revenue contributor was the sales from OBM model, accounting for 83.3%, 90.4% and 74.0% of our total revenue in FY2022, FY2023 and FY2024, respectively.

OBM model

For our OBM business model, during the Track Record Period, all of the revenue was derived from watches under our own brands. Our revenue from sales of products under OBM model was derived from through (i) sales to distributors; (ii) sales to/through third-party online store operators; (iii) sales to retail stores; and (iv) our self-operated online stores and e-commerce platforms such as Tmall, JD.com and Douyin, during the Track Record Period. Majority of our revenue of OBM model was generated through offline distributorship, which accounted for 79.1%, 84.7% and 69.0% of our total revenue in FY2022, FY2023 and FY2024, respectively. Our revenue from online sales increased significantly in FY2023 and FY2024 as we launch our products on more e-commerce platforms to capture the market share.

ODM model

Our revenue from ODM model was relatively higher in FY2024, primarily due to the sales to a new customer, Customer A, whose total revenue contribution amounted to RMB79.9 million in FY2024.

Cost of Sales

Our cost of sales represents our cost of production and primarily consists of raw material costs, staff costs and overhead expenses:

- Raw material cost: Raw materials costs mainly include the costs of raw gold materials, steel cases, watch movements, dial, strap and packaging materials.

- Direct labour costs: Staff costs primarily consist of the salaries and benefits of direct labour in our production.

- Overhead expenses: Overhead expenses represent depreciation of our production facilities and other fixed assets used in our production process, overhead expenses incurred and utilities used in our production process.

The following table sets forth a breakdown of our cost of sales by nature during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Raw material cost	234,447	90.3	307,660	91.2	307,600	92.5
Direct labour costs	9,648	3.7	10,535	3.1	9,144	2.8
Overhead expenses	15,482	6.0	18,977	5.7	15,655	4.7
Total	**259,577**	**100.0**	**337,172**	**100.0**	**332,399**	**100.0**

In FY2022, FY2023 and FY2024, our cost of sales was RMB259.6 million, RMB337.2 million and RMB332.4 million, respectively, accounting for 80.2%, 75.7% and 72.8% of our total revenue in the respective year.

Our major contribution for the costs of sales is raw materials, which accounted for 90.3%, 91.2% and 92.5% of our total cost of sales in FY2022, FY2023 and FY2024, respectively. During the Track Record Period, we subcontracted certain production tasks to third parties, such as, plating or casting processing services.

Gross Profit and Gross Profit Margin

During the Track Record Period, our gross profit and gross profit margin experienced an upward trend, alongside the increasing trend of our total revenue.

By product

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

	FY2022		FY2023		FY2024	
	Gross profit/ (loss)	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Watches[1]						
Manufacturing and sales						
– Traditional precious metal watches	51,713	18.1	94,475	23.5	93,505	29.0
– Smart watches	(13)	N/A	27	8.0	5,040	18.0
	51,700	18.1	94,502	23.4	98,545	28.1
Provision of subcontracting services						
– Traditional precious metal watches	1,178	38.9	(19)	95.0	1	50.0
Sub-total for watches:	52,878	18.3	94,483	23.4	98,546	28.1
Accessories[2]						
Manufacturing and sales						
– Precious metal accessories and products	168	3.5	749	15.7	18,638	22.4
– Watch straps and other watch accessories	284	7.9	976	15.4	1,007	24.3
	452	5.4	1,725	15.5	19,645	22.5

	FY2022		FY2023		FY2024	
	Gross profit/ (loss)	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Provision of subcontracting services						
– Precious metal accessories and products	6,408	39.9	5,747	33.5	2,320	25.2
– Watch straps and other watch accessories	4,389	44.5	6,350	45.0	3,646	39.2
	10,797	41.6	12,097	38.6	5,966	32.2
Sub-total for accessories:	11,249	32.8	13,822	32.6	25,611	24.2
Total/Overall	64,127	19.8	108,305	24.3	124,157	27.2

Notes:

(1) For the avoidance of doubt, as defined in "Glossary of Technical Terms", traditional precious metal watches as presented above do not include any precious metal watch with smart functions, and smart watches as presented above include both smart precious metal watches and other smart watches.

(2) In respect of our accessories product portfolio, (i) wearable accessories mainly include earrings, rings, necklaces, bracelets; and (ii) non-wearable accessories mainly include gold bars, gold medals and commemorative coins.

As a result of the foregoing, our gross profit was RMB64.1 million, RMB108.3 million and RMB124.2 million in FY2022, FY2023 and FY2024, respectively, and our overall gross profit margin were 19.8%, 24.3% and 27.2% in the respective year.

Our gross profit margin for a particular year generally fluctuated with the mix of products sold as well as the contribution of different subcontracting services provided in accordance with different arrangement with our ODM customers during the year. For instance, the gross profit margin of our sales of accessories fluctuated from year to year because (i) difference types of products sold within such categories may attain different profit margins. Our sales of gold bullion may attain a relatively lower gross profit margin than other processed accessories, primarily due to the limited value-added work performed before sales; and (ii) the revenue contribution of different types of products with different range of gross profit margin affecting the overall gross profit margin. See "– Review of Historical Results of Operation" in this section for further discussion on the fluctuation of our gross profit and gross profit margin. Our overall gross profit margin was relatively lower in FY2022, primarily due to the decrease in revenue amidst the outbreak of COVID-19 pandemic. Nevertheless, certain fixed cost of sales, such as majority of our staff costs, depreciation and amortisation of our factory and production facilities, etc., did not decrease proportionately.

Sales of watches

Our gross profit from the sales of watches amounted to RMB52.9 million, RMB94.5 million and RMB98.5 million in FY2022, FY2023 and FY2024, respectively, whilst the respective gross profit margin was 18.3%, 23.4% and 28.1%. Our gross profit and gross profit margin from the sales of watches were primarily impacted by the fluctuation of gross profit and gross profit margin from the sales of traditional precious metal watches. Comparatively, the revenue and gross profit contribution from the sales of smart watches was insignificant and may not impose significant impact to the total gross profit and overall gross profit margin.

Traditional precious metal watches

Our gross profit from the manufacturing and sales of traditional precious metal watches amounted to RMB51.7 million, RMB94.5 million and RMB93.5 million in FY2022, FY2023 and FY2024, respectively, whilst the respective gross profit margin was 18.1%, 23.5% and 29.0%.

The gross profit margin for sales of traditional precious metal watches was relatively lower in FY2022 primarily due to the effect of the outbreak of COVID-19 pandemic abovementioned. We experienced an upward trend in our gross profit and gross profit margin from FY2022 to FY2023, primarily due to the increase in average selling price of our traditional precious metal watches resulting from increase in gold price from FY2022 to FY2023. Given the fact that our inventory is determined on a weighted average method, the upward trend of gold price generally offers a favourable impact to our gross profit margin. Consequently, the increasing trend of gold price will lead to a milder increase in cost of sales, and thus, lead to an increase in gross profit margin. In FY2024, our gross profit margin continue to increase despite the relatively stable average selling price, mainly due to the increase in gold price while the use of gold generally decreased in our traditional precious metal watches.

Smart watches

Our gross profit from the manufacturing and sales of smart watches amounted to RMB27,000, and RMB5.0 million in FY2023 and FY2024, respectively, whilst the respective gross profit margin was 8.0% and 18.0%. We had gross loss of RMB13,000 in FY2022. The gross profit margin for sales of smart watches fluctuated during the Track Record Period due to the different mix of products sold. In FY2022 and FY2023, most of the watches were gifted as a complimentary gift for the purchase of our traditional precious metal watches on online platforms in order to promote our brand. Thus, we had gross loss in FY2022, and a relatively lower gross profit and gross profit margin from the sales of smart watches in FY2023. In FY2024, the gross profit of smart watches increased to RMB5.0 million mainly due to the increase in revenue from our ODM customers of RMB22.1 million for their business needs and the increase in OBM sales of smart watches resulting from the increasing demand of smart watches.

Sales of accessories

Our gross profit from the sales of accessories amounted to RMB11.2 million, RMB13.8 million and RMB25.6 million in FY2022, FY2023 and FY2024, respectively, whilst the respective gross profit margin was 32.8%, 32.6% and 24.2%. Our gross profit margin for sales of accessories generally fluctuated with the mix of products sold and well as the revenue contribution of different products and subcontracting services provided in accordance with different arrangements with our ODM customers. The relatively lower gross profit margin attained in FY2024 was primarily due to the sales of Customer A, whose sales accounted for 75.6% of our total sales of accessories, which attained a relatively lower gross profit.

By business model

The following table sets forth our gross profit and gross profit margin by business model during the Track Record Period:

	FY2022		FY2023		FY2024	
	Gross profit	**Gross profit margin**	**Gross profit**	**Gross profit margin**	**Gross profit**	**Gross profit margin**
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
OBM						
– Offline distributorship	48,327	18.9	88,331	23.4	89,269	28.3
– Retail outlet	1,523	23.0	2,120	36.0	1,163	39.9
– Third-party operated online stores	1,631	25.3	2,474	25.6	1,646	31.3
– Self-operated online stores	366	50.0	4,541	45.1	6,245	43.4
	51,847	19.2	97,466	24.2	98,323	29.1
ODM						
– Developing and manufacturing	4,273	12.7	4,823	19.9	23,513	21.5
– Subcontract processing	8,007	39.4	6,016	32.7	2,321	25.2
	12,280	22.8	10,839	25.4	25,834	21.7
Total	64,127	19.8	108,305	24.3	124,157	27.2

Note: For details of the sales channels through which we sell our OBM products, including offline distributorship, retail stores, third-party operated online stores, and self-operated online stores, please see "– Sales and Distribution".

OBM model

For our OBM business model, the gross profit margin generally fluctuated with the unit cost of sales and the different revenue contribution amongst different sales platforms. Our gross profit margin from OBM model was relatively lower in FY2022, primarily due to the effect from the outbreak of COVID-19 pandemic abovementioned. However, as it gradually subsided in FY2023, our gross profit margin resurged in FY2023. In addition, the significant increase in sales through online platforms in FY2023 also led to the increase in our overall gross profit margin because the gross profit margin attained through online platforms is relatively higher. Thus, our gross profit margin from OBM model was relatively higher in FY2023. In FY2024, the gross profit margin continued to increase primarily due to the decrease in our cost of sales.

Our gross profit margin from OBM customers generally increased throughout the Track Record Period. The increase throughout the Track Record Period was mainly due to the increase in gold price. The upward trend of gold price generally offers a favourable impact to our gross profit margin because our inventory is determined on a weighted average method. Consequently, the increasing trend of gold price will lead to a milder increase in cost of sales, and thus, lead to an increase in gross profit margin.

ODM model

For our ODM business model, our gross profit margin would be influenced by the mix of products sold as well as the mix of subcontracting services provided for our ODM customers. Our gross profit margin from ODM model was relatively lower in FY2022, primarily due to the effect from the outbreak of COVID-19 pandemic abovementioned. In FY2024, our gross profit margin from ODM model decreased primarily due to the relatively lower gross profit margin of a new ODM customer, Customer A. The revenue contributed by Customer A accounted for 67.3% of our total revenue from ODM model during FY2024.

Other Income

Other income mainly comprised of watch maintenance service and spare part income, government grants and subsidies, tax refund and incentives and bank interest income. Other income amounted to RMB5.5 million, RMB9.2 million and RMB7.2 million in FY2022, FY2023 and FY2024, respectively. The following table sets forth a breakdown of our other income during the Track Record Period:

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	13	371	286
Government grants and subsidies	1,645	1,475	64
Tax refund and incentives	10	2,013	2,320
Watch maintenance service and spare part income	3,794	5,278	4,472
Others	51	36	21
Total	5,513	9,173	7,163

Government grants mainly represented the government subsidies received from the local governments in the PRC in the recognition of our contribution to local economy's development. There are no unfulfilled conditions relating to these grants.

Tax refund and incentives mainly represented refund related to value-added tax.

Watch maintenance services and spare part income represented gross income received from the provision of after-sales repair and maintenance services for our OBM products as well as sales of spare parts.

Impairment Losses under ECL Model, Net of Reversal

Our impairment losses under ECL model, net of reversal represented the net loss allowance on trade receivables and other receivables. Our net impairment losses on under ECL model were impairment of RMB1.8 million and RMB1.8 million in FY2022 and FY2024, respectively; and a net reversal of RMB0.3 million in FY2023, respectively. See "– Description of Certain Items of Consolidated Statements of Financial Position – Trade receivables" in this section for details.

Other Gains and Losses

Other gains and losses mainly comprised of loss on changes in fair value of gold loans, which is the financial liabilities at FVTPL, gain or loss on changes in fair value of financial assets at FVTPL which was derived from financial products in FY2022 and film investment in FY2023, and gain on early termination of leases. We had net other losses of RMB1.1 million, net other losses of RMB3.8 million and net other losses of RMB7.9 million in FY2022, FY2023 and FY2024, respectively. The following table sets forth a breakdown of our other net gains or losses during the Track Record Period:

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
Loss on disposal of property, plant and equipment	(5)	(37)	(3)
Gain on early termination of leases	361	466	62
(Loss) gain on changes in fair value of gold loans	(1,436)	(1,789)	(8,159)
Gain (loss) on changes in fair value of financial assets at FVTPL	14	(2,403)	–
Net foreign exchange gain	–	–	165
Net other gains/(losses)	(1,066)	(3,763)	(7,935)

Selling Expenses

Selling expenses primarily consisted of employee benefit expenses for sales staff, advertising and promotion expenses, depreciation of right-of-use assets and property, plant and equipment and amortisation of intangible assets, office expenses which mainly included utility expenses, courier expenses, repair and maintenance expenses, e-commerce platforms fees, business development expenses which mainly included travelling expenses for conferences or meetings and others. The following table sets forth a breakdown of our selling expenses during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	5,939	45.0	7,051	39.3	7,865	40.2
Advertising and promotion	2,220	16.8	4,316	24.1	5,471	28.0
Depreciation and amortisation	2,403	18.2	1,868	10.4	2,043	10.4
Office expenses	1,090	8.3	1,230	6.9	1,533	7.8
E-commerce platforms expenses	118	0.9	844	4.7	728	3.7
Short-term rental and management fee	563	4.3	489	2.7	478	2.4
Business development	394	3.0	888	5.0	199	1.0
Others *(Note)*	464	3.5	1,236	6.9	1,245	6.5
Total	13,191	100.0	17,922	100.0	19,562	100.0

Note: Others mainly represented miscellaneous expenses, such as, commission expenses, sample and consumable expenses and other non-essential support service expenses.

Selling and marketing expenses amounted to RMB13.2 million, RMB17.9 million and RMB19.6 million for FY2022, FY2023 and FY2024, respectively. As a percentage of total revenue, our selling expenses accounted for 4.1%, 4.0% and 4.3% during the respective years.

Administrative Expenses

Administrative expenses primarily consisted of staff and welfare expenses of our administrative staff, depreciation for our right-of-use assets and property, plant and equipment and amortisation of intangible assets, professional fee for the services provided by accountants and legal advisers, business development expenses such as travelling expenses and office expenses which mainly included utility expenses, courier expenses and short-term rental and management fee. The following table sets forth a breakdown of our general and administrative expenses during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%
Employee benefit expenses	5,715	67.3	6,570	61.6	6,674	52.7
Professional fee	670	7.9	1,528	14.3	3,331	26.3
Office expenses	726	8.5	1,042	9.8	1,220	9.6
Business development	559	6.6	580	5.4	457	3.6
Depreciation	253	3.0	328	3.1	296	2.4
Others*(Note)*	573	6.7	625	5.8	675	5.4
Total	8,496	100.0	10,673	100.0	12,653	100.0

Note: Others mainly represented repair and maintenance expenses, insurance fee and other non-essential support service expenses.

Administrative expenses amounted to RMB8.5 million, RMB10.7 million and RMB12.7 million for FY2022, FY2023 and FY2024, respectively. As a percentage of total revenue, our administrative expenses accounted for 2.6%, 2.4% and 2.8% during the respective years.

Research and Development Expenses

Research and development expenses primarily consisted of staff and welfare expenses of our research and development staff, material and consumables used, patent and product design fee, office expenses which mainly included utility expenses, courier expenses and short-term rental and management fee, depreciation for property, plant and equipment and others. The following table sets forth a breakdown of our research and development expenses during the Track Record Period:

	FY2022		FY2023		FY2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Employee benefit expenses	5,465	64.7	5,208	38.6	6,215	52.7
Materials and consumables consumed	1,692	20.0	7,380	54.7	4,241	36.0
Patent and product design fee	221	2.6	128	0.9	430	3.6
Office expenses	335	4.0	214	1.6	283	2.4
Depreciation and amortisation	659	7.8	541	4.0	438	3.7
Others*(Note)*	79	0.9	20	0.2	180	1.6
Total	8,451	100.0	13,491	100.0	11,787	100.0

Note: Others mainly represented repair and maintenance expenses, testing expenses and other non-essential support service expenses.

Research and development expenses amounted to RMB8.5 million, RMB13.5 million and RMB11.8 million for FY2022, FY2023 and FY2024, respectively. As a percentage of total revenue, our research and development expenses accounted for 2.6%, 3.0% and 2.6% during the respective years.

Other Expenses

Other expenses primarily comprised of watch maintenance service and spare part costs, expenses related to NEEQ listing and lapsed transactions and others. The following table sets forth a breakdown of other expenses during the Track Record Period:

	FY2022	FY2023	FY2024
	RMB'000	*RMB'000*	*RMB'000*
Watch maintenance services and spare part costs	3,135	4,525	3,483
Expenses related to NEEQ listing and lapsed transactions	1,944	2,509	472
Others	21	278	95
	5,100	7,312	4,050

Other expenses amounted to RMB5.1 million, RMB7.3 million and RMB4.1 million for FY2022, FY2023 and FY2024, respectively. As a percentage of total revenue, other expenses accounted for 1.6%, 1.6% and 0.9% during the respective year.

Finance costs

Our finance costs primarily consist of the interest expenses on bank loans, gold loans and lease liabilities. The following table sets forth a breakdown of our finance costs during the Track Record Period:

	FY2022	FY2023	FY2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	2,828	2,639	2,389
Interest on gold loans *(Note)*	525	1,838	1,982
Interest on lease liabilities	362	275	186
Total	3,715	4,752	4,557

Note: We commenced gold loans arrangement in FY2022.

Income tax expense

Our current income tax primarily comprises PRC enterprise income tax expenses charged to our Company and our PRC subsidiaries.

PRC Enterprise Income Tax

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period, except for our Company, which has been recognised as the High New Tech Enterprises throughout the Track Record Period. According to the EIT Law for High New Tech Enterprises, our Company is subject to a reduced Enterprise Income Tax rate of 15% during the Track Record Period. Save as aforesaid, other major subsidiaries were subject to tax rate at a rate of 25%.

Moreover, in accordance with the relevant laws and regulations issued by the State Administration of Taxation of the PRC ("**SAT**"), enterprises engage in research and development activities were entitled to an additional deduction of 100% of the research and development expenses incurred as deductible expenses during the year when determining their taxable profits ("**weighted deduction**"). The SAT announced to increase the weighted deduction rate to 200% with effect from 1 January 2021 for manufacturing enterprises. Accordingly, we adopted the weighted deduction rate of 200% from 1 January 2022 to 31 December 2024. In determining the taxable profits for the year, we have made the best estimate of the entitled weighted deduction.

In FY2022, FY2023 and FY2024, we recorded income tax expenses of RMB3.3 million, RMB7.8 million and RMB9.3 million, respectively, while the respective effective tax rate was 11.8%, 13.0% and 15.9%.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2023 compared to FY2022

Revenue

Our revenue increased by RMB121.8 million or 37.6% from RMB323.7 million in FY2022 to RMB445.5 million in FY2023. As the COVID-19 pandemic gradually subsided in late FY2022 and early FY2023, our revenue from all types of products resurged.

Revenue from sales of watches

Our revenue from sales of watches increased from RMB289.4 million in FY2022 to RMB403.1 million in FY2023 primarily due to the increase in revenue from manufacturing and sales of traditional precious metal watches mainly resulting from the increase in demand because COVID-19 pandemic gradually subsided. Consequently, our sales volume of watches resurged to 142,000 units sold in FY2023 compared to 114,000 units sold in FY2022. The increase of revenue was also due to the increase in average selling price of our traditional precious metal watches from RMB2,651 per unit in FY2022 to RMB2,856 per unit in FY2023, primarily due to the increase in gold price.

Revenue from sales of accessories

Resulting from the recovery from the impact of COVID-19 pandemic, our revenue from sales of accessories increased from RMB34.3 million in FY2022 to RMB42.4 million in FY2023. The sales volume increased from 2,059 grams sold/processed in FY2022 to 2,640 grams sold/processed in FY2023. The average selling price remained relative stable at RMB17 per grams sold/processed in FY2022 and RMB16 per grams sold/processed in FY2023.

Cost of sales

Our cost of sales increased by RMB77.6 million or 29.9% from RMB259.6 million in FY2022 to RMB337.2 million in FY2023. The increase was primarily due to the increase in raw materials costs of RMB73.2 million resulting from increase in sales volume.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB44.2 million or 68.9% from RMB64.1 million in FY2022 to RMB108.3 million in FY2023. Our gross profit margin increased from 19.8% in FY2022 to 24.3% in FY2023, which was mainly due to increase in gross profit margin from our sales of watches.

Sales of watches

Our gross profit from sales of watches increased from RMB52.9 million in FY2022 to RMB94.5 million in FY2023, primarily due to the increase in gross profit from manufacturing and sales of traditional precious metal watches resulting from the increase in total sales volume and average selling price.

Our gross profit margin from sales of watches increased from 18.3% in FY2022 to 23.4% in FY2023, primarily due to the increase in gross profit from manufacturing and sales of traditional precious metal watches resulting from the (i) economies of scale enjoyed after the sales volume resumed to normal; and (ii) increase in average selling price following the increase in gold price.

Sales of accessories

Our gross profit from sales of accessories increased from RMB11.2 million in FY2022 to RMB13.8 million in FY2023 primarily due the increase in revenue. Our gross profit margin from sales of accessories remained relatively stable at 32.8% in FY2022 to 32.6% in FY2023.

Other income

Our other income increased by RMB3.7 million or 66.4% from RMB5.5 million in FY2022 to RMB9.2 million in FY2023. The increase in other income was mainly due to increase in (i) tax refund and incentives of RMB2.0 million primarily resulting from the increase in VAT refunds; and (ii) watch maintenance service and spare part income of RMB1.5 million resulting from the increase in maintenance services provided.

Impairment losses under ECL model, net of reversal

We had net reversal of impairment loss under ECL models of RMB0.3 million in FY2023, compared to an net impairment loss of RMB1.8 million in FY2022. The net reversal of impairment loss in FY2023 was primarily attributable to the net reversal of impairment loss of RMB0.6 million from trade receivables which was mainly due to the change of ECL rate subject to the repayment history of our trade debtors, compared to net impairment of RMB1.8 million in FY2022.

Other gains and losses

Our other net losses increased from RMB1.1 million in FY2022 to RMB3.8 million in FY2023. The increase was mainly due to the loss on changes in fair value of financial assets at FVTPL of RMB2.4 million in FY2023 because the expected return on the investment in a film decreased due to lower box office than expected.

Selling expenses

Selling expenses increased by RMB4.7 million or 35.9% from RMB13.2 million in FY2022 to RMB17.9 million in FY2023. The increase was primarily due to the increase in (i) advertising and promotion expenses of RMB2.1 million mainly for our 10th anniversary promotion; (ii) employee benefit expenses of RMB1.1 million for the expansion of our business; and (iii) e-commerce platforms expenses of RMB0.7 million due to the additions of e-commerce platforms we engaged in FY2023.

Administrative expenses

Administrative expenses increased by RMB2.2 million or 25.6% from RMB8.5 million in FY2022 to RMB10.7 million in FY2023. The increase was primarily due to the increase in (i) professional fee of RMB0.9 million mainly for the travelling and accommodation expenses for the professional parties for previous **[REDACTED]** attempt in FY2023; and (ii) employee benefit expenses of RMB0.9 million mainly resulting from increase in discretionary bonus in FY2023.

Research and development expenses

Research and development expenses increased by RMB5.0 million or 59.6% from RMB8.5 million in FY2022 to RMB13.5 million in FY2023. The increase was primarily due to the increase in materials and consumables consumed of RMB5.7 million, resulting from the increase in research and development projects after the COVID-19 pandemic subsided in FY2023.

Other expenses

Other expenses increased by RMB2.2 million or 43.4% from RMB5.1 million in FY2022 to RMB7.3 million in FY2023. The increase was primarily due to the increase in watch maintenance services and spare part costs of RMB1.4 million, which was mainly due to the increase in maintenance services provided.

Finance costs

Our finance costs increased by RMB1.0 million or 27.9% from RMB3.7 million in FY2022 to RMB4.8 million in FY2023. The increase was primarily due to the interest on gold loans arrangement of RMB1.3 million as we commenced such arrangement in mid of FY2022.

Income tax expense

Income tax expense increased by RMB4.5 million or 137.9% from RMB3.3 million in FY2022 to RMB7.8 million in FY2023 primarily due to the increase in revenue. The effective tax rates remained relatively stable at 11.8% and 13.0% in FY2022 and FY2023, respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by RMB27.6 million or 112.3% from RMB24.5 million in FY2022 to RMB52.1 million in FY2023. The net profit margin increased from 7.6% in FY2022 to 11.7% in FY2023, primarily due to the increase in gross profit margin in FY2023.

FY2024 compared to FY2023

Revenue

Our revenue increased by RMB11.1 million or 2.5% from RMB445.5 million in FY2023 to RMB456.6 million in FY2024. The increase was primarily due to the increase in revenue from sales of accessories partially offset by the decrease in sales of watches.

Revenue from sales of watches

Our revenue from sales of watches decreased from RMB403.1 million in FY2023 to RMB350.8 million in FY2024 primarily due to the decrease in revenue from manufacturing and sales of traditional precious metal watches mainly resulting from the decrease in sales volume of traditional precious metal watches of our OBM products sold to our distributors, from 141,000 units sold in FY2023 to 113,000 units sold in FY2024. We believe such decrease in sales volume was caused by the weak consumers' sentiment which was affected by the overall economic conditions and gold price. The average selling price of our traditional precious metal watches remained relatively stable at RMB2,865 per unit in both FY2023 and FY2024.

The decrease in revenue from sales of traditional precious metal watches was partially offset by the increase in revenue from sales of smart watches from RMB0.3 million in FY2023 to RMB28.0 million in FY2024. The increase was mainly due to the increase in revenue from our ODM customers of RMB22.1 million for their business needs. In particular, one of our ODM customer contributed revenue of RMB12.5 million for the smart watches and in December 2024, in relation to the launch of a limited-edition series of 10,000 smart watch gift box sets by a leading Chinese baijiu (白酒) brand, we were granted production authorisation by the brand, and integrated smart movements into the smart watches for the brand' manufacturer, which contributed revenue of RMB6.2 million in FY2024. Our OBM sales of smart watches also increased by RMB6.0 million in FY2024 in response to the increasing demand of smart watches.

Revenue from sales of accessories

Our revenue from sales of accessories increased from RMB42.4 million in FY2023 to RMB105.8 million in FY2024 primarily due to the sales to a new ODM customer, Customer A, whose revenue contribution of sales of accessories amounted to RMB80.0 million in FY2024.

Cost of sales

Our cost of sales decreased by RMB4.8 million or 1.4% from RMB337.2 million in FY2023 to RMB332.4 million in FY2024 despite the increase in revenue mainly due to the decrease in (i) overhead expenses of RMB3.3 million primarily resulting from decrease in manufacturing expenses for processing of gold accessories; and (ii) labour costs of RMB1.4 million resulting from the decrease in headcounts mainly in our Fujian Factory.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by RMB15.9 million or 14.6% from RMB108.3 million in FY2023 to RMB124.2 million in FY2024. Our gross profit margin increased from 24.3% in FY2023 to 27.2% in FY2024, which was mainly due to increase in gross profit margin from sales of watches.

Sales of watches

Our gross profit from sales of watches increased from RMB94.5 million in FY2023 to RMB98.5 million in FY2024, primarily due to the gross profit from sales of smart watches of RMB5.0 million in FY2024 whilst we had only RMB27,000 gross profit for smart watches in FY2023. The gross profit from manufacturing and sales of traditional precious metal watches was relatively stable in FY2024.

The gross profit margin from sales of watches increased from 23.4% in FY2023 to 28.1% in FY2024, primarily due to the increase in gross profit margin of our traditional precious metal watches resulting from the increase in gold price while the use of gold generally decreased in our traditional precious metal watches.

Sales of accessories

Our gross profit from sales of accessories increased from RMB13.8 million in FY2023 to RMB25.6 million in FY2024 primarily due the increase in revenue. The gross profit margin decreased from 32.6% in FY2023 to 24.2% in FY2024, primarily due to the sales of accessories to Customer A, whose sales accounted for 75.6% of our total sales of accessories, which attained a relatively lower gross profit.

Other income

Our other income decreased by RMB2.0 million or 21.9% from RMB9.2 million in FY2023 to RMB7.2 million in FY2024. The decrease in other income was mainly due to the (i) decrease in government grants of RMB1.4 million which is non-recurring in nature; and (ii) watch maintenance service income of RMB0.8 million in FY2024 resulting from less demand from such services.

Impairment losses under ECL model, net of reversal

We had net impairment losses under ECL model of RMB1.8 million in FY2024 compared to a reversal of impairment losses under ECL model of RMB0.3 million in FY2023, primarily due to the increase in accounts receivables balances as at 31 December 2024 compared to that as at 31 December 2023.

Other gains and losses

Our net other losses increased by RMB4.2 million or 110.9% from RMB3.8 million in FY2023 to RMB7.9 million in FY2024, primarily due to the increase in loss on changes in fair value of gold loans of RMB6.4 million mainly resulting from the increase in gold price.

Selling expenses

Selling expenses increased by RMB1.6 million or 9.2% from RMB17.9 million in FY2023 to RMB19.6 million in FY2024. The increase was primarily due to the increase in (i) advertising and promotion of RMB1.2 million following our strategy to promote our products, in particular, certain newly launched smart watches; and (ii) employee benefit expenses of RMB0.8 million mainly due to the increase in headcounts.

Administrative expenses

Administrative expenses increased by RMB2.0 million or 18.6% from RMB10.7 million in FY2023 to RMB12.7 million in FY2024. The increase was primarily due to the increase in professional fee of RMB1.8 million mainly for our auditing services.

Research and development expenses

Research and development expenses decreased by RMB1.7 million or 12.6% from RMB13.5 million in FY2023 to RMB11.8 million in FY2024. The decrease was primarily due to the decrease in materials and consumables consumed of RMB3.1 million resulting from the decrease in use of gold materials following our development of smart watches and rings. The decrease in research and development expenses was partially offset by the increase in employee benefit expenses of RMB1.0 million, resulting from increase in research and development personnel.

Other expenses

Other expenses decreased by RMB3.3 million or 44.6% from RMB7.3 million in FY2023 to RMB4.1 million in FY2024. The decrease was primarily due to the decrease in (i) expenses related to NEEQ listing and lapsed transactions of RMB2.0 million; and (ii) watch maintenance services and spare part costs of RMB1.0 million, which was generally due to the decrease in watch maintenance services and spare part income.

Finance costs

Our finance costs remained relatively stable at RMB4.8 million and RMB4.6 million in FY2023 and FY2024, respectively.

Income tax expense

Income tax expense increased by RMB1.5 million or 19.4% from RMB7.8 million in FY2023 to RMB9.3 million in FY2024 with the increase in effective tax rate from 13.0% in FY2023 to 15.9% in FY2024, primarily due to the decrease in deductions from income tax at concessionary rate and decrease in tax benefit for qualifying research and development expenses resulting from the decrease in research and development expenses incurred in FY2024.

Profit for the year

As a result of the foregoing, our profit for the year decreased by RMB2.8 million or 5.3% from RMB52.1 million in FY2023 to RMB49.3 million in FY2024, mainly due to the **[REDACTED]** incurred of RMB**[REDACTED]** in FY2024 compared to nil in FY2023. Net profit margin decreased from 11.7% in FY2023 to 10.8% in FY2024.

Excluding the **[REDACTED]**, our profit for the year would increase from RMB52.1 million in FY2023 to RMB59.7 million in FY2024, mainly resulting from the increase in gross profit margin and decrease in research and development expenses aforementioned.

LIQUIDITY AND CAPITAL RESOURCES

Our primary uses of cash have been, and are expected to continue to be, funding our research and development, procurement of raw materials and other general corporate needs. Historically, we financed our operation and other capital requirements primarily using cash generated from our operations, bank and other borrowings and funds raised from equity financings.

Upon completion of the **[REDACTED]**, we currently expect that there will not be any material change in the sources and uses of cash of our Group in the future, except that we would have additional **[REDACTED]** from **[REDACTED]** of the **[REDACTED]** for implementing our future plans as detailed under the section headed "Future Plans and **[REDACTED]**" in this document. Any significant decrease in demand for, or pricing of, our products, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity.

As at 31 December 2022, 2023 and 2024, we had cash and cash equivalents of RMB31.8 million, RMB21.7 million and RMB14.0 million, respectively.

Cash Flows

The following table sets forth a summary of our consolidated statement of cash flows during the Track Record Period:

	FY2022	**FY2023**	**FY2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	27,818	59,896	58,657
– Adjustments for non-cash item	10,622	12,988	18,697
– Changes in Working Capital	(26,822)	(97,852)	(32,791)
Cash generated from (used in) operations	11,618	(24,968)	44,563
Interest paid on gold loans	(525)	(1,838)	(1,982)
Income tax paid	(3,429)	(8,944)	(7,617)
Net cash from (used in) operating activities	7,664	(35,750)	34,964
Net cash from (used in) investing activities	3,509	(47,326)	(37,008)
Net cash from (used in) financing activities	69	72,979	(5,699)
Net increase (decrease) in cash and cash equivalents	11,242	(10,097)	(7,743)
Cash and cash equivalents at beginning of year	20,581	31,823	21,726
Cash and cash equivalents at end of year	31,823	21,726	13,983

Operating activities

In FY2022, we had net cashflow from operating activities of RMB7.7 million, primarily attributable to our profit before tax of RMB27.8 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation and amortisation of RMB4.5 million; and (ii) finance costs of RMB3.7 million. The amount was further adjusted by decrease in movements in working capital of RMB26.8 million and net income tax paid of RMB3.4 million. The decrease in movements in working capital primarily included the increase in trade receivables of RMB33.0 million. The decrease in movements in working capital was partially offset by the increase in trade and other payables of RMB8.2 million.

In FY2023, we had net cashflow used in operating activities of RMB35.8 million, primarily attributable to our profit before tax of RMB59.9 million, as adjusted for non-cash and non-operating items, which primarily include (i) depreciation and amortisation of RMB4.0 million; and (ii) finance costs of RMB4.8 million. The amount was further adjusted by decrease in movements in working capital of RMB97.9 million and net income tax paid of RMB8.9 million. The decrease in movements in working capital primarily included the increase in inventories of RMB109.2 million. The decrease in movements in working capital was partially offset by the decrease in trade receivables of RMB17.0 million.

In FY2024, we had net cashflow from operating activities of RMB35.0 million, primarily attributable to our profit before tax of RMB58.7 million, as adjusted for non-cash and non-operating items, which primarily include (i) loss on changes in fair value of gold loans of RMB8.2 million; (ii) depreciation and amortisation of RMB3.6 million; and (iii) finance costs of RMB4.6 million. The amount was further adjusted by decrease in movements in working capital of RMB32.8 million and net income tax paid of RMB7.6 million. The decrease in movements in working capital primarily included increase in trade receivables of RMB24.1 million and increase in inventories of RMB17.3 million. The decrease in movements in working capital was partially offset by the increase in trade and other payables of RMB12.1 million.

Investing activities

In FY2022, our net cash from investing activities of RMB3.5 million primarily reflected net proceeds from disposal of financial assets at FVTPL of RMB5.0 million.

In FY2023, our net cash used in investing activities of RMB47.3 million primarily reflected (i) purchase of property, plant and equipment of RMB36.7 million; and (ii) placement of bank deposit with original maturity over three months of RMB10.0 million.

In FY2024, our net cash used in investing activities of RMB37.0 million primarily reflected purchase of property, plant and equipment of RMB32.0 million.

Financing activities

In FY2022, our net cash from financing activities of RMB69,000 primarily reflected the net bank borrowings raised of RMB7.0 million. the cash inflow was partially offset by (i) repayment and interest payment of lease liabilities of RMB4.0 million; and (ii) interest paid on bank borrowings of RMB2.8 million.

In FY2023, our net cash from financing activities of RMB73.0 million primarily reflected the (i) placement of shares, net of transaction costs of RMB121.2 million; and (ii) net bank borrowings raised of RMB6.2 million. The cash inflow was partially offset by (i) dividend of RMB48.5 million paid; (ii) repayment and interest payment of lease liabilities of RMB3.3 million; and (iii) interest paid on bank borrowings of RMB2.6 million.

In FY2024, our net cash used in financing activities of RMB5.7 million primarily reflected the (i) dividends paid of RMB20.3 million. The cash outflow was partially offset by the net amount of bank borrowings raised of RMB21.7 million.

Working Capital

Taking into consideration the anticipated cash flows from our operations, cash and cash equivalents, banks and other borrowings from banks and other financial institutions available to us and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors confirm that, we have sufficient working capital for the next 12 months from the date of this document.

Net Current Assets

The table below sets out selected information for our current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 30 April
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Current Assets				
Inventories	513,079	632,614	656,143	653,642
Trade receivables	58,993	42,612	65,227	116,270
Prepayments and other receivables	3,780	6,406	7,373	8,621
Financial assets at fair value through profit or loss	–	–	–	–
Amounts due from related parties	70	7	7	7
Pledged/restricted bank deposits	–	840	5,330	–
Bank deposits with original maturity over three months	–	–	10,000	–
Cash and cash equivalents	31,823	21,726	13,983	10,751
	607,745	704,205	758,063	789,291
Current Liabilities				
Trade and other payables	59,254	32,875	47,245	44,476
Amounts due to related parties	–	–	–	–
Tax payable	2,434	1,856	5,261	3,775
Bank borrowings	60,872	67,082	61,604	61,301
Lease liabilities	3,152	2,292	2,771	3,401
Contract liabilities	1,565	552	455	262
Gold loans	28,324	38,847	51,643	39,010
	155,601	143,504	168,979	152,225
Net Current Assets	452,144	560,701	589,084	637,066

Our net current assets increased from RMB452.1 million as at 31 December 2022 to RMB560.7 million as at 31 December 2023. The increase was primarily due to the increase in inventories of RMB119.5 million for our production.

Our net current assets increased to RMB589.1 million as at 31 December 2024. The increase was primarily due to the (i) increase in inventories of RMB23.5 million resulting from purchase of raw materials; and (ii) decrease in trade and other payables of RMB26.4 million primarily resulting from the payment to settle the dividend payables in August 2024.

Our net current assets then increased to RMB637.1 million as at 30 April 2025, primarily due to the increase in trade receivables of RMB51.0 million resulting from the sales generated during the four months from 1 January 2025 to 30 April 2025.

DESCRIPTION OF CERTAIN ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

The following sets forth a breakdown of balances of our property, plant and equipment as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Machineries	13,292	11,791	9,887
Motor vehicles	33	16	503
Furniture and electronic equipment	430	623	593
Leasehold improvements	1,516	1,012	747
Construction in progress	147	32,634	66,270
Total	15,418	46,076	78,000

Our property, plant and equipment increased RMB15.4 million as at 31 December 2022 to RMB46.1 million as at 31 December 2023, primarily due to the additions of RMB34.4 million, which mainly attributable to the construction in progress for Putian Production Base. The increase in property, plant and equipment as at 31 December 2023 was partially offset by the depreciation of RMB3.7 million charged in FY2023. Our property, plant and equipment then further increased to RMB78.0 million as at 31 December 2024. The increase was primarily due to the additions of RMB35.2 million, which was mainly attributable to the construction in progress for Putian Production Base. The increase in property, plant and equipment as at 31 December 2024 was partially offset by the depreciation of RMB3.3 million charged in FY2024.

Inventories

Our inventory primarily comprises (i) raw materials, mainly including gold, silver, watch movements and other watch components, bracelets and straps; (ii) work-in-progress watches and accessories products; and (iii) finished watch and accessories products. The following table sets forth a breakdown of our inventories as of the date indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Raw materials	77,737	70,339	66,621
Work in progress	278,233	406,270	423,447
Finished goods	157,109	156,005	166,075
Total	513,079	632,614	656,143

We implement our gold inventory management policies with reference to the (i) prevailing macro market information, such as the nature and extent of geopolitical issues, which may affect the supply of gold and the international gold prices; (ii) reports on the expected international gold prices issued by various investment banks readily available to the public; (iii) available cash reserves; and (iv) our production planning. Please see "Business – Inventory – Inventory management – Gold inventory" for details.

During the Track Record Period, our inventories increased by 23.3% from RMB513.1 million as at 31 December 2022 to RMB632.6 million as at 31 December 2023, and further increased by 3.7% to RMB656.1 million as at 31 December 2024.

The increase in our inventories during FY2023 was primarily attributable to the substantial increase of 46.0% in our work in progress from RMB278.2 million as at 31 December 2022 to RMB406.3 million as at 31 December 2023, which was partially offset by the decrease of 9.5% in our raw materials from RMB77.7 million as at 31 December 2022 to RMB70.3 million as at 31 December 2023.

The slight increase in our inventories during FY2024 was primarily attributable to the increase of 6.5% in our finished goods from RMB156.0 million as at 31 December 2023 to RMB166.1 million as at 31 December 2024 and the increase of 4.2% in our work in progress from RMB406.3 million as at 31 December 2023 to RMB423.4 million as at 31 December 2024, which were partially offset by the decrease of 5.3% in our raw materials from RMB70.2 million as at 31 December 2023 to RMB66.6 million as at 31 December 2024.

Work in progress

We experienced an upward trend in our work in progress during the Track Record Period as our hardened gold inventory, which represented 63.2%, 78.2% and 84.4% of our work in progress inventory in terms of value as at 31 December 2022, 2023 and 2024, respectively, had increased substantially by 80.5% from RMB176.0 million as at 31 December 2022 to RMB317.7 million as at 31 December 2023, and further increased by 12.5% to RMB357.5 million as at 31 December 2024.

Composition of hardened gold inventory

Our hardened gold inventory includes gold materials involved in the initial processing stage of precious metal watches. This encompasses various forms of hardened gold at different stages of the hardening and processing process, as well as hardened gold sculpted into fittings. For details of the processes involved in the hardening and processing of gold, please refer to the flowchart under "Business – Our Business Model – Production Processes – Watches".

Increase in hardened gold inventory

The increase in our hardened gold inventory was primarily attributable to our operational strategy whereby we convert gold raw materials into hardened gold to prepare for further processing and production into any type of watch products containing gold. As outlined in "Industry Overview – Overview of precious metal watch and gold watch industry – Definition and classification of the precious metal watch", traditional 24K gold presents significant manufacturing challenges due to its inherent softness and malleability. Conventionally, watch manufacturers mitigate these limitations by alloying gold with other metals, typically reducing gold purity below 99.9% to enhance structural integrity and enable mass production. In contrast, we have developed a proprietary patented technology to significantly harden pure gold, increasing its hardness by three to four times. This allows the use of 24K gold in watch cases while greatly improving scratch resistance and impact durability. Therefore, as disclosed in "Business – Our Business Model – (iii) Manufacturing", the smelting and hardening of gold raw materials are among the first and crucial steps in the production process of our gold products.

Gold hardening process

We harden gold using machinery such as the electronic balance (電子天平), CXM-AV continuous casting machine (CXM-AV連續鑄造機), CXM-CIII digital vacuum pressurised casting machine (CXM-CIII數碼真空加壓鑄造機), stainless steel dewaxing oven (不銹鋼脫蠟焗爐), hydraulic pressure machine (油壓機) and micro Vickers hardness testing machine (顯微維氏硬度計). Our average time of processing gold raw materials into hardened gold was approximately 50 minutes per gram, which was calculated based on the average time required to complete each step of the gold hardening process, which include but are not limited to (i) the retrieval and proportioning of raw materials, (ii) vacuum melting, (iii) hydraulic molding, (iv) quality inspections and (v) CNC machining process.

Annual capacity and utilisation

During the Track Record Period, our gold hardening facilities had an annual capacity of 4,145,301 grams, 2,544,395 grams and 1,677,697 grams of hardened gold, with utilisation rates of 56.53%, 95.21%, and 99.02% during FY2022, FY2023, and FY2024, respectively. The decreasing trend of the annual production capacity of our gold hardening facilities during the Track Record Period was primarily attributable to the significant increase in the time required to carry out the CNC machining process, which is the bottleneck process in gold hardening and processing, as a result of the additional technical requirements, precision and quality control necessary for the processing of thinner layers of hardened gold to be utilised in our gold watch products as reflected in the decreasing trend in the average of gold contained in relation to our traditional precious metal watches during the Track Record Period. The gold hardening process accommodates flexible batch sizes, with the minimum and maximum concurrent processing capabilities for FY2024 of 1,258.99 grams per day and 5,519.21 grams per day, respectively. During FY2022, FY2023 and FY2024, the total volume of gold raw materials we processed into hardened gold was 2,343,465 grams, 2,422,420 grams and 1,661,283 grams, respectively, with 78.22%, 70.99% and 66.89% of the hardened gold being converted into finished goods in the respective years. From a cost perspective, the average processing expense per gram amounted to RMB7.54 in FY2022, RMB7.43 in FY2023 and RMB8.43 in FY2024.

Strategic benefits of maintaining hardened gold inventory

We believe our strategy of pre-hardening gold to facilitate future production is beneficial to our operations on the following basis:

(i) the gold hardening process provides economies of scale when conducted in larger batches. For example, based on our operational data for FY2024, the energy consumption of our gold hardening equipment for each gram of gold processed generally decreased by 77% when 5,519.21 grams of hardened gold were processed per day compared to 1,258.99 grams per day. These efficiency gains translate into reductions in gold hardening costs and the overall costs of producing products containing gold;

(ii) maintaining an inventory of hardened gold enhances our production flexibility and responsiveness. During the Track Record Period, manufacturing lead times for products containing gold could be reduced by an average of 12 days by directly utilising pre-hardened gold for accelerated fulfillment of production orders, as compared to only commencing the gold hardening process when production orders were received. This reduction in production time has proven particularly valuable during peak demand periods, as it could help reduce lost sales opportunities due to production constraints when our production facilities are fully utilised. We also believe that the readily available inventory of hardened gold could enable us to meet time-sensitive orders without compromising production quality standards;

(iii) from a supply chain risk management perspective, this strategy helps create a buffer against potential disruptions. For example, maintaining sufficient hardened gold inventory could mitigate potential raw material supply interruptions; and

(iv) according to CIC, our practice of hardening some of our gold from raw material in advance of the placement of purchase orders by customers to better manage our resource is in line with industry practices.

In the hypothetical case that we consider that any excess hardened gold inventory shall be eliminated, we may:

(i) convert the hardened gold back into gold raw materials. The conversion process can be carried out by third-party service providers at a cost of RMB0.3 per gram, RMB0.25 per gram and RMB0.1 per gram for converting hardened gold with a gold content of 70% to less than 90%, 90% to less than 99.99% and greater than 99.99%, respectively, back into gold raw materials, and up to 100kg of hardened gold can generally be converted back into gold raw materials per day according to the best information and knowledge of our Directors; or

(ii) sell the hardened gold in secondary market. In this relation, the secondary market for hardened gold in China remains active, with current valuations of hardened gold closely tracking China's spot price of Au9999 in 2023, at approximately 99.98% of China's spot price for Au9999, due to their closeness in terms of gold purity, according to CIC.

In conclusion, the maintenance of hardened gold inventory represents a carefully balanced operational strategy supported by multiple quantitative measures. The available data demonstrates that the efficiency gains, production flexibility, and risk mitigation benefits outweigh the associated carrying costs. The strategy aligns with established industry practices while being appropriately scaled to our specific operational requirements and market position. Continuous monitoring ensures the approach remains economically justified and can adapt responsively to changing market conditions. This ongoing evaluation process includes regular reviews of production metrics, inventory turnover rates, and market dynamics to maintain optimal inventory level.

Finished goods

In FY2022, amidst the outbreak of COVID-19 pandemic, we utilised our production capacity to produce some high-end gold watch straps with fine details for expected sales or use in our production subsequently. Thus, the amount of finished goods was at RMB157.1 million as at 31 December 2022. The value of finished goods had maintained relatively stable since FY2022, and we considered that it would not be necessary for us to impair our finished goods in view of the fact that (i) this batch of inventories can be used as our production in the future; and (ii) the value of these finished goods consisted of over 90% of the value of gold as at 31 December 2024, we consider that the net realisable value of these finished goods of our inventories were higher than the cost, and as such no impairment was provided for during the Track Record Period.

Our balance of inventories increased from RMB513.1 million as at 31 December 2022 to RMB632.6 million as at 31 December 2023, primarily due to the increase in work in progress of RMB128.0 million resulting from the increase in purchase during FY2023. Our balance of inventories then remained relatively stable at RMB656.1 million as at 31 December 2024.

We had write-down of inventory of RMB1.4 million and RMB0.9 million in FY2023 and FY2024, respectively, whilst we had reversal of write-down of inventory of RMB0.3 million in FY2022 primarily for our non-gold materials.

The following table sets forth the breakdown of our raw materials, work in progress and finished goods by major inventory types as at the dates indicated:

		As at 31 December		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Raw materials				
Gold				
– Gold	(a)	52,563	44,593	40,259
Diamonds				
– Diamonds	(d)	8,958	8,909	8,885
Non-gold and non-gold related items				
– Liner accessories		11,089	10,747	9,344
– Dials		4,620	4,937	5,281
– Watch movements		1,733	3,623	6,851
– Others		5,930	6,092	5,484
	(g)	23,372	25,399	26,960
Subtotal for raw materials		**84,893**	**78,901**	**76,104**
Work in progress				
Gold				
– Gold (hardened)		175,957	317,652	357,513
– Gold accessories		14,772	16,465	15,087
– Gold watch accessories (gold case, buckle and ring)		34,045	33,317	6,642
	(b)	224,791	367,434	379,242
Gold related items (including items which include gold but are not entirely gold)				
– 24K gold semi-finished products		43,456	26,891	29,349
– Metal accessories		3,642	3,836	3,182
– Others		3,119	3,051	2,405
	(e)	50,217	33,778	34,936

		As at 31 December		
		2022	**2023**	**2024**
		RMB'000	*RMB'000*	*RMB'000*
Non-gold and non-gold related items				
– Metal accessories (case, buckle and ring)		836	870	5,561
– Other accessories		2,253	3,775	2,995
– Others		136	413	713
	(h)	3,225	5,058	9,269
Subtotal for work in progress		**278,233**	**406,270**	**423,447**
Finished goods				
Gold				
– Gold accessories		51,840	35,738	35,919
– Gold watch straps		2,140	3,411	3,484
	(c)	53,980	39,149	39,403
Gold related items (including items which include gold but are not entirely gold)				
– Gold watch straps		87,916	96,925	105,686
– Gold watches		9,459	14,164	12,826
– 24K gold watches and accessories		3,255	3,099	3,149
– Others		2,059	2,090	2,950
	(f)	102,689	116,278	124,611
Non-gold and non-gold related items				
– Others	(i)	440	578	2,060
Subtotal for finished goods		**157,109**	**156,005**	**166,075**
Total before provisions		520,235	641,176	665,626
Less: provisions	(j)	(7,156)	(8,562)	(9,483)
		513,079	632,614	656,143

The following table sets forth the aging analysis of our inventories as at the end of each of the years comprising the Track Record Period and the subsequent sales/utilisation of our inventories as at 31 December 2024 up to 30 April 2025 by age group.

	As at 31 December 2022					
	Within 1 year	**1 year to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Gold						
– Raw materials	52,563	–	–	–	52,563	(a)
– Work in progress	121,944	65,552	3,536	33,759	224,791	(b)
– Finished goods	53,780	110	54	36	53,980	(c)
Sub-total for gold items	**228,287**	**65,662**	**3,590**	**33,795**	**331,334**	
Diamonds						
– Raw materials	**–**	**204**	**8,661**	**93**	**8,958**	(d)
Gold-related items (including items which include gold but are not entirely gold)						
– Raw materials	–	–	–	–	–	
– Work in progress	26,441	12,319	8,369	3,088	50,217	(e)
– Finished goods	94,892	2,542	4,934	321	102,689	(f)
Sub-total for gold-related items	**121,333**	**14,861**	**13,303**	**3,409**	**152,906**	
Non-gold and non-gold related items						
– Raw materials	12,582	3,239	1,269	6,282	23,372	(g)
– Work in progress	1,435	943	488	359	3,225	(h)
– Finished goods	126	102	87	125	440	(i)
	14,143	4,284	1,844	6,766	27,037	
Less: Provision	–	–	(1,220)	(5,936)	(7,156)	(j)
Sub-total for non-gold related items	**14,143**	**4,284**	**624**	**830**	**19,881**	
Total	**363,763**	**85,011**	**26,178**	**38,127**	**513,079**	

	As at 31 December 2023					
	Within 1 year	**1 year to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Gold						
– Raw materials	44,593	–	–	–	44,593	(a)
– Work in progress	322,616	8	7,561	37,249	367,434	(b)
– Finished goods	24,687	14,357	100	5	39,149	(c)
Sub-total for gold items	**391,896**	**14,365**	**7,661**	**37,254**	**451,176**	
Diamonds						
– Raw materials	**–**	**–**	**155**	**8,754**	**8,909**	(d)
Gold-related items (including items which include gold but are not entirely gold)						
– Raw materials	–	–	–	–	–	
– Work in progress	2,800	24,714	2,374	3,890	33,778	(e)
– Finished goods	8,112	100,350	2,211	5,605	116,278	(f)
Sub-total for gold-related items	**10,912**	**125,064**	**4,585**	**9,495**	**150,056**	
Non-gold and non-gold related items						
– Raw materials	13,392	3,130	1,892	6,985	25,399	(g)
– Work in progress	3,130	427	726	775	5,058	(h)
– Finished goods	196	127	57	198	578	(i)
	16,718	3,684	2,675	7,958	31,035	
Less: Provision	–	–	(1,877)	(6,685)	(8,562)	(j)
Sub-total for non-gold related items	**16,718**	**3,684**	**798**	**1,273**	**22,473**	
Total	**419,526**	**143,113**	**13,199**	**56,776**	**632,614**	

	As at 31 December 2024					
	Within 1 year	**1 year to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	
Gold						
– Raw materials	40,259	–	–	–	40,259	(a)
– Work in progress	232,612	131,517	–	15,113	379,242	(b)
– Finished goods	2,409	25,138	11,805	52	39,404	(c)
Sub-total for gold items	**275,280**	**156,655**	**11,805**	**15,165**	**458,905**	
Diamonds						
– Raw materials	**–**	**–**	**–**	**8,885**	**8,885**	(d)
Gold-related items (including items which include gold but are not entirely gold)						
– Raw materials	–	–	–	–	–	
– Work in progress	1,337	1,523	26,768	5,308	34,936	(e)
– Finished goods	8,224	1,419	106,826	8,142	124,611	(f)
Sub-total for gold related items	**9,561**	**2,942**	**133,594**	**13,450**	**159,547**	
Non-gold and non-gold related items						
– Raw materials	14,814	2,393	1,969	7,784	26,960	(g)
– Work in progress	5,367	1,581	640	1,681	9,269	(h)
– Finished goods	1,722	37	120	181	2,060	(i)
	21,903	4,011	2,729	9,646	38,289	
Less: Provision	–	–	(1,701)	(7,782)	(9,483)	(j)
Sub-total for non-gold related items	**21,903**	**4,011**	**1,028**	**1,864**	**28,806**	
Total	306,744	163,608	146,427	39,364	656,143	

		As at 31 December 2024				
		Within 1 year	**1 year to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Less: subsequent utilisation/sales of inventories up to 30 April 2025		163,789	131,871	3,537	119	299,316
(subsequent utilisation/sales of inventories up to 30 April 2025 in %)		*53.4%*	*80.6%*	*2.4%*	*0.3%*	*45.6%*
Remaining balance as at 30 April 2025		142,955	31,737	142,890	39,245	356,827

As at 31 December 2022, 2023 and 2024, our total gold, gold related items and diamonds accounted for 95.8%, 96.4% and 95.8% of our total net inventories after provision, respectively. Our gold, gold related items and diamonds generally included Au9999, 24K gold and related items, hardened gold, gold related items such as gold straps, gold cases and gold accessories and diamonds. We generally do not make provisions to our gold, gold related items and diamonds.

Having considered the (i) net realisable value of our gold, gold related items and diamonds, which is the gold or diamond price with reference to the prevailing market price readily available to our Group; (ii) demand and ongoing sales noted for our inventories; and (iii) RMB135.5 million or 38.8% of the gold, gold related items and diamonds aged over one year were sold or utilised between 1 January 2025 and 30 April 2025, we concluded that the allowance for write-down of our gold, gold related items and diamonds by our management was sufficient during the Track Record Period.

Out of the inventories other than gold, gold related items and diamonds, we generally provide provisions for raw materials which are aged over two years which we consider the net realisable value is lower than the cost. Thus, given the fact that the inventories can be used in the future and would not become stale or perish, we considered that our provision is sufficient in view of the fact that (i) raw materials aged within two years are still able to be used in our production in the near future based on our order assessment; and (ii) over 97.0% of our the raw materials other than gold, gold related items and diamonds aged over two years had been impaired as at 31 December 2024, we concluded that the allowance for write-down of our inventories other than gold, gold related items and diamonds by our management was sufficient during the Track Record Period.

The following table sets forth the aging analysis of the net amount of our remaining inventories and their respective details as at 30 April 2025:

	As at 30 April 2025				
	Within 1 year	**1 year to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Gold					
– Raw materials	40,259	–	–	–	40,259
– Work in progress	84,595	64	–	15,110	99,769
– Finished goods	80	25,138	8,825	51	34,094
Sub-total for gold items	**124,934**	**25,202**	**8,825**	**15,161**	**174,122**
Diamonds					
– Raw materials	–	–	–	8,883	8,883
Gold-related items					
– Raw materials	–	–	–	–	–
– Work in progress	134	1,523	26,768	5,308	33,733
– Finished goods	3,882	1,198	106,343	8,120	119,543
Sub-total for gold-related items	**4,016**	**2,721**	**133,111**	**13,428**	**153,276**
Non-gold and non-gold related items					
– Raw materials	10,090	2,258	210*(Note)*	–*(Note)*	12,558
– Work in progress	3,521	1,519	624	1,592	7,256
– Finished goods	394	37	120	181	732
Sub-total for non-gold and non-gold items	**14,005**	**3,814**	**954**	**1,773**	**20,546**
Total	**142,955**	**31,737**	**142,890**	**39,245**	**356,827**

Note: Balances represented the amount net of impairment provision made as at 31 December 2024.

Inventories category	Nature of major unsold/unutilised inventories which are aged over 1 year	Reasons for the delay in sales/utilisation	Sufficient impairment provision has been made
Gold			
• Raw materials	• N/A	• N/A	• N/A
• Work in progress	• Gold parts for watches and accessories	• Mainly gold parts customised for certain products which no orders had been received	• Balance of inventories aged over 1 year amounted to RMB15.2 million and consisted of gold weighing over 30kg, which the net realisable value is higher than the costs
• Finished goods	• Gold jewelry	• Mainly samples of gold jewelry for display in showrooms for customers to select	• Balance of inventories aged over 1 year amounted to RMB34.0 million and consisted of gold weighing over 80kg, which the net realisable value is higher than the costs
Diamonds			
• Raw materials	• Natural diamonds	• Mainly purchased for the production of high-end watches	• Since diamonds are long lasting and not easily perished, no impairment is provided
Gold related items			
• Raw materials	• N/A	• N/A	• N/A

Inventories category	Nature of major unsold/unutilised inventories which are aged over 1 year	Reasons for the delay in sales/utilisation	Sufficient impairment provision has been made
• Work in progress	• Hardened gold	• Mainly for later stage of production	• Balance of inventories aged over 1 year amounted to RMB33.6 million and consisted of gold weighing over 70kg, which the net realisable value is higher than the costs
• Finished goods	• Gold watch straps	• Mainly produced with our idle capacity amidst the outbreak of COVID-19	• Balance of inventories aged over 1 year amounted to RMB115.7 million and consisted of gold weighing over 280kg, which the net realisable value is higher than the costs
Non-gold related items			
• Raw materials	• Liner accessories, movements, dials	• Non-gold raw materials aged one to two years are mainly purchase in bulk and will be utilised in a slower pace	• Non-gold raw materials aged one to two years are utilised under our production plan and no provision is considered necessary
		• Non-gold raw materials aged over two years are mainly parts retained for future demand of maintenance of our watched previously sold	• Out of the remaining gross balance of RMB9.7 million raw materials which are aged over two year, RMB9.5 million provision has been provided. Also, parts are retained for future demand of maintenance of our watched previously sold

Inventories category	Nature of major unsold/unutilised inventories which are aged over 1 year	Reasons for the delay in sales/utilisation	Sufficient impairment provision has been made
• Work in progress	• Metal accessories (including watch heads, metal watch cases/buckles/rings)	• Mainly parts retained for future demand of maintenance of our watched previously sold	• Parts are retained for future demand of maintenance of our watched previously sold and no provision is considered necessary
• Finished goods	• Watches (including silver watches, metal watches and smart watches)	• Insignificant demand	• Balance aged over one year amounted to RMB0.3 million and is considered insignificant to our total inventory balance

The following table sets forth the turnover days of our inventories for the years indicated:

	FY2022	FY2023	FY2024
Average inventory turnover days*(Note)*	699	620	708

Note: Average inventory turnover days equal to the average of the opening and closing inventories balances of the relevant year divided by the cost of sales of the relevant year multiplied by 365 days in 2022, 2023 and 2024.

Our average inventory turnover days decreased from 699 days for FY2022 to 620 days for FY2023 primarily due to the resurgence of sales after the lock-down during the outbreak of COVID. Our average inventory turnover days then increased to 708 days in FY2024, primarily due to the increase in inventory balance as a result of the increase in international gold price. We had a relatively large inventory due to the combination of the fact that (i) we utilized a weighted average method for valuing our inventory, including gold. Hence the movement of inventories (gold particularly) from FY2022 to FY2023 would partially offset by the increase of gold price from FY2022 to FY2023; (ii) in FY2022, amidst the outbreak of COVID-19 pandemic, we utilized our production capacity to produce some high-end gold watch straps with fine details for expected sales or use in production subsequently; and (iii) we tended to start hardening gold from raw material in a larger batch regardless of the actual orders on hand for production efficiency and cost effectiveness. As such, our inventory would tend to have a relatively high balance of finished goods and work in progress, which would lead to a relatively high level of inventory and longer inventory turnover days.

Up to 30 April 2025, RMB299.3 million or 45.6% of our inventories as at 31 December 2024 had been sold or utilised.

Trade receivables

The following table sets forth a breakdown of our trade receivables and ageing analysis of our net trade receivables as of the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	62,400	45,409	69,518
Less: Allowance for impairment	(3,407)	(2,797)	(4,291)
Total	58,993	42,612	65,227

Ageing analysis

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
0–90 days	45,311	38,462	62,422
91–180 days	11,403	1,794	640
181–365 days	1,133	1,352	967
Over 365 days	1,146	1,004	1,198
	58,993	42,612	65,227

Our trade receivables decreased from RMB59.0 million as at 31 December 2022 to RMB42.6 million as at 31 December 2023, mainly due to repayment from the customers who experienced difficulties in repaying in FY2022 resulting from the outbreak of COVID-19. Our trade receivables then increased to RMB65.2 million as at 31 December 2024 mainly resulting from the relatively higher sales near the end of FY2024 compared to that near the end of FY2023. We do not hold any collateral over these balances and they are non-interest bearing.

We generally grant credit period ranging from 0 day to 90 days to our customers. Our Group applied the simplified approach to providing for expected credit losses prescribed by IFRS 9 on the assessment of impairment of our trade receivables consistently throughout the Track Record Period. As at 31 December 2022, our trade receivables aged from 91 to 180 days was relatively higher at RMB11.4 million, primarily due to the delay in repayment from the customers who experienced difficulties in repaying in FY2022 resulting from the outbreak of COVID-19. Consequently, such trade receivables settled in FY2023. As at 31 December 2022, 2023 and 2024, our allowance for impairment of trade receivables amounted to RMB3.4 million, RMB2.8 million and RMB4.3 million, respectively, representing 5.5%, 6.2% and 6.2% of our total trade receivables as at 31 December 2022, 2023 and 2024, respectively.

The table below sets forth a summary of average trade receivable turnover days as of the dates indicated:

	FY2022	FY2023	FY2024
Average trade receivable turnover days*(Note)*	49	42	43

Note: Trade receivable turnover days equal to the average of the opening and closing balances of net trade receivables of the relevant year divided by the revenue of the relevant year multiplied by 365 days in 2022, 2023 and 2024.

Resulting from the resumption of normal repayment from our customers, our average trade receivable turnover days gradually decreased from 49 days in FY2022 to 42 days and 43 days for FY2023 and FY2024, respectively.

Up to 30 April 2025, RMB59.9 million or 91.8% of our trade receivables outstanding as at 31 December 2024 were settled.

Prepayments and other receivables

Our prepayments and other receivables primarily consisted of prepayment for purchase of items of property, plant and equipment and for purchasing gold, rental deposits and other receivables such as reserved funds and prepayment for social security. The following table sets forth a breakdown of our prepayment and other receivables as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	1,938	1,716	8,034
Other tax receivable	1,123	3,396	231
Advances to employees	217	209	196
Interest receivables	–	236	506
Deposits	1,651	2,402	2,601
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others	134	84	147
	5,063	8,043	14,950
Less: Allowance for credit losses	(419)	(635)	(952)
Total	4,644	7,408	13,998
Analysed as:			
Current	3,780	6,406	7,373
Non-current	864	1,002	6,625
	4,644	7,408	13,998

Our prepayment and other receivables increased RMB4.6 million as at 31 December 2022 to RMB7.4 million as at 31 December 2023, which was primarily attributable to the increase in other tax receivables of RMB2.3 million which was mainly due to the increase in VAT receivables.

Our prepayment and other receivables further increased to RMB14.0 million as at 31 December 2024, which was primarily attributable to the increase in prepayments of RMB6.3 million mainly for the purchases of gold for our future production. The increase was partially offset by the decrease in other tax receivables of RMB3.2 million mainly resulting from the settlement of VAT receivables.

Financial assets at FVTPL

Our financial assets at FVTPL primarily represent investment in a film project for promoting our brand as at each of the year end. The following table sets forth the breakdown of our financial assets at FVTPL as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Investment in a film project for promoting the company's brand	4,500	2,097	2,097
Total	4,500	2,097	2,097

Our investment in a film project for promoting our brand entitles us to receive a variable income based on our investment amount and expected rate of return of the project. Such investment is not solely payments of principal and interest, it is carried at FVTPL. In FY2023, since the actual return did not meet the expected return, we recognised fair value loss of RMB2.4 million. Thus, our investment in a film project for promoting our brand decreased from RMB4.5 million as at 31 December 2022 to RMB2.1 million as at 31 December 2023 and 2024.

Valuation of financial assets at fair value

The fair value of the financial products and investments in a film project for promoting our brand, which are not to be traded in an active market, is determined by using valuation techniques required by the IFRS to give a rational and unbiased estimate of a hypothetical market value. Valuation for investments in a film project for promoting our brand, which is under level 3 in fair value hierarchy, was based on the discounted cash flow method estimating the fair value of the film investment. Any changes in the fair value of FVPL will not cause actual cash inflow or outflow for any unrealized gain or loss on FVPL. See note 33 to the Accountants' Report contained in Appendix I to this document.

Amounts due from related parties

We had amounts due from related parties of RMB70,000, RMB7,000 and RMB7,000 as at 31 December 2022, 2023 and 31 December 2024, respectively. The amounts are non-trade nature, interest-free and repayable on demand. All the amounts due from related parties are expected to be settled before the **[REDACTED]**.

Trade and other payables

The following table sets forth a breakdown of trade and other payables as at the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	16,034	16,879	17,794
Accrued employees' benefits	3,865	3,855	3,682
Other tax payables	11,564	8,603	15,784
Deposits	2,013	1,350	1,040
Accrued issued costs/**[REDACTED]**	–	–	6,374
Other accrued expenses	407	903	523
Dividend payable	24,348	–	–
Payables for purchase of property, plant and equipment	680	456	1,216
Others	343	829	832
Sub-total of other payables	43,220	15,996	29,451
Total	59,254	32,875	47,245

Trade payables

The table below sets forth an aging analysis of our trade payables based on the invoice date, as of the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
0–90 days	10,924	15,107	11,805
91–180 days	3,782	635	3,842
181–365 days	137	37	880
Over 365 days	1,191	1,100	1,267
	16,034	16,879	17,794

Our trade payables primarily consist of balances due to our suppliers for purchases of raw materials, mainly gold, for our production. During the Track Record Period, the normal trade credit terms offered to our Group is 90 days and trade payables of 68.1%, 89.5% and 66.3% are aged within 90 days as at 31 December 2022, 2023 and 2024, respectively.

Our trade payables remained relatively stable at RMB16.0 million and RMB16.9 million as at 31 December 2022 and 2023. Our trade payables then increased to RMB17.8 million as at 31 December 2024, primarily due to the increase in purchase to cope with our increase in sales in FY2024.

The following table sets out the average trade payable turnover days for the Track Record Period:

	FY2022	FY2023	FY2024
Average trade payable turnover days*(Note)*	22	18	19

Note: Trade payables turnover days equal to the average of the opening and closing balances of trade payables of the relevant year divided by the cost of sales of the relevant year multiplied by 365 days in 2022, 2023 and 2024.

Our average trade payable turnover days were 22 days, 18 days and 19 days in FY2022, FY2023 and FY2024, respectively, and remained within the average credit period offered by our suppliers.

Up to the 30 April 2025, RMB10.6 million or 59.8% of trade payables outstanding as at 31 December 2024 had been fully settled. Our Directors confirmed that during the Track Record Period up to the Latest Practicable Date, there was no material default in payment of trade payables.

Other payables

Our other payables primarily consisted of accrued employee's benefits, other taxes payables which mainly included value-added tax, dividend payables and payables for purchase of property, plant and equipment.

Our other payables then decreased from RMB43.2 million as at 31 December 2022 RMB16.0 million as at 31 December 2023, which was primarily attributable to decrease in dividend payable of RMB24.3 million as we settled in FY2023. Our other payables then increased to RMB29.5 million as at 31 December 2024, primarily attributable to increase in (i) other tax payables of RMB7.2 million mainly resulting from decrease in VAT recoverable; and (ii) accrued issued costs/**[REDACTED]** of RMB6.4 million incurred in FY2024.

Contract liabilities

Contract liabilities represented receipt in advance for our products. Our contract liabilities decreased from RMB1.6 million as at 31 December 2022 to RMB0.6 million as at 31 December 2023 primarily due to the receipts in advance from our customers for their orders completed in early 2023. Our contract liabilities then remained relatively stable at RMB0.5 million as at 31 December 2024.

INDEBTEDNESS

The following table sets forth the breakdown of our total indebtedness as of the dates indicated:

	As at 31 December			As at 30 April
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Bank borrowings	60,872	67,082	88,794	96,301
Gold loans	28,324	38,847	51,643	39,010
Lease liabilities	6,434	4,318	5,116	5,884
Total	95,630	110,247	145,553	141,195

Bank borrowings

Our bank borrowings primarily consist of bank borrowings and interest payables. The following table sets forth a breakdown of our borrowings as at the dates indicated:

	As at 31 December			As at 30 April
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)
Unsecured variable-rate bank loans	60,790	67,000	88,690	96,200
Interest payables	82	82	104	101
Total	60,872	67,082	88,794	96,301
The carrying amounts of the borrowings are repayable:				
Within one year	60,872	67,082	61,604	61,301
Within a period of more than one year but not exceeding two years	–	–	2,500	3,750
Within a period of more than two years but not exceeding five years	–	–	7,500	7,500
Within a period of more than five years	–	–	17,190	23,750
	60,872	67,082	88,794	96,301

Our bank borrowings remained relatively stable at RMB60.9 million and RMB67.1 million as at 31 December 2022 and 2023, respectively. Our bank borrowings increased to RMB88.8 million as at 31 December 2024 and further to RMB96.3 million as at 30 April 2025 mainly due to the increase in new long-term borrowings obtained.

The following table sets forth the guarantee of our bank borrowings as at the date indicated:

	At 31 December			As at 30 April
	2022	**2023**	**2024**	**2025**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Unaudited)
Guaranteed by Mr. Li Yongzhong and his spouse, Mr. Li Shuo, Mr. Hu Shaohua, Mr. Li Linmao, View Bright Management and Shenzhen Xipu Diamond Tools Co., Ltd 深圳市西普金鋼石工具有限公司 ("**Xipu Diamond**") and secured by the equity interest of View Bright Management and certain properties held by View Bright Management and Mr. Li Shuo	37,000	37,000	37,000	37,000
Guaranteed by Mr. Li Yongzhong, Mr. Hu Shaohua, Mr. Li Linmao, Mr. Li Shuo and Shenzhen Xipu Diamond Tools Co., Ltd. (深圳市西普金剛石工具有限公司) and secured by certain assets of Fujian Xipu Precision Technology Co., Ltd. (福建西普精密科技有限公司)	–	–	27,190	35,000
Guaranteed by:				
– Mr. Li Yongzhong and his spouse, Mr. Hu Shaohua, Mr. Li Linmao and Mr. Li Shuo	7,840	8,000	10,000	9,700
– Mr. Li Yongzhong and his spouse and Xipu Diamond	7,450	7,500	–	–
– Mr. Li Yongzhong	–	6,000	6,000	6,000
– Xipu Diamond	8,500	8,500	–	–
– the Company	–	–	8,500	8,500
	60,790	67,000	88,690	96,200

Our Directors expect that the abovementioned guarantees will be released, either pursuant to the agreement with the relevant banks or by repayment of the relevant bank loans with our Group's internal resources, on or before the **[REDACTED]**.

The weighted average effective interest rates per year on our borrowings was 3.67%, 3.99%, 3.89% and 3.66% as at 31 December 2022, 2023, 2024 and 30 April 2025, respectively. As at 30 April 2025, we had unutilized banking facilities of RMB0.3 million, all of which were committed and unrestricted. Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period, our Directors confirmed that we did not experience any delay or default in repayment of bank borrowings nor experience any difficulty in obtaining banking facilities with terms that are commercially acceptable to us. As at the date of this document, we did not have any plan for material external debt financing. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this document.

Gold loans

We are principally engaged in the sales of watches and gold accessories in the PRC. The gold market is influenced by global as well as regional supply and demand conditions. A significant decline in prices of gold could adversely affect our financial performance. In order to reduce the commodity price risk, we used gold loans to reduce the exposure to fluctuations in the gold price on gold products.

Our gold loans arrangement was classified as liabilities at FVTPL. We borrowed golds from bank for a specified period of time and paid interest at a fixed rate to banks for the duration of the contract based on the value of gold at inception and relevant interests at inception. At maturity, we are obliged to deliver gold of the same type, quantity and quality to the bank. We did not have an option to settle our obligations in cash. Gold loans represented the obligation to deliver gold were classified as liabilities at FVTPL.

The fair value of gold loans is determined by reference to quoted market bid price of gold traded in active liquid markets and classified as Level 2 of the fair value hierarchy.

If the gold price goes up, we would recognise a loss representing the increase in gold price compared to the contract price, and largely net against the increase in turnover of gold products as a result of gold price increase.

Our gold loans at FVTPL amounted to RMB28.3 million, RMB38.8 million and RMB51.6 million as at 31 December 2022, 2023 and 2024, respectively. The increase in gold loans was primarily due to the increase in (i) weight of gold we borrowed from 69.0kg as at 31 December 2022 to 81.0 kg as at 31 December 2023 and further to 84.0 kg for as at 31 December 2024; and (ii) gold price. The interest rates for gold loans were 4.3%, ranged from 2.1% to 4.3%, ranged from 2.1% to 4.3% and 3.3% for as at 31 December 2022, 2023, 2024 and 30 April 2025, respectively. For further details of our gold loan arrangement, please see "Business – Measures to Manage Raw Materials Price Fluctuations – Obtaining gold loans to hedge against gold price fluctuations".

During the Track Record Period, our gold loans were secured by pledged bank deposits.

For details of our gold loans, see note 30 to the Accountants' Report contained in Appendix I to this document.

Lease liabilities

Our Group has adopted IFRS 16 consistently throughout the Track Record Period. As such, leases have been recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation) in our Group's consolidated statements of financial position. Our lease liabilities decreased from RMB6.4 million as at 31 December 2022 to RMB4.3 million as at 31 December 2023 mainly due to repayments of lease liabilities and certain early termination of leases during the Track Record Period. Our lease liabilities then increased to RMB5.1 million as at 31 December 2024, primarily due to renewal of lease. Our lease liabilities then increased to RMB5.9 million as at 30 April 2025, primarily due to renewal of lease.

CAPITAL EXPENDITURES

Our capital expenditures primarily include expenditures on acquisitions of property, plant and equipment and additions of right-of-use assets for our operations. Our Group incurred capital expenditures of RMB1.7 million, RMB37.6 million and RMB39.2 million in FY2022, FY2023 and FY2024, respectively.

Our Group's projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. We have an upgrade and expansion plan of our production facility which estimated to require additional **[REDACTED]** of RMB**[REDACTED]** after **[REDACTED]**. Please see "Business – Expansion Plan" and "Future Plans and **[REDACTED]**" in this document for further information.

We expect to fund our contractual commitments and capital expenditures principally though the **[REDACTED]** we receive from the **[REDACTED]**, cash generated from our operating activities and proceeds from borrowings and notes. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

CONTRACTUAL COMMITMENTS

Capital commitments

Our capital commitments are primarily related to the equity investments. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Property, plant and equipment	–	39,539	52,056

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigation or claims of material importance, pending or threatened against us. Our Directors have confirmed that there has not been any material change in our contingent liabilities since the Latest Practicable Date.

Save as disclosed in this section, as at 31 December 2024, our Company and our subsidiaries (a) did not have any other loan capital issued or agreed to be issued, bank overdrafts or other similar indebtedness that was outstanding, or (b) did not have any hire purchase commitments, guarantees or other material contingent liabilities outstanding as at 31 December 2024.

PROPERTY INTERESTS

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 5.01 to 5.10 of the Listing Rules. As of the Latest Practicable Date, our property interests do not form part of our property activities and no single property interest that forms part of our non-property activities has a carrying amount of 15% or more of our total assets.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of each of the dates indicated:

	For the year ended/as at 31 December		
	2022	**2023**	**2024**
Gross Profit Margin (%)[1]	19.8	24.3	27.2
Net Profit Margin (%)[2]	7.6	11.7	10.8
Return on equity (%)[3]	5.1	8.3	7.5
Return on total assets (%)[4]	3.8	6.7	5.8
Current ratio (times)[5]	3.9	4.9	4.5
Quick ratio (times)[6]	0.6	0.5	0.6
Gearing ratio (%)[7]	19.9	17.5	22.1

Notes:

(1) Gross profit margin was calculated on gross profit divided by revenue for the respective year. See the paragraph headed "Review of Historical Results of Operation" in this section for more details on our gross profit margins.

(2) Net profit margin was calculated on profit for the year divided by revenue for the respective year. See the paragraph headed "Review of Historical Results of Operation" in this section for more details on our net profit margins.

(3) Return on equity was calculated based on the profit for the year for the respective year divided by the total equity as of the respective year and multiplied by 100%.

(4) Return on total assets was calculated based on the net profit for the respective year divided by the total assets of the respective year and multiplied by 100%.

(5) Current ratio was calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates.

(6) Quick ratio was calculated by dividing total current assets minus inventory by total current liabilities as of the end of the year

(7) Gearing ratio was calculated by total interest-bearing borrowings, gold loans and lease liabilities divided by total equity as of the end of the year multiplied by 100%.

Return on equity

Our return on equity increased from 5.1% in FY2022 to 8.3% in FY2023, primarily due to the increase in profit for the year in FY2023, partially offset by the increase in total equity mainly resulting from the placement of shares in FY2023. Our return on equity then decreased to 7.5% in FY2024, primarily due to the decrease in profit for the year in FY2024.

Return on total assets

Our return on total assets increased from 3.8% in FY2022 to 6.7% in FY2023, primarily due to the increase in profit for the year in FY2023, partially offset by the increase in total assets in FY2023. Our return on total assets then decreased to 5.8% in FY2024, primarily due to the decrease in profit for the year in FY2024.

Current ratio

Our current ratio increased from 3.9 times as at 31 December 2022 to 4.9 times as at 31 December 2023, mainly due to the increase in inventories of RMB119.5 million. Our current ration then remained relatively stable at 4.5 times as at 31 December 2024.

Quick ratio

Our quick ratio remained relatively stable at 0.6 times, 0.5 times and 0.6 times as at 31 December 2022, 2023 and 2024, respectively.

Gearing ratio

Our gearing ratio then decreased from 19.9% as at 31 December 2022 to 17.5% as at 31 December 2023 primarily due to the increase in total equity mainly resulting from the placement of shares in FY2023, partially offset by the increase in bank borrowings balance as at 31 December 2023. Our gearing ratio increased to 22.1% as at 31 December 2024 primarily due to the increase in bank borrowings balance as at 31 December 2024.

TRANSACTIONS WITH RELATED PARTIES

With respect to the related party transactions set forth in the Accountants' Report in Appendix I to this document, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to (i) market risk (including foreign exchange risk and cash flow and fair value interest rate risk); (ii) credit risk; and (iii) liquidity risk.

Details of the risk to which we are exposed to are set out in note 33 to Accountants' Report, the text of which is set out in Appendix I to this document.

OFF-BALANCE SHEET ARRANGEMENT

As of the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

DISTRIBUTABLE RESERVES

As at 31 December 2024, we had reserves of RMB611.2 million. See section "Consolidated Statements of Changes in Equity" of the Accountants' Report contained in Appendix I to this document.

DIVIDEND

During the Track Record Period, our Company declared dividend of RMB24.3 million, RMB24.1 million and RMB20.3 million in FY2022, FY2023 and FY2024, respectively.

In future, declaration and payment of any dividends would require the recommendation of the Board and at their discretion. In addition, any final dividend for a financial year will be subject to Shareholder's approval, but no dividend shall be declared in excess of the amount recommended by the Board. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us, and other factors the Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

As of the Latest Practicable Date, we did not have any specific dividend policy nor pre-determined dividend payout ratios.

[REDACTED]

Assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per H Share, and assuming the **[REDACTED]** is not exercised, the total estimated **[REDACTED]** in connection with the **[REDACTED]** (including **[REDACTED]**) was RMB**[REDACTED]** (HK$**[REDACTED]**) (including (i) **[REDACTED]** (including but not limited to **[REDACTED]** and fees) of RMB**[REDACTED]** (HK$**[REDACTED]**); and (ii) non-**[REDACTED]** related expenses of RMB**[REDACTED]** (HK$**[REDACTED]**), which consists of (a) fees and expenses paid to legal advisors and the Reporting Accountants of RMB**[REDACTED]** (HK$**[REDACTED]**); and (b) other fees and expenses of RMB**[REDACTED]** (HK$**[REDACTED]**)), representing **[REDACTED]**% of the **[REDACTED]** from the **[REDACTED]**.

During the Track Record Period, we incurred **[REDACTED]** expenses of RMB**[REDACTED]** (HK$**[REDACTED]**), of which RMB**[REDACTED]** (HK$**[REDACTED]**) were charged to our consolidated statements of profit or loss and RMB**[REDACTED]** (HK$**[REDACTED]**) were recognised as prepayment (which will be deducted from equity upon the **[REDACTED]**). We expect to incur **[REDACTED]** expenses of approximately RMB**[REDACTED]** (HK$**[REDACTED]**), of which RMB**[REDACTED]** (HK$**[REDACTED]**) is expected to be recognised in the consolidated statements of profit or loss as general administrative expenses and approximately RMB**[REDACTED]** (HK$**[REDACTED]**) is expected to be recognised as a deduction in equity directly upon the **[REDACTED]**.

The **[REDACTED]** expenses above is the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as of the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

UNAUDITED [REDACTED] ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please see the section "Unaudited **[REDACTED]** Financial Information" in Appendix II for our unaudited **[REDACTED]** adjusted consolidated net tangible assets.

EVENT AFTER THE END OF THE REPORTING PERIOD

Please see to the section headed "Summary – Recent Developments and No Material Adverse Change" of this document and note 38 to the Accountants' Report in Appendix I to this document for details.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Please see the section headed "Summary – Recent Developments and No Material Adverse Change" of this document for details.

FUTURE PLANS

See "Business – Our Business Strategies" for detailed description of our future plans.

[REDACTED]

We estimate that the aggregate **[REDACTED]** to us from the **[REDACTED]** (after deducting **[REDACTED]** fees and estimated expenses payable by us in connection with the **[REDACTED]** ("**[REDACTED]**"), and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the **[REDACTED]**) will be approximately HK$**[REDACTED]**, assuming that **[REDACTED]** is not exercised. We currently intend to apply such **[REDACTED]** in the following manner:

(i) approximately **[REDACTED]**%, or HK$**[REDACTED]** million (equivalent to approximately RMB**[REDACTED]**), will be used for further enhancing our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market. Specifically:

(a) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for setting up the New Putian Production Base.

We have commenced the construction of the New Putian Operations Complex, which house the New Putian Production Base and the Putian R&D Centre, since 2023. The New Putian Operations Complex is being constructed on the Putian Site, a parcel of land of which the land use right is owned by us, with planned site area of around 12,221.78 sq.m., which is in proximity to our existing Putian Production Base. The quality inspection of the main construction works of the New Putian Operations Complex is currently expected to be conducted within the first quarter of 2025.

The New Putian Production Base comprises a production plant, and ancillary facilities (such as warehousing space, staff accommodation and canteen), with total GFA of 24,302.48 sq.m. We plan to set up the production facilities in the New Putian Production Base by stages. Depending on the progress of the construction of the New Putian Operations Complex, it is expected that the New Putian Production Base will commence production by the second half of 2025.

For the reasons and basis for the establishment of the New Putian Production Base and further details of the New Putian Production Base, please see "Business – Our Business Strategies – Further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market – (i) Setting up the New Putian Production Base – Reasons for the expansion" and "Business – Expansion Plan".

It is estimated that the total costs for setting up the New Putian Production Base and putting it into operation will be RMB**[REDACTED]**. As at the Latest Practicable Date, we had incurred RMB**[REDACTED]** for the New Putian Production Base, and we expect to further incur RMB**[REDACTED]** from the Latest Practicable Date up to the date immediately prior to the **[REDACTED]** for this purpose. Accordingly, it is expected that RMB**[REDACTED]** of the total costs for setting up the New Putian Production Base would be **[REDACTED]** by our internal financial resources immediately prior to the **[REDACTED]**. The remaining estimated investment costs of RMB**[REDACTED]** for the setting up of the New Putian Production Base will be **[REDACTED]** by the **[REDACTED]**. We intend to allocate the **[REDACTED]** in the amounts set forth below for the establishment of the New Putian Production Base:

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for the fitting out works of the New Putian Production Base;

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for the acquisition of production machinery and equipment to be installed at the New Putian Production Base.

  Specifically, as the New Putian Production Base is intended to be primarily dedicated to the production of smart watches and smart accessories, we plan to acquire a wide range of advanced production equipment and automation systems for its establishment. This includes, among others, (i) advanced CNC machining centres and robotic arms, which are expected to enable us to achieve precise, high-quality component manufacturing through computer-controlled cutting, milling, and turning processes; (ii) specialised equipment such as the laser cutting machines, laser welding systems, and automatic drilling machines, which we believe would allow us to produce intricate parts with tight tolerances required for advanced smart watch and smart accessories designs; (iii) automatic screw-driving machines and assembly lines, for facilitating the efficient and consistent assembly of our smart products. To maintain a high level of product quality and reliability, we will also invest in comprehensive testing and inspection capabilities. This includes smart watch testing systems, pure water testing equipment, vacuum testing machines, and automated pressure testing setups. The integration of these advanced quality control measures will enable us to deliver smart watches and smart accessories that meet the exacting standards of our customers. Furthermore, we will implement environmentally-friendly production processes at the New Putian Production Base. For this purpose, we will invest in waste gas treatment systems, furnace processing systems, and dust recovery and filtration equipment to minimise the environmental impact of our manufacturing operations;

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for the acquisition of production and operational software and systems to be used at the New Putian Production Base.

  We plan to implement a comprehensive suite of enterprise software and systems that will drive operational efficiency, enhance production agility, and optimise inventory management. This includes, among others, (i) the ERP system, which will serve as a centralised platform to integrate our key business functions, including finance, procurement, production, sales, and inventory control; (ii) the MES, which is expected to enable us to closely monitor and control every step of the manufacturing workflow, from precision component assembly to rigorous quality checks; and (iii) the order and smart manufacturing management system, which we believe is an advanced platform for managing the entire order life cycle, from initial customer inquiries to production planning and scheduling. Its intelligent features, such as automated production optimisation and equipment integration, are expected to allow us to minimise lead times and enhance resource utilisation. By integrating the MES with our smart manufacturing management system, we expect to unlock the power of data analytics to identify bottlenecks, enhance process efficiency, and continuously improve product quality;

(b) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for upgrading the production facilities at our Shenzhen Production Base.

For the reasons and basis for upgrading the production facilities at our Shenzhen Production Base, please see "Business – Our Business Strategies – Further enhance our production capacity to reinforce our leading position in the traditional precious metal watch market and capture growth opportunities in the smart precious metal watch and accessories market – (ii) Upgrading the production facilities at our Shenzhen Production Base.

It is estimated that the total costs for upgrading the production facilities at our Shenzhen Production Base will be RMB**[REDACTED]**, which is intended to be **[REDACTED]** by the **[REDACTED]**. We intend to allocate the **[REDACTED]** in the amounts set forth below for upgrading the production facilities at our Shenzhen Production Base:

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for the renovation of our Shenzhen Production Base;

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for the acquisition of new production machinery and equipment to be installed at our Shenzhen Production Base.

  Specifically, we intend to acquire, among others, precision CNC machining equipment, including CNC machining centres, CNC turning and milling composite machines, and precision CNC lathes, as well as the incorporation of robotic arms to enhance the precision and automation of our manufacturing processes. We believe such hardware upgrade is crucial for us to maintain our competitiveness and solidify our leading position in the precious metal watch industry, as the Shenzhen Production Base is intended to focus on the production of traditional precious metal watches going forward, which involves various complicated and intricate procedures that require high level of accuracy and consistency; and

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for the acquisition of production software and systems which are commensurate with the upgraded machinery and equipment at our Shenzhen Production Base.

  For instance, we intend to acquire and implement a suite of advanced enterprise software and systems, including the upgrading of our ERP, MES, order and intelligent manufacturing management, warehouse management, integrated R&D, and sales management systems at our Shenzhen Production Base. The software upgrade is expected to further streamline the production and operational processes at our Shenzhen Production Base and optimise its operations, which in turn may further enhance the quality of our precious metal watch products and enable us to achieve cost-savings;

(ii) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for strengthening our R&D capabilities to drive sustained business growth through the establishment of the Putian R&D Centre in the New Putian Production Base.

The Putian R&D Centre is situated in the New Putian Operations Complex, which we had commenced constructing on the Putian Site since 2023. For the avoidance of doubt, the Putian R&D Centre does not form part of the New Putian Production Base.

The Putian R&D Centre comprises a precious metal watch laboratory, a smart watch laboratory, a gold ornaments design laboratory, a product testing laboratory and an office space, with total GFA of 2,014 sq.m.. As the quality inspection of the main construction works of the New Putian Operation Complex is expected to be conducted within the first quarter of 2025, the Putian R&D Centre is expected to commence operations by the second half of 2025.

For the reasons and basis for the establishment of the Putian R&D Centre and further details of the Putian R&D Centre, please see "Business – Our Business Strategies – Strengthen our R&D capabilities to drive sustained business growth – Reasons for the expansion" and "Business – Expansion Plan".

It is estimated that the total costs for setting up the of Putian R&D Centre and putting it into operation will be RMB**[REDACTED]**. As at the Latest Practicable Date, we had incurred RMB**[REDACTED]** for setting up the Putian R&D Centre with our internal financial resources. The remaining estimated investment costs of RMB**[REDACTED]** for the setting up of the Putian R&D Centre will be **[REDACTED]** by the **[REDACTED]**. We intend to allocate the **[REDACTED]** in the amounts set forth below for the establishment of the Putian R&D Centre:

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for the construction of Putian R&D Centre;

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for the fitting out works of the Putian R&D Centre;

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for the acquisition of R&D equipment to be installed at the Putian R&D Centre.

  Specifically, we intend to acquire high-precision CNC machining centres, lathes, robotic arms, 3D printers, vacuum casting machines. We believe these tools will allow us to rapidly prototype and refine intricate watch components, enabling us to iterate on new design concepts. The high level of precision of these the CNC equipment is also expected to lay foundation for our production of high quality smart watch products and smart accessories. To further enhance our testing capabilities, we also intend to invest in a range of specialised equipment, including, and a comprehensive suite of metrology instruments. These tools are expected to enable us to conduct rigorous performance testing on prototypes and product samples, and analyse the composition and properties of our materials. This data-driven approach will enable us to make informed decisions and optimise the design and development processes.

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for acquiring the R&D software and systems to be installed at the Putian R&D Centre.

  Underpinning our smart watch and smart accessories R&D efforts, we intend to acquire and implement an integrated research and development management system. This platform will streamline project planning, resource allocation, and knowledge management, facilitating seamless collaboration between our cross-functional teams. The integration of this R&D system with the enterprise-wide software at our production facilities in the New Putian Production Base, are expected to accelerate the transfer of designs, specifications, and manufacturing instructions, ensuring a smooth transition from the development stage to large-scale production; and

- approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for the recruitment of R&D talents and experienced R&D personnel for putting the Putian R&D Centre into full operation.

  We intend to establish (i) a smart watch R&D team including a R&D director, five development engineers, a structure engineering manager and five structure R&D engineers; (ii) a smart accessories R&D team including a R&D director, six development engineers and six design engineers; (iii) a smart product team including a R&D director, six development engineers and six IoT (Internet of Things) engineers; (iv) a design team including six product designers and six industrial designers; and (v) seven R&D assistants to assist the R&D teams.

  To help ensure we can attract high-calibre and experienced R&D personnel to join our Group and contribute to the establishment of the Putian R&D Centre, we intend to offer competitive remuneration packages. In determining the appropriate compensation levels, we have conducted thorough market research, referencing both the job titles and expected duties, as well as remuneration data for similar roles published on industry recruitment websites. Based on our analysis, the annual salaries for these new R&D hires are expected to range from approximately RMB120,000 for junior positions to around RMB350,000 for managerial roles. The total staff expenses attributable to these personnel during the period for setting up the Putian R&D Centre is anticipated to amount to approximately RMB**[REDACTED]** per year;

(iii) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for expanding and optimising our sales network, strengthen our brand building and enhance our brand influence and recognition. We intend to allocate the **[REDACTED]** in the amounts set forth below to achieve this business strategy:

(a) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for establishing two marketing showcase and experience centres in Shenzhen and Sanya, China to provide consumers with immersive brand experiences and facilitating direct customer interactions, as follows;

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for renting the relevant premises during the setting up of the experience centres;

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for design and fitting out works of the experience centres; and

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for acquiring the equipment required for the operations of the experience centres, such as display cabinets, network switches and servers;

(b) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately **[REDACTED]**), will be used for establishing 10 official after-sales service outlets in major cities including Shenyang, Beijing, Xi'an, Zhengzhou, Hohhot, Urumqi, Sanya, Chengdu, Jinan, and Harbin, as follows:

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for renting the relevant premises during the setting up of the service outlets;

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for design and fitting out works of the service outlets;

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for acquiring the equipment required for the operations of and provision of repair and maintenance or other after-sales services at the service outlets, such as watch calibration instruments, repair tools, testing devices, cleaning and polishing equipment, and specialised workbenches for repair work; and

- approximately HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for acquiring the software and systems to be installed at the service outlets, such as database system, customer relationship management (CRM) system, order management system, operations management system, business intelligence (BI) and retail point-of-sale system; and

(c) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used for implementing a comprehensive suite of offline and online brand-building initiatives to elevate our market position and drive customer loyalty.

For the reasons and basis for, and further details of, each of the above initiatives under this business strategy, please see "Business – Our Business Strategies – Expand and optimise our marketing and service network and enhance our brand influence and recognition"; and

(iv) approximately **[REDACTED]**%, or HK$**[REDACTED]** (equivalent to approximately RMB**[REDACTED]**), will be used as working capital or for general corporate purposes.

If the **[REDACTED]** is fixed at the high-end of the **[REDACTED]**, being HK$**[REDACTED]** per **[REDACTED]**, the **[REDACTED]** will increase by approximately HK$**[REDACTED]**. If the **[REDACTED]** is set at the low-end of the **[REDACTED]** Range, being HK$**[REDACTED]** per **[REDACTED]**, the **[REDACTED]** will decrease by approximately HK$**[REDACTED]**.

If the **[REDACTED]** is set at HK$**[REDACTED]** per **[REDACTED]** (being the high-end of the **[REDACTED]**), HK$**[REDACTED]** per **[REDACTED]** (being the low-end of the **[REDACTED]**) or any price in between, we intend to apply the **[REDACTED]** to the above purposes on a pro-rata basis. If the **[REDACTED]** is exercised in full or in part, we intend to apply the additional **[REDACTED]** from the exercise of the **[REDACTED]** to the above purposes on a pro-rata basis.

Should our Directors decide to re-allocate the intended **[REDACTED]** to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the **[REDACTED]** as described above, we will make appropriate announcement(s) in due course.

To the extent that the **[REDACTED]** are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we will only hold such funds in short-term interest-bearing accounts with licensed commercial banks and/or authorised financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions) for so long as it is in our best interests.

[REDACTED]

[REDACTED]

[REDACTED]

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The following is the text of a report set out on pages I-1 to I-[●], received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SHENZHEN HIPINE PRECISION TECHNOLOGY CO., LTD. AND PING AN OF CHINA CAPITAL (HONG KONG) COMPANY LIMITED

Introduction

We report on the historical financial information of Shenzhen Hipine Precision Technology Co., Ltd. (formerly known as Shenzhen Chuanjindaiyin Technology Co., Ltd.) ("the Company") and its subsidiaries (together, "the Group") set out on pages I-[●] to I-[●], which comprises the consolidated statements of financial position of the Group as at 31 December 2022, 2023 and 2024, the statements of financial position of the Company as at 31 December 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 for each of the three years ended 31 December 2022, 2023 and 2024 (the "Track Record Period"), and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information are set out on pages I-[●] to I-[●] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the **[REDACTED]** of H-shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company 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 3 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' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 3 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 purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2022, 2023 and 2024, of the Company's financial position as at 31 December 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 3 to the Historical Financial Information.]

Report on matters under the Rules Governing the [REDACTED] of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[Date]

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the IFRS Accounting Standards issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
		2022	**2023**	**2024**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	5	323,704	445,477	456,556
Cost of sales		(259,577)	(337,172)	(332,399)
Gross profit		64,127	108,305	124,157
Other income	6(a)	5,513	9,173	7,163
Impairment losses under expected credit loss ("ECL") model, net of reversal	7	(1,803)	331	(1,811)
Other gains and losses	8	(1,066)	(3,763)	(7,935)
Selling expenses		(13,191)	(17,922)	(19,562)
Administrative expenses		(8,496)	(10,673)	(12,653)
Research and development expenses		(8,451)	(13,491)	(11,787)
Other expenses	6(b)	(5,100)	(7,312)	(4,050)
[REDACTED]		–	–	**[REDACTED]**
Finance costs	9	(3,715)	(4,752)	(4,557)
Profit before tax		27,818	59,896	58,657
Income tax expense	10	(3,277)	(7,797)	(9,309)
Profit and total comprehensive income for the year	11	24,541	52,099	49,348
Earnings per share				
– Basic	15	0.60	1.17	1.02

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
		2022	**2023**	**2024**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Non-current Assets				
Property, plant and equipment	16	15,418	46,076	78,000
Right-of-use assets	17	9,145	7,189	7,877
Intangible assets	18	418	437	822
Deposits for purchase of property, plant and equipment		–	2,115	–
Deferred tax assets	19	2,156	2,725	4,438
Prepayments and other receivables	22	864	1,002	6,625
Pledged/restricted bank deposits	25	10	10	10
Bank deposits with original maturity over three months	25	–	10,000	–
Financial assets at fair value through profit or loss ("FVTPL")	23	4,500	2,097	2,097
Total Non-current Assets		32,511	71,651	99,869
Current Assets				
Inventories	20	513,079	632,614	656,143
Trade receivables	21	58,993	42,612	65,227
Prepayments and other receivables	22	3,780	6,406	7,373
Amounts due from related parties	24(a)	70	7	7
Pledged/restricted bank deposits	25	–	840	5,330
Bank deposits with original maturity over three months	25	–	–	10,000
Cash and cash equivalents	25	31,823	21,726	13,983
Total Current Assets		607,745	704,205	758,063

		As at 31 December		
		2022	**2023**	**2024**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Current Liabilities				
Trade and other payables	26	59,254	32,875	47,245
Tax payable		2,434	1,856	5,261
Bank borrowings	27	60,872	67,082	61,604
Lease liabilities	28	3,152	2,292	2,771
Contract liabilities	29	1,565	552	455
Gold loans	30	28,324	38,847	51,643
Total Current Liabilities		155,601	143,504	168,979
Net Current Assets		452,144	560,701	589,084
Total Assets less Current Liabilities		484,655	632,352	688,953
Non-current Liabilities				
Deferred income		184	–	–
Lease liabilities	28	3,282	2,026	2,345
Bank borrowings	27	–	–	27,190
Total Non-current Liabilities		3,466	2,026	29,535
Net Assets		481,189	630,326	659,418
Capital and Reserves				
Share capital	31(a)	40,580	48,225	48,225
Reserves		440,609	582,101	611,193
Total Equity		481,189	630,326	659,418

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

		As at 31 December		
		2022	**2023**	**2024**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Non-current Assets				
Property, plant and equipment	16	10,336	9,497	8,534
Right-of-use assets	17	6,017	4,126	4,879
Intangible assets	18	418	437	822
Investments in subsidiaries	37	81,240	88,960	94,510
Deferred tax assets	19	1,651	2,617	4,151
Prepayments and other receivables	22	864	1,002	913
Bank deposits with original maturity over three months	25	–	10,000	–
Financial assets at FVTPL	23	4,500	2,097	2,097
Total Non-current Assets		105,026	118,736	115,906
Current Assets				
Inventories	20	482,073	570,255	606,087
Trade receivables	21	24,503	36,351	46,218
Prepayments and other receivables	22	2,472	3,282	7,177
Amounts due from related parties	24(a)	70	7	7
Amounts due from subsidiaries	24(b)	1,741	47,605	29,133
Pledged/restricted bank deposits	25	–	840	5,330
Bank deposits with original maturity over three months	25	–	–	10,000
Cash and cash equivalents	25	28,089	17,500	13,209
Total Current Assets		538,948	675,840	717,161

		As at 31 December		
		2022	**2023**	**2024**
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*
Current Liabilities				
Trade and other payables	26	62,857	31,484	44,211
Amounts due to a subsidiary	24(b)	30,147	54,452	56,779
Tax payable		1,976	1,251	1,589
Bank borrowings	27	52,362	58,573	53,063
Lease liabilities	28	3,152	2,292	2,771
Contract liabilities	29	1,565	552	455
Gold loans	30	28,324	38,847	51,643
Total Current Liabilities		180,383	187,451	210,511
Net Current Assets		358,565	488,389	506,650
Total Assets less Current Liabilities		463,591	607,125	622,556
Non-current Liabilities				
Lease liabilities	28	3,282	2,026	2,345
Total Non-current Liabilities		3,282	2,026	2,345
Net Assets		460,309	605,099	620,211
Capital and Reserves				
Share capital	31(a)	40,580	48,225	48,225
Reserves	31(b)	419,729	556,874	571,986
Total Equity		460,309	605,099	620,211

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company					
	Share capital	**Share premium**	**Safety production fund reserve**	**Statutory reserve**	**Retained profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000* *(Note b)*	*RMB'000* *(Note a)*	*RMB'000*	*RMB'000*
At 1 January 2022	40,580	117,069	–	20,290	303,057	480,996
Profit and total comprehensive income for the year	–	–	–	–	24,541	24,541
Transfer to safety production fund, net	–	–	280	–	(280)	–
Dividends declared	–	–	–	–	(24,348)	(24,348)
At 31 December 2022	40,580	117,069	280	20,290	302,970	481,189
Profit and total comprehensive income for the year	–	–	–	–	52,099	52,099
Transfer to safety production fund, net	–	–	1,552	–	(1,552)	–
Placement of shares *(Note 31a)*	7,645	113,506	–	–	–	121,151
Dividends declared	–	–	–	–	(24,113)	(24,113)
Appropriation	–	–	–	4,801	(4,801)	–
At 31 December 2023	48,225	230,575	1,832	25,091	324,603	630,326
Profit and total comprehensive income for the year	–	–	–	–	49,348	49,348
Transfer to safety production fund, net	–	–	1,961	–	(1,961)	–
Dividends declared	–	–	–	–	(20,256)	(20,256)
At 31 December 2024	48,225	230,575	3,793	25,091	351,734	659,418

Notes:

(a) It represents the statutory reserve of certain entities comprising the Group in the People's Republic of China (the "PRC"). Pursuant to applicable PRC regulations, the PRC entities established comprising the Group is required to appropriate 10% of its profit after tax (after offsetting prior year losses) to the statutory reserve until such reserve reaches 50% of its registered capital. Transfers to this reserve must be made before distribution of dividends to shareholders. Upon approval by relevant authorities, the statutory reserve can be utilised to offset the accumulated losses or to increase the paid-up capital of the entities comprising the Group.

(b) Pursuant to the relevant PRC regulations, the Company is required to appropriate an amount equal to 0.05% to 2.35% of the Company's revenue in the preceding year each year to safety production fund reserve from retained profits. The safety production fund could be utilised when expenses or capital expenditures on production safety measures were incurred, and the amount utilised would be transferred from the safety production fund reserve to retained profits.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before tax	27,818	59,896	58,657
Adjustments for:			
Finance costs	3,715	4,752	4,557
Bank interest income	(13)	(371)	(286)
Asset-related government grants	(199)	(184)	–
Loss on changes in fair value of gold loans	1,436	1,789	8,159
Depreciation and amortisation	4,543	3,953	3,594
Impairment losses recognised (reversed) under ECL, net of reversal	1,803	(331)	1,811
Gain on early termination of leases	(361)	(466)	(62)
(Reversal of write-down) write-down of inventories	(293)	1,406	921
Loss on disposal of property, plant and equipment	5	37	3
(Gain) loss on changes in fair value of financial assets at FVTPL	(14)	2,403	–
Operating cash flows before movements in working capital	38,440	72,884	77,354
Increase in inventories	(2,336)	(109,213)	(17,262)
(Increase) decrease in trade receivables	(33,025)	16,991	(24,109)
Increase in prepayments and other receivables	(892)	(2,810)	(3,420)
Increase (decrease) in trade and other payables	8,165	(1,807)	12,097
Increase (decrease) in contract liabilities	1,266	(1,013)	(97)
Cash generated from (used in) operations	11,618	(24,968)	44,563
Interest paid on gold loans	(525)	(1,838)	(1,982)
Income tax paid	(3,429)	(8,944)	(7,617)
Net cash from (used in) operating activities	7,664	(35,750)	34,964

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Interest received	13	371	16
Purchases of property, plant and equipment	(1,518)	(36,742)	(32,023)
Proceeds on disposal of property, plant and equipment	–	9	–
Purchases of financial assets at FVTPL	(13,100)	–	–
Proceeds from disposal of financial assets at FVTPL	18,114	–	–
Purchases of intangible assets	–	(124)	(511)
Placement of bank deposit with original maturity over three months	–	(10,000)	–
Placement of pledged/restricted bank deposits	–	(840)	(5,330)
Withdrawal of pledged/restricted bank deposits	–	–	840
Net cash from (used in) investing activities	3,509	(47,326)	(37,008)
FINANCING ACTIVITIES			
New bank borrowings raised	61,500	67,450	125,690
Repayments of bank borrowings	(54,550)	(61,240)	(104,000)
Placement of shares, net of transaction costs	–	121,151	–
Interest paid on bank borrowings	(2,824)	(2,639)	(2,692)
Repayment of lease liabilities	(3,630)	(3,007)	(2,551)
Interest paid on lease liabilities	(362)	(275)	(186)
Dividends paid	–	(48,461)	(20,256)
Payment of **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Repayments to related parties	(65)	–	–
Net cash from (used in) financing activities	69	72,979	(5,699)
Net increase (decrease) in cash and cash equivalents	11,242	(10,097)	(7,743)
Cash and cash equivalents at beginning of the year	20,581	31,823	21,726
Cash and cash equivalents at end of the year, represented by bank balances and cash	31,823	21,726	13,983

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Shenzhen Hipine Precision Technology Co., Ltd. was incorporated as a limited liability company on 15 July 2013 in Shenzhen, Guangdong Province, the PRC. The respective addresses of the registered office and the principal place of business of the Company are stated in the section headed "Corporate Information" of the Document.

The Group is principally engaged in the manufacturing and sale of precious metal watches and accessories in the PRC. The ultimate controlling parties of the Company are Mr. Li Yongzhong (father-in-law of Mr. Hu Shaohua and father of Mr. Li Shuo and Mr. Li Linmao), Mr. Hu Shaohua (son-in-law of Mr. Li Yongzhong and brother-in-law of Mr. Li Shuo and Mr. Li Linmao), Mr. Li Shuo (son of Mr. Li Yongzhong, brother-in-law of Mr. Hu Shaohua and elder brother of Mr. Li Linmao) and Mr. Li Linmao (son of Mr. Li Yongzhong, brother-in-law of Mr. Hu Shaohua and younger brother of Mr. Li Shuo) who act in concert under a contractual agreement (the "Controlling Shareholders").

The Historical Financial Information is presented in RMB, which is also the functional currency of the Company.

The financial statements of the Company for the years ended 31 December [2022 and 2023] prepared in accordance with the relevant accounting principles and regulations in the PRC were audited by Lixin Zhonglian Certified Public Accountants which were the certified public accountants registered in the PRC.

2. APPLICATION OF AMENDMENTS TO IFRS ACCOUNTING STANDARDs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently adopted the accounting policies which conform with 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 amendments to IFRS Accounting Standards in issue but not yet effective

At the date of this report, the Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 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 IFRS Accounting Standard mentioned below, the directors of the Company (the "Directors") anticipate that the application of all amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

IFRS 18 sets out requirements on presentation and disclosures in financial statements and it will replace IAS 1 *Presentation of Financial Statements*. The new standard 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. Minor amendments to IAS 7 *Statement of Cash Flows* and IAS 33 *Earnings per Share* are also made. IFRS 18 will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard will not have material impact on the financial position of the Group but is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows and disclosures in the future financial statements. The Group will continue to assess the impact of IFRS 18 on the Group's consolidated financial statements.

3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared in accordance with IFRS Accounting Standards issued by the IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the **[REDACTED]** of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments and liabilities that are measured at fair values 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 and services.

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 the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment* ("IFRS 2"), leasing transactions that are accounted for in accordance with IFRS 16 *Leases* ("IFRS 16"), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets* ("IAS 36").

3.2 Material accounting policy information

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by 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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group 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 Note 5.

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group applies IAS 12 *Income Tax* requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below). Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than properties under 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 derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is recognised as an expense in the period in which it is incurred when it results in no internally-generated intangible asset.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statements of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. 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 cash and cash equivalents as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers* ("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 recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised 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 recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend earned 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 bank balances, pledged/restricted bank deposits, bank deposit with original maturity over three months, trade receivables, other receivable and amount due from subsidiaries/related parties) which are subject to impairment assessment under IFRS 9 *Financial Instruments*. 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 recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with credit-impaired, and collectively for the remaining balances of debtors using internal credit rating with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each 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.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as: significant financial difficulty of the issuer or the borrower and a breach of contract, such as a default or past due event.

(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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using internal credit rating 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.

Trade and other receivables with credit-impaired debtors are assessed for ECL individually.

Lifetime ECL for non credit-impaired trade and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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 recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities of the Group (including trade and other payables and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Gold loans

Gold loans to be repaid by physical gold are classified as liabilities at fair value through profit or loss. Gain or losses on gold loans are recognised in profit or loss. The net fair value gain or loss recognised in the profit or loss does not include any interest charged on these liabilities.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the Directors are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The realisability of the deferred tax asset mainly depends on whether sufficient future profits will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Provision of ECL for trade receivables

Trade receivables with credit-impaired debtors are assessed for ECL individually.

In addition, for debtors which are not credit-impaired, collective assessment is performed by grouping debtors based on the Group's internal credit ratings.

The provision of ECL is sensitive to changes in estimates (such as the forward-looking information). The information about the ECL and the Group's trade receivables are disclosed in Note 33.

Net realisable value of inventories

As at 31 December 2022, 2023 and 2024, the carrying amount of the Group's inventories is RMB513,079,000, RMB632,614,000 and RMB656,143,000, respectively. During the years ended 31 December 2022, 2023 and 2024, a (reversal of write-down) write-down of inventories of RMB(293,000), RMB1,406,000 and RMB921,000 was recognised in profit or loss, respectively.

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

The Group assesses the net realisable value of inventories as well as the required amount of write-down of inventory provision at the end of each reporting period, which involves significant judgment on determination of the estimated selling prices, costs to completion and costs necessary to make the sale.

5. REVENUE AND OPERATING SEGMENTS

Disaggregation of revenue from contracts with customers

Types of goods or service

	For the year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Manufacturing and sales of and processing fee income from watches and accessories			
Watches	289,365	403,071	350,779
Accessories	34,339	42,406	105,777
	323,704	445,477	456,556

All of the Group's revenue are recognised at a point in time.

Performance obligations for contracts with customers

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the customer, generally on the receipt of products by customers.

Processing fee income is recognised at the point in time when the processed product is transferred to customers.

A contract liability represents the Group's obligation to transfer goods or services for which the Group has received consideration from the customer.

The Group applies the practical expedient of not disclosing the transaction price allocated to the remaining performance obligation as the original expected duration of all the contracts from customers of the Group are within one year or less.

Operating Segments

Information reported to the chairman and the executive directors of the Company, being the chief operating decision makers ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered.

Management reviews the operating results of the business as a whole to make decisions about resources to be allocated. Therefore, the executive directors of the Company regards that there is only one segment which is used to make strategic decisions. Revenue and profit before tax are the measures reported to the CODM for the purpose of resources allocation and performance assessment. All of the Group's business and operations are conducted in Mainland China and currently, the Group's principal market, majority of revenue, operating profits and non-current assets are derived from/located in the Mainland China. Accordingly, no geographical segment information is presented.

Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Customer A	115,872	141,221	101,539
Customer B	95,424	143,834	116,659
Customer C	52,703	93,137	68,585
Customer D	N/A*	N/A*	79,989

* The revenue of relevant customer did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME AND OTHER EXPENSES

(a) Other income

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Bank interest income	13	371	286
Government grants and subsidies	1,645	1,475	64
Tax refund and incentives	10	2,013	2,320
Watch maintenance service and spare part income	3,794	5,278	4,472
Others	51	36	21
	5,513	9,173	7,163

(b) Other expenses

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Watch maintenance service and spare part costs	3,135	4,525	3,483
Expenses related to National Equities Exchange and Quotation **[REDACTED]** and lapsed transactions	1,944	2,509	472
Others	21	278	95
	5,100	7,312	4,050

Government grants mainly represented the government subsidies received from the local governments in the PRC in the recognition of the Group's contribution to local economy's development. There are no unfulfilled conditions relating to these grants.

7. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Net impairment losses (recognised) reversed on:			
– trade receivables	(1,786)	610	(1,494)
– other receivables	(17)	(216)	(317)
– amounts due from related parties	–	(63)	–
	(1,803)	331	(1,811)

Details of impairment assessment are set out in Note 33.

8. OTHER GAINS AND LOSSES

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Loss on disposal of property, plant and equipment	(5)	(37)	(3)
Gain on early termination of leases	361	466	62
Loss on changes in fair value of gold loans	(1,436)	(1,789)	(8,159)
Gain (loss) on changes in fair value of financial assets at FVTPL	14	(2,403)	–
Net foreign exchange gain	–	–	165
	(1,066)	(3,763)	(7,935)

9. FINANCE COSTS

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Interest on bank loans	2,828	2,639	2,714
Interest on gold loans	525	1,838	1,982
Interest on lease liabilities	362	275	186
Total borrowing costs	3,715	4,752	4,882
Less: amounts capitalised in the cost of qualifying assets	–	–	(325)
	3,715	4,752	4,557

10. INCOME TAX EXPENSE

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Current year			
PRC Enterprise Income Tax ("**EIT**")	3,863	8,366	10,932
Under provision in respect of prior years			
EIT	–	–	90
Deferred tax *(Note 19)*	(586)	(569)	(1,713)
Income tax expense	3,277	7,797	9,309

PRC Enterprise Income Tax

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% during the Track Record Period.

The Company has been recognised as the High New Tech Enterprises throughout the Track Record Period. According to the EIT Law for High New Tech Enterprises, the Company, as a High Tech Enterprise, is subject to a reduced Enterprise Income Tax rate of 15% during the Track Record Period.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	27,818	59,896	58,657
Tax at the domestic income tax rate of 25%	6,955	14,974	14,664
Tax effect of expenses not deductible for tax purpose	295	355	74
Tax benefit for qualifying research and development expenses *(Note)*	(1,876)	(3,228)	(2,572)
Under provision in respect of prior years	–	–	90
Income tax at concessionary rate	(2,097)	(4,304)	(2,947)
Income tax expense	3,277	7,797	9,309

Note: In accordance with the relevant laws and regulations issued by the State Administration of Taxation of the PRC ("SAT"), with effect from 1 January 2021, manufacturing enterprises engage in research and development activities were entitled to an additional deduction of 100% of the research and development expenses incurred as deductible expenses during the year when determining their taxable profits ("weighted deduction"). Accordingly, the Group adopted the weighted deduction rate of 200% from 1 January 2022 to 31 December 2024. In determining the taxable profits for the year, the Group has made the best estimate of the entitled weighted deduction.

11. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year after charging the following items:			
Auditor's remuneration	1,283	2,161	3,206
[REDACTED]	–	–	**[REDACTED]**
Directors' and supervisors' remuneration	1,967	2,090	1,664
Other staff cost:			
Salaries and other allowances	29,349	31,745	30,273
Retirement benefits scheme contributions	2,418	2,517	3,251
Total staff costs	31,767	34,262	33,524
Less: capitalised in inventories	(17,712)	(18,622)	(15,462)
	14,055	15,640	18,062
Cost of inventories recognised as an expense	235,794	310,519	312,412
Including: (reversal of write-down) write-down of inventories	(293)	1,406	921
Depreciation of property, plant and equipment	3,526	3,699	3,296
Depreciation of right-of use assets	3,748	3,143	2,723
Amortisation of intangible assets	95	105	126
Total depreciation and amortisation	7,369	6,947	6,145
Less: capitalised in inventories	(2,826)	(2,994)	(2,551)
	4,543	3,953	3,594

12. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of the emoluments paid or payable to the directors and supervisors of the Company during the Track Record Period disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance are as follows:

	Salaries and other allowances	**Discretionary bonus**	**Contributions to retirement benefit plan**	**Total**
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
Year ended 31 December 2022				
Executive directors:				
Mr. Li Yongzhong	117	156	18	291
Mr. Hu Shaohua	120	150	18	288
Mr. Li Yangjin	120	148	18	286
Non-executive director:				
Mr. Li Shuo	120	88	18	226
Independent Non-executive directors:				
Mr. Li Qi	50	–	–	50
Mr. Sun Hongwei	50	–	–	50
Mr. Lin Yong	50	–	–	50
Supervisors:				
Ms. Qin Yan	300	15	18	333
Mr. Zou Jianping	169	10	13	192
Mr. Li Fachun	176	7	18	201
	1,272	574	121	1,967

	Salaries and other allowances *RMB'000*	Discretionary bonus *RMB'000* *(Note)*	Contributions to retirement benefit plan *RMB'000*	Total *RMB'000*
Year ended 31 December 2023				
Executive directors:				
Mr. Li Yongzhong	121	195	18	334
Mr. Hu Shaohua	124	188	18	330
Mr. Li Yangjin	124	185	18	327
Non-executive directors:				
Mr. Li Shuo (resigned on 14 July 2023)	121	110	18	249
Mr. Huang Liangdi (appointed on 14 July 2023)	–	–	–	–
Independent Non-executive directors:				
Mr. Li Qi	50	–	–	50
Mr. Sun Hongwei (resigned on 14 July 2023)	35	–	–	35
Mr. Lin Yong	50	–	–	50
Ms. Guo Xiaohong (appointed on 14 July 2023)	50	–	–	50
Supervisors:				
Ms. Qin Yan	318	15	18	351
Mr. Zou Jianping	176	10	13	199
Mr. Li Fachun (resigned on 14 July 2023)	104	–	11	115
Ms. Yao Xiangping (appointed on 14 July 2023)	–	–	–	–
	1,273	703	114	2,090

	Salaries and other allowances	**Discretionary bonus**	**Contributions to retirement benefit plan**	**Total**
	RMB'000	*RMB'000* *(Note)*	*RMB'000*	*RMB'000*
Year ended 31 December 2024				
Executive directors:				
Mr. Li Yongzhong	186	137	17	340
Mr. Hu Shaohua	176	132	17	325
Mr. Li Yangjin	174	130	17	321
Non-executive director:				
Mr. Huang Liangdi	–	–	–	–
Independent Non-executive directors:				
Mr. Li Qi	50	–	–	50
Mr. Lin Yong	50	–	–	50
Ms. Guo Xuaohong	50	–	–	50
Supervisors:				
Ms. Qin Yan	306	11	17	334
Mr. Zou Jianping	178	2	14	194
Ms. Yao Xiangping	–	–	–	–
	1,170	412	82	1,664

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', independent non-executive directors' and supervisors' emoluments shown above were for their services as directors/supervisors of the Company.

Note: The discretionary bonus is determined by the directors of the Company based on the performance of the directors of the Company and the Group.

During the Track Record Period, none of the directors or supervisors of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. EMPLOYEES' EMOLUMENTS

There are 3, 3 and 2 directors/supervisors among the five highest paid employees of the Group during each of the years ended 31 December 2022, 2023 and 2024.

Details of the remuneration for the remaining non-director/supervisor highest paid employees for each of the years ended 31 December 2022, 2023 and 2024, are as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances, benefits in kind and performance related bonuses *(Note)*	1,415	1,581	1,699
Contribution to retirement benefits	86	85	82
	1,501	1,666	1,781

Note: The performance related bonuses are determined by the directors of the Company based on the performance of the Company and the Group.

All of the five highest paid employees of the Company who are not the directors of the Company whose remuneration fell within HK$0 to HK$1,000,000 during the Track Record Period.

14. DIVIDENDS

During the year ended 31 December 2022, the Company declared a cash dividend of RMB6 (including tax) is distributed to all shareholders for every 10 shares. A total of RMB24,348,000 cash dividends have been declared, and it was paid in January 2023.

During the year ended 31 December 2023, the Company declared a cash dividend of RMB5 (including tax) is distributed to all shareholders for every 10 shares. A total of RMB24,113,000 cash dividends have been declared, and it was paid in November 2023.

During the year ended 31 December 2024, the Company declared a cash dividend of RMB4.20 (including tax) is distributed to all shareholders for every 10 shares. A total of RMB20,256,000 cash dividends have been declared, and it was paid in August 2024.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year attributable to owners of the Company for basic earnings per share	24,541	52,099	49,348

Number of shares

	Year ended 31 December		
	2022	**2023**	**2024**
Weighted average number of ordinary shares for the purpose of basic earnings per share	40,580	44,403	48,225

During the years ended 31 December 2022, 2023 and 2024, the Group had no potential ordinary shares. Accordingly, no diluted earnings per share is presented.

16. PROPERTY, PLANT AND EQUIPMENT

The Group

	Machineries	Motor vehicles	Furniture and electronic equipment	Leasehold improvement	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2022	23,007	90	1,418	3,407	–	27,922
Additions	1,110	–	98	374	147	1,729
Disposals	(6)	–	(11)	–	–	(17)
At 31 December 2022	24,111	90	1,505	3,781	147	29,634
Additions	821	–	485	610	32,487	34,403
Disposals	(167)	–	(32)	–	–	(199)
At 31 December 2023	24,765	90	1,958	4,391	32,634	63,838
Additions	459	526	242	360	33,636	35,223
Disposals	(6)	–	(6)	–	–	(12)
At 31 December 2024	25,218	616	2,194	4,751	66,270	99,049
DEPRECIATION						
At 1 January 2022	8,625	40	845	1,192	–	10,702
Provided for the year	2,198	17	238	1,073	–	3,526
Eliminated on disposals	(4)	–	(8)	–	–	(12)
At 31 December 2022	10,819	57	1,075	2,265	–	14,216
Provided for the year	2,283	17	285	1,114	–	3,699
Eliminated on disposals	(128)	–	(25)	–	–	(153)
At 31 December 2023	12,974	74	1,335	3,379	–	17,762
Provided for the year	2,361	39	271	625	–	3,296
Eliminated on disposals	(4)	–	(5)	–	–	(9)
At 31 December 2024	15,331	113	1,601	4,004	–	21,049
CARRYING VALUES						
At 31 December 2022	13,292	33	430	1,516	147	15,418
At 31 December 2023	11,791	16	623	1,012	32,634	46,076
At 31 December 2024	9,887	503	593	747	66,270	78,000

The Company

	Machineries	**Motor vehicles**	**Furniture and electronic equipment**	**Leasehold improvement**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST					
At 1 January 2022	15,971		994	2,386	19,351
Additions	759	–	98	374	1,231
Disposals	(6)	–	–	–	(6)
At 31 December 2022	16,724	–	1,092	2,760	20,576
Additions	820	–	483	610	1,913
Disposals	(167)	–	(32)	–	(199)
At 31 December 2023	17,377	–	1,543	3,370	22,290
Additions	459	526	242	360	1,587
Disposals	(6)	–	(6)	–	(12)
At 31 December 2024	17,830	526	1,779	3,730	23,865
DEPRECIATION					
At 1 January 2022	6,488	–	637	585	7,710
Provided for the year	1,518	–	148	868	2,534
Eliminated on disposals	(4)	–	–	–	(4)
At 31 December 2022	8,002	–	785	1,453	10,240
Provided for the year	1,580	–	217	909	2,706
Eliminated on disposals	(128)	–	(25)	–	(153)
At 31 December 2023	9,454	–	977	2,362	12,793
Provided for the year	1,662	28	238	619	2,547
Eliminated on disposals	(4)	–	(5)	–	(9)
At 31 December 2024	11,112	28	1,210	2,981	15,331
CARRYING VALUES					
At 31 December 2022	8,722	–	307	1,307	10,336
At 31 December 2023	7,923	–	566	1,008	9,497
At 31 December 2024	6,718	498	569	749	8,534

The Group's property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

The above items of property, plant and equipment, after taking into account the residual values, are depreciated on a straight-line basis over the period at the rates per annum as follows:

Machineries	3–10 years
Motor vehicles	5 years
Furniture and electronic equipment	3–5 years
Leasehold improvement	Over the shorter of the lease term, or 10% to 20%

17. RIGHT-OF-USE ASSETS

The Group

	Leasehold lands *RMB'000*	**Buildings** *RMB'000*	**Total** *RMB'000*
At 31 December 2022			
Carrying amount	3,128	6,017	9,145
At 31 December 2023			
Carrying amount	3,063	4,126	7,189
At 31 December 2024			
Carrying amount	2,998	4,879	7,877
Year ended 31 December 2022			
Depreciation charge	67	3,681	3,748
Year ended 31 December 2023			
Depreciation charge	65	3,078	3,143
Year ended 31 December 2024			
Depreciation charge	65	2,658	2,723

The Company

	Buildings
	RMB'000
At 31 December 2022	
Carrying amount	6,017
At 31 December 2023	
Carrying amount	4,126
At 31 December 2024	
Carrying amount	4,879
Year ended 31 December 2022	
Depreciation charge	3,681
Year ended 31 December 2023	
Depreciation charge	3,078
Year ended 31 December 2024	
Depreciation charge	2,658

	The Group		
	Year ended 31 December		
	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*
Expenses relating to short-term leases	–	–	653
Total cash outflows for leases	3,992	3,282	3,390
Addition to right-of-use assets	–	3,171	3,992

The Group leases various offices, staff quarters and warehouses for its operations. Lease terms are negotiated by the Group on an individual basis and contain a wide range of different terms and conditions. The terms are fixed with various period, from 24 months to 60 months. 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 for which the contract is enforceable.

The Group occasionally entered into short-term leases for certain offices, staff quarters and warehouses. As at 31 December 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 expense disclosed above.

The Group has obtained the land use right certificates for all leasehold lands.

18. INTANGIBLE ASSETS

The Group and the Company

	Software	**Licenses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
COST			
At 1 January 2022 and 31 December 2022	860	111	971
Additions	124	–	124
At 31 December 2023	984	111	1,095
Additions	482	29	511
At 31 December 2024	1,466	140	1,606
AMORTISATION			
At 1 January 2022	361	97	458
Charge for the year	89	6	95
At 31 December 2022	450	103	553
Charge for the year	100	5	105
At 31 December 2023	550	108	658
Charge for the year	121	5	126
At 31 December 2024	671	113	784
CARRYING VALUES			
At 31 December 2022	410	8	418
At 31 December 2023	434	3	437
At 31 December 2024	795	27	822

The Group's intangible assets having finite useful lives are amortised on a straight-line basis over five to ten years.

19. DEFERRED TAXATION

The following are the major deferred tax assets and liabilities recognised by the Group and the Company and movements therein during the Track Record Period:

The Group

	Impairment losses under ECL	Write-down of inventories	Lease liabilities	Right-of-use assets	Fair value change in gold loans	Fair value change in financial assets at FVTPL	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	308	1,117	1,561	(1,486)	–	–	70	1,570
Credited (charged) to profit or loss	452	(44)	(596)	583	215	–	(24)	586
At 31 December 2022	760	1,073	965	(903)	215	–	46	2,156
(Charged) credited to profit or loss	(196)	216	(317)	284	268	360	(46)	569
At 31 December 2023	564	1,289	648	(619)	483	360	–	2,725
Credited (charged) to profit or loss	343	139	120	(113)	1,224	–	–	1,713
At 31 December 2024	907	1,428	768	(732)	1,707	360	–	4,438

The Company

	Impairment losses under ECL	Write-down of inventories	Lease liabilities	Right-of-use assets	Fair value change in gold loans	Fair value change in financial assets at FVTPL	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	297	1,118	1,561	(1,486)	–	–	–	1,490
Credited (charged) to profit or loss	1	(44)	(594)	583	215	–		161
At 31 December 2022	298	1,074	967	(903)	215	–	–	1,651
Credited (charged) to profit or loss	170	203	(319)	284	268	360	–	966
At 31 December 2023	468	1,277	648	(619)	483	360	–	2,617
Credited (charged) to profit or loss	164	139	120	(113)	1,224	–	–	1,534
At 31 December 2024	632	1,416	768	(732)	1,707	360	–	4,151

20. INVENTORIES

	The Group			The Company		
	At 31 December			At 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Raw materials	77,737	70,339	66,621	77,282	69,818	66,388
Work in progress	278,233	406,270	423,447	247,682	344,432	374,838
Finished goods	157,109	156,005	166,075	157,109	156,005	164,861
	513,079	632,614	656,143	482,073	570,255	606,087

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average method.

21. TRADE RECEIVABLES

	The Group			The Company		
	At 31 December			At 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	62,400	45,409	69,518	26,094	38,818	49,508
Less: Allowance for credit losses	(3,407)	(2,797)	(4,291)	(1,591)	(2,467)	(3,290)
	58,993	42,612	65,227	24,503	36,351	46,218

As at 1 January 2022, trade receivables from contracts with customers net of allowance for credit losses of the Group and the Company amounted to RMB27,754,000 and RMB27,141,000 respectively.

The Group and the Company grants credit period ranging from 0 day to 90 days to its trade customers.

Aging of trade receivables net of allowance for credit losses is, prepared based on the date of transfer of goods, which approximated the respective revenue recognition dates, as follows:

	The Group			The Company		
	At 31 December			At 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	45,311	38,462	62,422	19,825	33,497	43,772
91–180 days	11,403	1,794	640	2,399	783	281
181–365 days	1,133	1,352	967	1,133	1,068	967
Over 365 days	1,146	1,004	1,198	1,146	1,003	1,198
	58,993	42,612	65,227	24,503	36,351	46,218

As at 31 December 2022, 2023 and 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB13,682,000, RMB4,150,000 and RMB2,805,000 which are past due at the end of each reporting period. Out of the past due balances, RMB2,279,000, RMB2,357,000 and RMB2,165,000 has been past due 90 days or more and is not considered as in default.

Details of impairment assessment of trade receivables are set out in Note 33.

22. PREPAYMENTS AND OTHER RECEIVABLES

	The Group			The Company		
	At 31 December			At 31 December		
	2022	**2023**	**2024**	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	1,938	1,716	8,034	1,545	1,662	2,251
Other tax receivables	1,123	3,396	231	345	512	231
Advances to employees	217	209	196	162	177	175
Interest receivable	–	236	506	–	236	506
Deposits	1,651	2,402	2,601	1,572	2,222	2,422
[REDACTED]	–	–	**[REDACTED]**	–	–	**[REDACTED]**
Others	134	84	147	109	69	143
	5,063	8,043	14,950	3,733	4,878	8,963
Less: Allowance for credit losses	(419)	(635)	(952)	(397)	(594)	(873)
	4,644	7,408	13,998	3,336	4,284	8,090
Analysed as:						
Current	3,780	6,406	7,373	2,472	3,282	7,177
Non-current	864	1,002	6,625	864	1,002	913
	4,644	7,408	13,998	3,336	4,284	8,090

Details of impairment assessment of other receivables are set out in Note 33.

23. FINANCIAL ASSETS AT FVTPL

	The Group and the Company		
	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets at FVTPL:			
Investment in a film project for promoting the Company's brand*(Note)*	4,500	2,097	2,097
	4,500	2,097	2,097

Note: It represents the Group's investment in a film project for promoting the Company's brand which entitles the Group to receive a variable income based on the Group's investment amount and expected rate of return of the project. Such investment is not solely payments of principal and interest, it is carried at FVTPL.

24. AMOUNTS DUE FROM/TO RELATED PARTIES/SUBSIDIARIES

(a) Amounts due from related parties

	The Group and the Company		
	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Mr. Li Shuo	33	–	–
Ms. Chen Yingying	7	7	7
View Bright Management Co., Ltd. 滙輝管理有限公司 ("View Bright Management")	30	–	–
	70	7	7

The amounts were non-trade nature, interest-free and repayable on demand.

(b) Amounts due from (to) subsidiaries

The amounts are non-trade nature, interest-free and repayable on demand.

The relationship between these related parties with the Group has been set out in Note 35(a).

25. PLEDGED/RESTRICTED BANK DEPOSITS/BANK DEPOSITS WITH ORIGINAL MATURITY OVER THREE MONTHS/CASH AND CASH EQUIVALENTS

Cash and cash equivalents

Cash and cash equivalents include demand deposits and short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0.25% to 0.25%, 0.20% to 1.25% and 0.1% to 0.1% as at 31 December 2022, 2023 and 2024, respectively.

Pledged/restricted bank deposits

As at 31 December 2022, 2023 and 2024, pledged/restricted bank deposits represented the deposits which were restricted as guaranteed deposits held in separate reserve account that was pledged to the bank as security deposits for gold trading/gold loans.

As at 31 December 2022, cash at banks with amounts of RMB10,000 were restricted as guaranteed deposits held in separate reserve account that was pledged to the bank as security deposits for gold trading.

As at 31 December 2023, cash at banks with amounts of RMB10,000 were restricted as guaranteed deposits held in separate reserve account that was pledged to the bank as security deposits for gold trading. Cash at banks with amounts of RMB840,000 were pledged to bank as security deposits for gold loans.

As at 31 December 2024, cash at banks with amounts of RMB10,000 were restricted as guaranteed deposits held in separate reserve account that was pledged to the bank as security deposits for gold trading. Cash at banks with amounts of RMB5,330,000 were pledged to bank as security deposits for gold loans.

Bank deposits with original maturity over three months

As at 31 December 2023 and 2024, bank deposits with original maturity over three months were pledged to the bank as security for gold loans and they carried interest at prevailing bank deposits rate at 2.7% per annum.

Details of impairment assessment of bank balances, pledged/restricted bank deposits and bank deposits with original maturity over three months are set out in Note 33.

26. TRADE AND OTHER PAYABLES

	The Group			The Company		
	At 31 December			At 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables from						
– third parties	16,034	16,879	17,794	16,029	16,700	17,783
– subsidiaries	–	–	–	7,629	–	–
	16,034	16,879	17,794	23,658	16,700	17,783
Accrued employees' benefits	3,865	3,855	3,682	3,427	3,408	3,434
Other tax payables	11,564	8,603	15,784	8,290	8,603	14,990
Deposits	2,013	1,350	1,040	2,013	1,350	1,040
[REDACTED]	–	–	**[REDACTED]**	–	–	**[REDACTED]**
Other accrued expenses	407	903	523	353	807	476
Dividend payable	24,348	–	–	24,348	–	–
Payables for purchase of property, plant and equipment	680	456	1,216	437	456	106
Others	343	829	832	331	160	8
	59,254	32,875	47,245	62,857	31,484	44,211

The following is the aging analysis of trade payables based on invoice date at the end of each reporting period.

	The Group			The Company		
	At 31 December			At 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	10,924	15,107	11,805	18,548	14,928	11,794
91–180 days	3,782	635	3,842	3,782	635	3,842
181–365 days	137	37	880	137	37	880
Over 365 days	1,191	1,100	1,267	1,191	1,100	1,267
	16,034	16,879	17,794	23,658	16,700	17,783

The average credit period on purchases of goods is 90 days.

27. BANK BORROWINGS

	The Group			The Company		
	At 31 December			At 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Unsecured variable-rate bank loans	60,790	67,000	88,690	52,290	58,500	53,000
Interest payables	82	82	104	72	73	63
	60,872	67,082	88,794	52,362	58,573	53,063

The carrying amounts of the above bank borrowings are analysed based on contractual repayment date as follows:

	The Group			The Company		
	As at 31 December			As at 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The carrying amounts of the borrowings are repayable:						
Within one year	60,872	67,082	61,604	52,362	58,573	53,063
Within a period of more than one year but not exceeding two years	–	–	2,500	–	–	–
Within a period of more than two years but not exceeding five years	–	–	7,500	–	–	–
Within a period of more than five years	–	–	17,190	–	–	–
	60,872	67,082	88,794	52,362	58,573	53,063
Less: Amounts due within one year shown under current liabilities	(60,872)	(67,082)	(61,604)	(52,362)	(58,573)	(53,063)
Amounts shown under non-current liabilities	–	–	27,190	–	–	–

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's and Company's bank loans is as follows:

	The Group			The Company		
	At 31 December			At 31 December		
	2022	2023	2024	2022	2023	2024
Weighted average effective interest rate	3.67%	3.99%	3.89%	3.63%	4.02%	3.96%

The Group's and the Company's bank borrowings included:

	The Group			The Company		
	At 31 December			At 31 December		
	2022	2023	2024	2022	2023	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Guaranteed by Mr. Li Yongzhong and his spouse, Mr. Li Shuo, Mr. Hu Shaohua, Mr. Li Linmao, View Bright Management and Shenzhen Xipu Diamond Tools Co., Ltd 深圳市西普金鋼石工具有限公司 ("Xipu Diamond") and secured by the equity interest of View Bright Management and certain properties held by View Bright Management and Mr. Li Shuo	37,000	37,000	37,000	37,000	37,000	37,000
Guaranteed by Mr. Li Yongzhong, Mr. Li Shuo, Mr. Hu Shaohua, Mr. Li Linmao and Xipu Diamond and secured by leasehold lands and construction in progress held by Fujian Xipu Precision Technology Co., Ltd.	–	–	27,190	–	–	–
Guaranteed by:						
– Mr. Li Yongzhong and his spouse, Mr. Hu Shaohua, Mr. Li Linmao and Mr. Li Shuo	7,840	8,000	10,000	7,840	8,000	10,000
– Mr. Li Yongzhong and his spouse and Xipu Diamond	7,450	7,500	–	7,450	7,500	–
– Mr. Li Yongzhong	–	6,000	6,000	–	6,000	6,000
– Xipu Diamond	8,500	8,500	–	–	–	–
– the Company	–	–	8,500	–	–	–
	60,790	67,000	88,690	52,290	58,500	53,000

The above guarantors are the related parties of the Group, the relationship between these related parties with the Group has been set out in Note 35(a).

As represented by the Directors of the Company, the guarantees and pledges granted by related parties will be released on or prior to the **[REDACTED]**.

28. LEASE LIABILITIES

	The Group and the Company		
	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities payable:			
Within 1 year	3,152	2,292	2,771
Within a period of more than one year but not exceeding two years	2,583	742	1,873
Within a period of more than two years but not exceeding five years	699	1,284	472
	6,434	4,318	5,116
Less: Amount due for settlement within 12 months under current liabilities	(3,152)	(2,292)	(2,771)
Amount due for settlement after 12 months shown under non-current liabilities	3,282	2,026	2,345

The weighted average incremental borrowing rate of the Group's and the Company's lease liabilities is 4.81% as at 31 December 2022 and 2023 and 4.35% as at 31 December 2024.

Lease liabilities of RMB6,434,000, RMB4,318,000 and RMB5,116,000 are recognised with related right-of-use assets of RMB6,017,000, RMB4,126,000 and RMB4,879,000 as at 31 December 2022, 2023 and 2024, respectively. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

29. CONTRACT LIABILITIES

	The Group and the Company		
	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Manufacture and sales of watches and accessories	1,565	552	455

As at 1 January 2022, the Group's and the Company's contract liabilities amounted to RMB299,000 and RMB299,000 respectively.

All contract liabilities are expected to be settled within the Group's normal operating cycle, and are classified as current based on the Group's earliest obligation to transfer goods or services to the customers.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	The Group and the Company		
	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year	299	1,565	552

30. GOLD LOANS

	The Group and the Company		
	At 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Liabilities at FVTPL:			
Gold loans	28,324	38,847	51,643

Liabilities at FVTPL as at 31 December 2022, 2023 and 2024 represented the Group's and the Company's gold loans arrangement. The Group and the Company borrowed golds from bank for a specified period of time and paid interest at a fixed rate to bank for the duration of the contract based on the value of gold at inception and relevant interests at inception. At maturity, the Group was obliged to deliver gold of the same type, quantity and quality to bank. The Group and the Company did not have an option to settle its obligations in cash. Gold loans represented the obligation to deliver gold were classified as liabilities at FVTPL.

As at 31 December 2022, 2023 and 2024, the gold loans were guaranteed by Mr. Li Yongzhong and his spouse; Mr. Hu Shaohua; Mr. Li Shuo and his spouse; and Mr. Li Linmao and his spouse, and secured by certain properties held by Mr. Li Shuo and certain inventories of the Group. As at 31 December 2023 and 2024, the gold loans were secured by certain pledged bank deposits and bank deposits with original maturity over three months as disclosed in Note 25. As represented by the Directors of the Company, the guarantees and pledges provided by the related parties will be released on or prior to the **[REDACTED]**.

The fair value of gold loans is determined by reference to quoted market bid price of gold traded in active markets and classified as Level 2 of the fair value hierarchy.

The Group is principally engaged in the sales of watches and accessories in the PRC. The gold market is influenced by global as well as regional supply and demand conditions. A significant decline in prices of gold could adversely affect the Group's financial performance. In order to reduce the commodity price risk, the Group uses gold loans to reduce its exposure to fluctuations in the gold price on gold products. If the gold price go up, the Group would recognise a loss representing the increase in gold price compared to the contract price, and largely net against the increase in turnover of gold products as a result of gold price increase.

The gold loans are settled at maturity which usually mature within 12 months from date of inception and the fair value changes are immediately recognised in the consolidated statements of profit or loss and other comprehensive income. The gold price exposures are monitored by management on a timely manner. As at 31 December 2022, 2023 and 2024, if the market price of gold had increased/decreased by 5%, post-tax profit for the Track Record Period, due to changes in fair values of gold loans, would have been approximately RMB1,204,000, RMB1,651,000 and RMB2,195,000 lower/higher respectively.

During the years ended 31 December 2022, 2023 and 2024, the Group borrowed golds of RMB26,888,000, RMB35,622,000 and RMB40,259,000, respectively from bank being inventories of the Group and returned golds of RMB Nil, RMB26,888,000 and RMB35,622,000, respectively to bank which constituted non-cash transactions of the Group.

31. SHARE CAPITAL AND RESERVES OF THE COMPANY

(a) Share Capital of the Group and the Company

	Number of domestic shares	Share capital *RMB'000*
Ordinary shares of RMB1 each		
Registered, issued and fully paid		
At 1 January 2022 and 31 December 2022	40,580,000	40,580
Issue of shares	7,645,000	7,645
At 31 December 2023 and 2024	48,225,000	48,225

During the year ended 31 December 2023, the Company issued 7,645,000 domestic shares to an independent party at a net consideration of RMB121,151,000 and rank pari passu with other shares in issue in all aspects.

(b) Reserves of the Company

Below table sets out the details of the reserves of the Company:

	Share premium *RMB'000*	Safety production fund reserve *RMB'000*	Statutory reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2022	117,069	–	20,290	282,268	419,627
Profit and total comprehensive income for the year	–	–	–	24,450	24,450
Transfer to safety production fund, net	–	280	–	(280)	–
Dividends declared	–	–	–	(24,348)	(24,348)
At 31 December 2022	117,069	280	20,290	282,090	419,729
Profit and total comprehensive income for the year	–	–	–	47,752	47,752
Transfer to safety production fund, net	–	1,552	–	(1,552)	–
Placement of shares	113,506	–	–	–	113,506
Dividends declared	–	–	–	(24,113)	(24,113)
Appropriation	–	–	4,801	(4,801)	–
At 31 December 2023	230,575	1,832	25,091	299,376	556,874
Profit and total comprehensive income for the year	–	–	–	35,368	35,368
Transfer to safety production fund, net	–	1,961	–	(1,961)	–
Dividends declared	–	–	–	(20,256)	(20,256)
At 31 December 2024	230,575	3,793	25,091	312,527	571,986

32. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern with maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debts, which includes bank borrowings as disclosed in Note 27, net of cash and cash equivalents and total equity of the Group, comprising share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through raising of new capital, issue of new debts or the redemption of the existing debts.

33. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

		At 31 December	
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost	92,262	77,282	96,859
Financial assets at FVTPL	4,500	2,097	2,097
	96,762	79,379	98,956
Financial liabilities			
Financial liabilities at amortised cost	104,290	86,596	116,050
Lease liabilities	6,434	4,318	5,116

The Company

		At 31 December	
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost	55,687	114,236	106,095
Financial assets at FVTPL	4,500	2,097	2,097
	60,187	116,333	108,192
Financial liabilities			
Financial liabilities at amortised cost	103,149	77,239	78,374
Lease liabilities	6,434	4,318	5,116

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade and other receivables, pledged/restricted bank deposits, bank deposit with original maturity over three months, bank balances, trade and other payables, bank borrowings and amounts due from related parties and lease liabilities. The Company's major financial instruments include those aforementioned as well as amounts due from/to subsidiaries. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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 in a timely and effective manner.

Market risk

The Group's and the Company's activities expose it primarily to currency risk, interest rate risk and other price risk.

There has been no change to the Group's and the Company's exposure to market risks or the manner in which it manages and measures the risk during the reporting period.

(i) Currency risk

The Group's businesses are principally conducted in RMB and substantially all of the Group's monetary assets and liabilities are denominated in RMB. The only scenario in which the Group uses foreign currency is to sales finished good of watches and accessories to Hong Kong using Hong Kong Dollars, but the related sales are less than 2% of the total sales for each reporting period and the impact of exchange rate fluctuations is insignificant. There are no or immaterial foreign currency bank balances or transaction balances at the end of each reporting periods. The management considers the Group's exposure to foreign currency risk is not significant.

The Company has no significant foreign currency risk as the operation of the Company is denominated in RMB, which is also the functional currency of the Company.

(ii) Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to bank deposit with original maturity over three months (Note 25), pledged/restricted bank deposits (Note 25), and lease liabilities (Note 28).

The Group and the Company are also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 25) and variable-rate bank borrowings (Note 27). The Group and the Company cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Loan Prime Rate of China arising from the Group's and the Company's bank borrowings. The Group and the Company manage its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease in variable-rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. Bank balances and bank deposits are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2022, 2023 and 2024 would decrease/increase by RMB252,000, RMB280,000 and RMB349,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

(iii) Other price risk

The Group is exposed to price risk in respect of its financial products issued by banks classified as financial assets at FVTPL. The management of the Group considers the fluctuation in fair value changes on financial products are insignificant, taking into account their short-term duration.

Credit risk and impairment assessment

At the end of each reporting period, the Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company is due to failure to discharge an obligation by the counterparties. The Group's and the Company's credit risk is mainly associated with bank balances, pledged/restricted bank deposits, bank deposits with original maturity over three months, trade and other receivables and amounts due from related parties.

Trade receivables arising from contracts with customers

The Group and the Company mainly conducted transactions with customers with good quality and long term relationship. When accepting new customers, the Group and the Company consider the reputation of the customer before contract is signed. In order to minimise the credit risk, the management of the Group and the Company continuously monitor the credit quality and financial condition of the debtors to ensure that follow-up action is taken to recover overdue debts.

To manage risk arising from trade receivables, the Group and the Company have policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group and the Company reassess lifetime ECL for trade receivables arising from contracts with customers to ensure that adequate ECL is made for significant increase in the likelihood or risk of a default occurring. The ECL on these assets are individually assessed for debtors with credit-impaired and collectively assessed based on internal credit ratings for the remaining balance. As part of the Group's and the Company's credit risk management, the Group and the Company uses internal credit ratings to assess with the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates are estimated 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. The grouping and assessment are regularly reviewed by management to ensure relevant information about specific debtors is updated.

Other receivables and amounts due from subsidiaries/related parties

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables and amount due from subsidiaries/related parties based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group and the Company provided impairment based on 12m ECL. Details of the quantitative disclosures are set out below in this note.

Bank balances, pledged/restricted bank deposits and bank deposit with original maturity over three months

The Group and the Company transact with banks with high credit ratings. The Group and the Company assessed 12m ECL for pledged bank deposits/restricted bank deposits, bank balances and bank deposit with original maturity over three months by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. The credit risk for bank balances, pledged/restricted bank deposits and bank deposit with original maturity over three months as at 31 December 2022, 2023 and 2024 was considered as insignificant as such amounts were placed in reputable banks.

The Group's and the Company's internal credit risk grading assessment comprises the following categories:

Internal credit rating	**Description**	**Trade receivables**	**Financial assets other than trade receivables**
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group/the Company has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's and the Company's financial assets which are subject to ECL assessment:

The Group

	Notes	External credit rating	Internal credit rating	12m or Lifetime ECL	At 31 December 2022 Gross carrying amount RMB'000	2023 Gross carrying amount RMB'000	2024 Gross carrying amount RMB'000
Financial assets at amortised cost							
Bank balances, pledged/restricted bank deposits and bank deposit with original maturity over three months	25	AA and AA+	N/A	12m ECL	31,833	32,576	29,323
Trade receivables – contracts with customers	21	N/A	Low risk/ Watch list	Lifetime (collective assessment)	62,218	45,156	69,161
			Loss	Lifetime (individual assessment, credit-impaired)	182	253	357
					62,400	45,409	69,518
Other receivables	22	N/A	Low risk/ Watch list	12m ECL	1,785	2,722	3,254
Amounts due from related parties	24(a)	N/A	Low risk	12m ECL	70	70	70

The Company

	Notes	External credit rating	Internal credit rating	12m or Lifetime ECL	At 31 December 2022 Gross carrying amount *RMB'000*	2023 Gross carrying amount *RMB'000*	2024 Gross carrying amount *RMB'000*
Financial assets at amortised cost							
Bank balances, pledged/restricted bank deposits and bank deposit with original maturity over three months	25	AA and AA+	N/A	12m ECL	28,089	28,340	28,539
Trade receivables – contracts with customers	21	N/A	Low risk/ Watch list/ Doubtful	Lifetime (collective assessment)	25,912	38,565	49,151
			Loss	Lifetime (individual assessment, credit-impaired)	182	253	357
					26,094	38,818	49,508
Other receivables	22	N/A	Low risk/ Watch list/ Doubtful	12m ECL	1,681	2,527	3,071
Amounts due from subsidiaries	24(b)	N/A	Low risk	12m ECL	1,741	47,605	29,133
Amounts due from related parties	24(a)	N/A	Low risk	12m ECL	70	70	70

Notes:

(a) For the trade receivables, the Group/the Company applied the simplified approach in IFRS 9 to measure loss allowance at lifetime ECL. Except for credit-impaired debtors, the Group/the Company determines the expected credit losses on these items by using internal credit rating, grouped by nature and credit risk in the classes of low risk, watch list or doubtful.

(b) For pledged/restricted bank deposits, bank balances and bank deposit with original maturity over three months, other receivables and deposits, the Group/the Company has applied the 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group/the Company recognises lifetime ECL.

As part of the Group's and the Company's credit risk management, the Group and the Company apply internal credit rating for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed on a collective basis within lifetime ECL (not credit-impaired). Credit-impaired debtors with gross carrying amounts as at 31 December 2022, 2023 and 2024 of RMB182,000, RMB253,000 and RMB357,000 of the Group and RMB182,000, RMB253,000 and RMB357,000 of the Company were assessed individually, respectively.

The Group

	At 31 December					
	2022		2023		2024	
Internal credit rating	**Average loss rate**	**Trade receivables**	**Average loss rate**	**Trade receivables**	**Average loss rate**	**Trade receivables**
		RMB'000		*RMB'000*		*RMB'000*
Low risk	0.87%	12,731	1.18%	8,392	2.08%	18,031
Watch list	6.71%	49,487	6.81%	36,764	6.82%	51,130
	5.52%	62,218	5.76%	45,156	5.58%	69,161

The Company

	At 31 December					
	2022		2023		2024	
Internal credit rating	**Average loss rate**	**Trade receivables**	**Average loss rate**	**Trade receivables**	**Average loss rate**	**Trade receivables**
		RMB'000		*RMB'000*		*RMB'000*
Low risk	0.80%	12,087	1.13%	4,699	0.86%	1,868
Watch list	7.32%	13,825	6.84%	33,866	6.84%	47,283
	4.28%	25,912	6.14%	38,565	6.61%	49,151

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. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

The Group

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
At 1 January 2022	1,597	24	1,621
Net impairment losses recognised	1,775	11	1,786
At 31 December 2022	3,372	35	3,407
Net impairment losses (reversed) recognised	(669)	59	(610)
At 31 December 2023	2,703	94	2,797
Net impairment losses recognised	1,391	103	1,494
At 31 December 2024	4,094	197	4,291

The Company

	Lifetime ECL (not credit-impaired) *RMB'000*	Lifetime ECL (credit-impaired) *RMB'000*	Total *RMB'000*
At 1 January 2022	1,564	24	1,588
Net impairment losses (reversed) recognised	(8)	11	3
At 31 December 2022	1,556	35	1,591
Net impairment losses recognised	817	59	876
At 31 December 2023	2,373	94	2,467
Net impairment losses recognised	720	103	823
At 31 December 2024	3,093	197	3,290

The Group and the Company make full impairment for trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

The following table shows reconciliation of loss allowances that has been recognised for other receivables and amounts due from related parties.

The Group

	12m ECL
	RMB'000
At 1 January 2022	402
Net impairment losses recognised	17
At 31 December 2022	419
Net impairment losses recognised	279
At 31 December 2023	698
Net impairment losses recognised	317
At 31 December 2024	1,015

The Company

	12m ECL
	RMB'000
At 1 January 2022	392
Net impairment losses recognised	5
At 31 December 2022	397
Net impairment losses recognised	260
At 31 December 2023	657
Net impairment losses recognised	279
At 31 December 2024	936

Liquidity risk

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings and renews bank borrowings, if necessary.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows including both interest and principal.

The Group

	Weighted average interest rate	On demand or within 1 year	1–2 years	2–5 years	More than 5 years	Total undiscounted cash flows	Total Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022							
Trade and other payables	N/A	43,418	–	–	–	43,418	43,418
Bank borrowings							
– variable rate	3.67	61,704	–	–	–	61,704	60,872
		105,122	–	–	–	105,122	104,290
Lease liabilities	4.81	3,942	3,001	736	–	7,679	6,434
As at 31 December 2023							
Trade and other payables	N/A	19,514	–	–	–	19,514	19,514
Bank borrowings							
– variable rate	3.99	67,818	–	–	–	67,818	67,082
		87,332	–	–	–	87,332	86,596
Lease liabilities	4.81	2,435	862	1,307	–	4,604	4,318
As at 31 December 2024							
Trade and other payables	N/A	27,256	–	–	–	27,256	27,256
Bank borrowings							
– variable rate	3.89	63,906	3,528	9,968	19,407	96,809	88,794
		91,162	3,528	9,968	19,407	124,065	116,050
Lease liabilities	4.35	2,940	1,955	478	–	5,373	5,116

The Company

	Weighted average interest rate	On demand or within 1 year	1–2 years	2–5 years	More than 5 years	Total undiscounted cash flows	Total Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022							
Trade and other payables	N/A	50,787	–	–	–	50,787	50,787
Bank borrowings							
– variable rate	3.63	52,867	–	–	–	52,867	52,362
		103,654	–	–	–	103,654	103,149
Lease liabilities	4.81	3,942	3,001	736	–	7,679	6,434
As at 31 December 2023							
Trade and other payables	N/A	18,666	–	–	–	18,666	18,666
Bank borrowings							
– variable rate	4.02	58,739	–	–	–	58,739	58,573
		77,405	–	–	–	77,405	77,239
Lease liabilities	4.81	2,435	862	1,307	–	4,604	4,318
As at 31 December 2024							
Trade and other payables	N/A	25,311	–	–	–	25,311	25,311
Bank borrowings							
– variable rate	3.96	54,044	–	–	–	54,044	53,063
		79,355	–	–	–	79,355	78,374
Lease liabilities	4.35	2,940	1,955	478	–	5,373	5,116

Fair value estimation

The table below analyses the Group's financial instruments carried at fair value on a recurring basis by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

In estimating the fair value of an asset or a liability, the Group and the Company use market-observable data to the extent it is available. Where level 1 inputs are not available, the Group and the Company engage third party qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets is disclosed below.

(i) ***Fair value of financial instruments that are measured at fair value on a recurring basis***

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	The Group Fair value as at 31 December			The Company Fair value as at 31 December			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
	2022	**2023**	**2024**	**2022**	**2023**	**2024**				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*				
Investment in a film project for promoting the Company's brand	4,500	2,097	2,097	4,500	2,097	2,097	Level 3	Income approach – The discounted cash flow method was used to estimate the fair value of the film investment	Expected rate of return of -8%, -53% and -53% as at 31 December 2022, 2023 and 2024 respectively.	The higher the expected rate of return, the higher the fair value. *(Note)*

Note: A 5% increase/decrease in the expected rate of return from -8% to -7.72%/-8.53%, -53% to -50.73%/-56.08% and -53% to -50.73%/-56.08% holding all other variables constant would increase/decrease the carrying amount of the investment in a film project for promoting the Company's brand by RMB20,000/RMB20,000, RMB110,000/RMB110,000 and RMB110,000/RMB110,000 as at 31 December 2022, 2023 and 2024 respectively.

(ii) Reconciliation of Level 3 fair value measurement

The following table presents the changes in level 3 instrument during the Track Record Period:

	Film investment
	RMB'000
At 1 January 2022	4,500
Fair value changes	(2,403)
At 31 December 2023 and 2024	2,097

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

The Directors consider that the carrying amounts of the Group's and Company's financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of each reporting period.

34. CAPITAL COMMITMENTS

At the end of each reporting period, the Group had the following capital commitments that are contracted but not provided for:

		At 31 December	
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
The Group			
Property, plant and equipment	–	39,539	52,056

The Company had no capital commitments at the end of each reporting period.

35. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions carried out between the Group and its related parties in the ordinary course of business during the Track Record Period, and balances arising from related party transactions as at 31 December 2022, 2023 and 2024 respectively:

(a) Related parties of the Company and the Group

Name of related parties	Relationship
View Bright Management	A company controlled by a shareholders' spouse
Xipu Diamond	A company controlled by Mr. Li Yongzhong
Mr. Li Yongzhong	Executive director of the Company and one of the Controlling Shareholders of the Company
Mr. Hu Shaohua	Executive director of the Company and one of the Controlling Shareholders of the Company
Mr. Li Linmao	One of the Controlling Shareholders of the Company
Mr. Li Shuo	One of the Controlling Shareholders of the Company
Ms. Chen Yingying	Spouse of Mr. Li Shuo

(b) Balances with related parties

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities			
View Bright Management	384	384	384
Mr. Li Shuo	398	478	478
	782	862	862

Save as disclosed above, certain bank borrowings and gold loans were guaranteed by related parties and secured by certain properties held by the related parties as at 31 December 2022, 2023 and 2024. Details are set out in Notes 27 and 30.

(c) Compensation of key management personnel

The Group's remuneration of directors and supervisors during the year was as follows:

	Year ended 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other employee benefits	1,967	2,090	1,664

The remuneration of directors and supervisors is determined by the remuneration committee having regard to the performance of individuals and market trends.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both 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 statements of cash flows as cash flows from financing activities.

	Amount due to a related party	Dividends payable (included in other payables)	Lease liabilities	Bank loans (included in bank borrowings)	Interest payable (included in bank borrowings)	[REDACTED]	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	**65**	**–**	**10,474**	**53,840**	**78**	**–**	**64,457**
Financing cash flows	(65)	–	(3,992)	6,950	(2,824)	–	69
Non-cash changes							
Dividends declared	–	24,348	–	–	–	–	24,348
Lease modification	–	–	(410)	–	–	–	(410)
Interest expenses	–	–	362	–	2,828	–	3,190
At 31 December 2022	**–**	**24,348**	**6,434**	**60,790**	**82**	**–**	**91,654**
Financing cash flows	–	(48,461)	(3,282)	6,210	(2,639)	–	(48,172)
Non-cash changes							
Dividends declared	–	24,113	–	–	–	–	24,113
New leases entered	–	–	3,171	–	–	–	3,171
Lease modification	–	–	(2,280)	–	–	–	(2,280)
Interest expenses	–	–	275	–	2,639	–	2,914
At 31 December 2023	**–**	**–**	**4,318**	**67,000**	**82**	**–**	**71,400**
Financing cash flows	–	(20,256)	(2,737)	21,690	(2,692)	(1,704)	(5,699)
Non-cash changes							
Dividends declared	–	20,256	–	–	–	–	20,256
New leases entered	–	–	3,992	–	–	–	3,992
Lease modification	–	–	(643)	–	–	–	(643)
Interest expenses (before capitalisation)	–	–	186	–	2,714	–	2,900
[REDACTED]	–	–	–	–	–	3,235	3,235
At 31 December 2024	**–**	**–**	**5,116**	**88,690**	**104**	**1,531**	**95,441**

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

During the Track Record Period and as at the date of this report, details of the subsidiaries directly and indirectly held by the Company are set out below:

Entity name	Date of incorporation	Country/ Place of incorporation, legal status	Registered/ Issued and paid-up capital *RMB*	Attributable equity interest of the Group: As at 31 December 2022	2023	2024	As at the date of this report	Principal activities
Directly held:								
Fujian Xipu Precision Technology Co., Ltd. 福建西普精密科技有限公司	9 May 2017	PRC, Limited Liability Company	102,000,000	100%	100%	100%	100%	Manufacturing and sales of accessories
Indirectly held:								
Hainan Hipine International Watch Technology Co., Ltd. 海南西普尼國際鐘表科技有限公司	7 November 2023	PRC, Limited Liability Company	18,000,000	NA	100%	100%	100%	Import and export trade services

The English translation of the names of the above companies is for reference only. The official names of these entities are in Chinese.

Notes:

(i) None of the subsidiaries had issued any debt securities as at the end of each reporting period.

(ii) No audited financial statements of the subsidiaries of the Company have been prepared since there are no statutory audit requirements in the jurisdictions or the corresponding statutory audits have not been completed.

38. EVENT AFTER THE END OF THE REPORTING PERIOD

[There is no material event after the end of the reporting period.]

39. SUBSEQUENT FINANCIAL STATEMENTS

[None of the audited financial statements of the Group and the Company or any of its subsidiaries were prepared for any period after 31 December 2024.]

The information set out in this appendix does not form part of the Accountants' Report on the historical financial information of the Group for the Track Record Period prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set out in Appendix I to this document, and is included in this document 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 out in Appendix I to this document prospectively.*

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 prepared in accordance with paragraph 4.29 of the Listing Rules is set out below to illustrate the effect of the **[REDACTED]** (as defined in this document) on the audited consolidated net tangible assets of the Group attributable to owners of the Company at 31 December 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 31 December 2024 or any future 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 31 December 2024 as derived from the Accountants' Report, the text of which is set out in Appendix I to this document, and adjusted as described below:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024	Estimated [REDACTED] from the [REDACTED]	Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024	Unaudited [REDACTED] adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 31 December 2024	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**	658,596	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Based on an **[REDACTED]** of **[REDACTED]** per **[REDACTED]**	658,596	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Notes:

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 December 2024 is based on the consolidated net assets of the Group attributable to owners of the Company amounted to RMB[659,418,000], with adjustments for intangible assets of the Group as at 31 December 2024 of RMB[822,000] extracted from the audited consolidated financial statements set forth in Appendix I to this document.

2. The estimated **[REDACTED]** from the **[REDACTED]** are based on **[REDACTED]** new **[REDACTED]** to be **[REDACTED]** at the **[REDACTED]** of HK$**[REDACTED]** and HK$**[REDACTED]** per **[REDACTED]**, being the low end and high end of the **[REDACTED]** respectively, after deduction of the estimated **[REDACTED]** fees and **[REDACTED]** and other **[REDACTED]** related expenses not yet recognised in profit or loss up to 31 December 2024 payable by the Company (excluding the **[REDACTED]** expense that have been charged to profit or loss during the Track Record Period). The calculation of such estimated **[REDACTED]** does not assume the exercise of the **[REDACTED]**.

   For the purpose of calculating, the estimated **[REDACTED]** from the **[REDACTED]**, the amount denominated in Hong Kong dollars has been converted into Renminbi at an exchange rate of HK$[1.1089] to RMB1.00, which was the exchange rate prevailing on [30 September 2024] with reference to the rate published by the People's Bank of China. No representation is made that Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or at any other rates or at all.

3. The number of shares used for the calculation of unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on **[REDACTED]** Shares were in **[REDACTED]** assuming the **[REDACTED]** had been completed on 31 December 2024. It does not take into account (i) any Shares which may be **[REDACTED]** and **[REDACTED]** upon the exercise of the **[REDACTED]** or (ii) any Shares which may be **[REDACTED]** or repurchased by the Company pursuant to the general mandates.

4. The unaudited **[REDACTED]** adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from Renminbi to Hong Kong dollars at the rate of RMB1 to HK$[1.1089], which was the exchange rate prevailing on [30 September 2024] with reference to the rate published by the People's Bank of China. No representation is made that the Renminbi amounts have been, would have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates 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 31 December 2024 to reflect any operating result or other transactions of the Group entered into subsequent to 31 December 2024.

B. REPORTING ACCOUNTANTS' REPORTS ON UNAUDITED [REDACTED] FINANCIAL INFORMATION

[REDACTED]

[REDACTED]

[REDACTED]

TAXATION ON DIVIDENDS

Individual Investor

Pursuant to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》), which was enacted by the Standing Committee of the NPC on 10 September 1980, last amended on 31 August 2018 and came into effect on 1 January 2019, and the Implementation Provisions of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》), which was promulgated on 18 December 2018 and implemented on 1 January 2019, for income including interest, dividend and bonus, individuals shall pay individual income tax with applicable proportional tax rate of 20%. Unless otherwise provided by the competent financial and taxation authorities under the State Council, all the interest, dividend and bonus received from enterprises, public institutions, economic organisations and resident individuals in the PRC are deemed as derived from the PRC whether the payment place is in the PRC.

Pursuant to the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No.20) (《關於個人所得稅若干政策問題的通知》財稅字[1994]20號) promulgated by the Ministry of Finance and the State Administration of Taxation on 13 May 1994 and came into effect on the same date, non-PRC tax residents are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises.

Enterprise Investors

According to 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》), which was enacted by the Standing Committee of the NPC on 16 March 2007 and latest amended and implemented on 29 December 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated and implemented by the State Council on 23 April 2019, resident enterprises, which refer to enterprises that are set up in accordance with the PRC law, or that are set up in accordance with the law of the foreign country (region) but with its actual administration institution in the PRC, shall pay enterprise income tax originating both within and outside the PRC. Non-resident enterprises, which means enterprises lawfully incorporated pursuant to the law of a foreign country (region) that have an office of premises established in the PRC with no actual management functions performed in the PRC, or those that have income derived from or accruing in the PRC although they do not have an office or premises in the PRC, shall pay enterprise income tax based on income that is generated by their establishments and premises within the PRC and originates from the PRC, as well as income that is generated outside the PRC but practically connected with such establishments and premises. Non-resident enterprises that do not have establishments or premises in the PRC or has establishments or premises in the PRC but the PRC-sourced income is not practically connected with such establishments or premises in the PRC shall pay enterprise income tax based on their income originating from the

PRC. Income from equity investments, such as dividends and bonuses, shall be determined to be sourced within or outside of the PRC according to the location of the enterprise distributing the income; income from the transfer of equity investment assets shall be determined to be sourced within or outside of the PRC according to the location of the investee enterprise. Income derived by a non-resident enterprise from sources within the PRC is subject to the enterprise income tax rate that is reduced to 10%.

According to 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》) (Guo Shui Han [2008] No. 897), which was issued and implemented by the SAT on November 6, 2008, a PRC-resident enterprise must withhold and remit enterprise income tax at a rate of 10% on the dividends of 2008 and onwards that it distributes to overseas non-resident enterprise shareholders of H Shares. In accordance with the Response to Questions on Levying Enterprise Income Tax on Dividends Derived by Non-resident Enterprise from Holding Stock such as B Shares (《關於非居民企業取得B股等股票股息徵收企業所得稅問題的批覆》) (Guo Shui Han [2009] No. 394), which was issued and implemented by the SAT on July 24, 2009, any PRC-resident enterprise whose shares are issued and listed outside the PRC shall withhold and remit enterprise income tax at a rate of 10% on dividends of 2008 and onwards that it distributes to shareholders of non-resident enterprises. Those shareholders of such non-resident enterprises intending to enjoy tax treaty benefits may do so pursuant to the tax treaty or agreement that China has entered into with a relevant country or area, where applicable.

Tax Treaties

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (hereinafter referred to as the "**Arrangement**"), which was signed on 21 August 2006, the Chinese Government may levy taxes on the dividends paid by a Chinese company to Hong Kong residents (including natural persons and legal entities) in an amount not exceeding 10% of the total dividends payable by the Chinese company. If an owner of dividend income directly holds 25% or more of the equity interest in such Chinese company that pays dividends, then such tax shall not exceed 5% of the total dividends payable by the Chinese company.

The Fifth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排第五議定書》), which came in to effect on December 6, 2019, adds criteria for the qualification of entitlement to enjoy treaty benefits. Although there may be other provisions under the Arrangement, the treaty benefits under the criteria shall not be granted in the circumstance where one of the essential purposes of the relevant arrangement or transaction which directly or indirectly brings about the treaty benefits, after taking into account all relevant facts and conditions, are reasonably deemed to be to obtain such benefits, except when the grant of benefits under such circumstance is consistent with relevant objective and goal under the Arrangement.

The application of the dividend clause of the aforesaid tax agreements is subject to the requirements of PRC tax law documents, such as the Notice of the State Administration of Taxation 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》) (Guo Shui Han [2009] No. 81), which was issued and implemented on 20 February 2009. According to the said Notice, tax residents residing in countries or regions which have entered into treaties or arrangements for the avoidance of double taxation with the PRC are entitled to the tax treaty benefits in respect of the dividends received from PRC resident companies, where their income tax payable in the PRC is calculated at the tax rate as prescribed in such tax treaties. In case that the tax rate as prescribed in such tax treaties is higher than that as provided under the tax laws of the PRC, the taxpayer may be eligible to pay tax according to the domestic tax laws of the PRC. The PRC currently has entered into Avoidance of Double Taxation Treaties or Arrangements with a number of countries and regions including Hong Kong, Macau, Australia, Canada, France, Germany, Japan, Malaysia, the Netherlands, Singapore, the United Kingdom and the United States.

TAXATION ON SHARE TRANSFER

VAT and Local Additional Tax

Pursuant to the Notice 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》(Cai Shui [2016] No.36)) ("**Circular 36**") issued by the Ministry of Finance and State Administration of Taxation on 23 March 2016 and implemented on 1 May 2016, which was amended on 11 July 2017 and 20 March 2019, respectively, entities and individuals engaged in the sales services (including financial services) in the PRC are subject to VAT and "engaged in the sales services in the PRC" means that the seller or buyer of the taxable services (excluding lease of real estate) is located in the PRC.

In addition, 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, for a general or a foreign VAT taxpayer. In accordance with the Notice of Ministry of Finance and State Administration of Taxation on Several Tax Exemption Policies for Business Tax on Sale and Purchase of Financial Commodities by Individuals (《關於個人金融商品買賣等營業税若干免税政策的通知》) issued by the Ministry of Finance and State Administration of Taxation on 27 September 2009 and implemented on 1 January 2009, individuals who receive income due to their transfer of financial products including marketable securities are exempt from business tax.

Individual Investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得税法》), which was enacted by the Standing Committee of the NPC on 10 September 1980, last amended on 31 August 2018 and implemented on 1 January 2019, and its implementation provisions, gains from the transfer of equity interests in PRC resident enterprises are subject to individual income tax at a rate of 20%.

Pursuant to the Circular of 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税的通知》) (Cai Shui Zi [1998] No. 61) issued and implemented by the Ministry of Finance and the State Administration of Taxation on 30 March 1998, from 1 January 1997, income of individuals from transfer of the shares of listed enterprises continues to be temporarily exempted from individual income tax.

According to the Notice 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税有關問題的通知》財税字[2009]167號) (Cai Shui Zi [2009] No. 167) issued by the Ministry of Finance, the State Administration of Taxation and CSRC on 31 December 2009, individuals' income from the transfer of shares issued by listed companies and the shares of listed companies acquired from the 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 Notice on Issues Concerning the Levy of Individual Income Tax on Individuals' Income from the Transfer of Restricted Stocks of Listed Companies (《於個人轉讓上市公司限售股所得徵收個人所得税有關問題的補充通知》) (Cai Shui [2010] No. 70) issued and implemented by the above three departments on 11 November 2010.

As of the Latest Practicable Date, no aforesaid provisions had expressly provided whether individual income tax shall be levied from non-Chinese resident individuals on the transfer of shares in PRC resident enterprises listed on overseas stock exchanges.

Enterprise Investors

In accordance with 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》) and its implementation rules, a non-resident enterprise is generally subject to enterprise income tax at the rate of 10% on PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premise in the PRC or has an establishment or premise in the PRC but its PRC-sourced income has no real connection with such establishment or premise. Such income tax payable for non-resident enterprises are deducted at source, where the payer of the income is required to withhold the income tax from the amount to be paid to the non-resident enterprise when such payment is made or due. Such tax may be reduced or exempted pursuant to applicable tax treaties or arrangements on avoidance of double taxation.

Stamp Duty

According to the Law of the People's Republic of China on Stamp Duty (《中華人民共和國印花稅法》) enacted by the Standing Committee of the NPC on 10 June 2021 and implemented on 1 July 2022, PRC stamp duty only applies to specific proof where taxable vouchers are concluded or securities trading take place within the PRC, which have legally binding force in the PRC and protected under the PRC laws, thus 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 Latest Practicable Date, the PRC currently does not impose any estate duty according to the current PRC laws.

MAJOR TAXES ON THE COMPANY IN THE PRC

Enterprise Income Tax

Pursuant to 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》), which was enacted by the Standing Committee of the NPC on 16 March 2007 and latest amended and implemented on 29 December 2018, and the Implementation Rules for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) promulgated by the State Council on 6 December 2007 and amended and implemented on 23 April 2019, resident enterprises, which refer to enterprises lawfully incorporated in the PRC or enterprises incorporated according to the laws of foreign countries (regions) but with de facto management organisation located in the PRC, shall pay enterprise income tax on all income sourced within and outside the PRC at the tax rate of 25%. Qualified small enterprises with thin profit will be levied enterprise income tax at a reduced tax rate of 20%; high-tech enterprises receiving key support from the State will be levied enterprise income tax at a reduced tax rate of 15%.

Value-Added Tax

According to the Provisional Regulations of the People's Republic of China on Value-Added Tax (《中華人民共和國增值稅暫行條例》) which was promulgated by the State Council on 13 December 1993, and last amended and implemented on 19 November 2017, and the Detailed Rules for the Implementation for the Provisional Regulations the People's Republic of China on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the Ministry of Finance on 25 December 1993 and last amended on 28 October 2011 and implemented on 1 November 2011, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, sales services, intangible assets and real estate and the importation of goods inside of the PRC shall pay value-added tax. Unless otherwise specified, the VAT rates, for sales of goods and labour services, provision of leasing of tangible movable assets or importation of goods, and for sales services and intangible assets, are 17% and 6%, respectively, while the VAT rate for export of goods is nil.

According to the Circular on Policies for Simplifying and Consolidating Value-added Tax Rates (Cai Shui [2017] No.37) (《關於簡併增值稅稅率有關政策的通知》財稅[2017]37號) issued by the Ministry of Finance and the State Administration of Taxation on 28 April 2017 and implemented on 1 July 2017, the structure of value-added tax rates will be simplified and consolidated from 1 July 2017, and the 13% value-added tax rate shall be cancelled. The scope of sales or import of goods with 11% value-added tax rate and the provisions for deducting input tax are specified.

According to the Notice on the Adjustment to VAT Rates (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32), promulgated by the Ministry of Finance and the State Administration of Taxation on 4 April 2018 and implemented on 1 May 2018, the VAT rates of 17% and 11% applicable to the taxpayers who have VAT taxable sales activities or imported goods are adjusted to 16% and 10%, respectively, with effect from 1 May 2018.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》(2019 No. 39 of MOF, SAT and General Administration of Customs), promulgated by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on 20 March 2019 and implemented on 1 April 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.

TAXATION IN HONG KONG

Tax on Dividends

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

Capital Gains and Profit Tax

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is imposed in Hong Kong in respect of capital gains from the sale of H Shares.

However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax, which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses. The gains of certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed stamp duty of HK$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties of the transfer is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

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.

According to the Regulations of the People's Republic of China on Foreign Exchange Administration (《中華人民共和國外匯管理條例》) promulgated by the State Council on 29 January 1996 and last amended on 5 August 2008, which was implemented on the same date, domestic organisations and individuals making direct investments abroad or engaging in the issuance or trading of overseas marketable securities or derivative products shall apply for registration in accordance with the regulations of the foreign exchange administration department of the State Council. Where the government requires prior approval or filing by the relevant competent authorities, the approval or filing procedures should be completed prior to the registration of foreign exchange. Foreign exchange expenditures for capital (including capital transfer, direct investment, securities investment, derivatives and loans, etc.) shall be made in accordance with the regulations of the foreign exchange administration department of the State Council on the management of foreign exchange payment and purchase of foreign exchange, and shall be paid in its own foreign exchange or purchased from financial institutions operating the business of foreign exchange settlement and sale of foreign exchange by presenting valid certificates. Where the government stipulates that approval should be obtained from the foreign exchange administration authorities, the approval procedures should be completed before the payment of foreign exchange. Foreign exchange expenditures for recurrent items (transactions involving goods, services, revenues and recurrent transfers in the balance of payments) shall be made in accordance with the regulations of the foreign exchange administration department of the State Council on the management of foreign exchange payment and purchase of foreign exchange, and shall be paid in its own foreign exchange or purchased from financial institutions operating the business of foreign exchange settlement and sale of foreign exchange by presenting valid certificates.

According to the Announcement on Improving the Reform of the Renminbi Exchange Rate Formation Mechanism (《關於完善人民幣匯率形成機制改革的公告》), which was issued by the PBOC and implemented on 21 July 2005, the PRC has started to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies since 21 July 2005. Therefore, the Renminbi exchange rate was no longer pegged to the U.S. dollar. PBOC would publish the closing price of the exchange rate of the Renminbi against trading currencies such as the U.S. dollar in the interbank foreign exchange market after the closing of the market on each working day, as the central parity of the currency against Renminbi transactions on the following working day.

According to the Decision on Canceling and Adjusting a Group of Administrative Approval Items and Other Matters (《關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50) issued and implemented by the State Council on 23 October 2014, which cancelled the administrative approval by the SAFE and its branches for matters concerning the repatriation and settlement of foreign exchange of overseas-raised funds through overseas listing foreign shares.

According to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54) issued and implemented by the SAFE on 26 December 2014, a domestic company shall, within 15 business days of the date of the end of its overseas listing issuance, register the overseas listing with the Administration of Foreign Exchange at the place of its registration; A domestic company (except for bank financial institutions) shall present its certificate of overseas listing to open a "special foreign exchange account for overseas listing of domestic company" 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. 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 prospectus and other disclosure documents.

According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of 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》) (Hui Fa [2015] No. 13) issued by the SAFE on 13 February 2015 and implemented on 1 June 2015, two of the administrative examination and approval items, being the confirmation of foreign exchange registration under domestic direct investment and the confirmation of foreign exchange registration under overseas direct investment have been cancelled. Instead, banks shall directly examine and handle foreign exchange registration under domestic direct investment and overseas direct investment, and the SAFE and its branch offices shall indirectly regulate the foreign exchange registration of overseas direct investment through banks.

According to the Notice on Reforming and Regulating the Policies of Administration of Foreign Exchange Settlement for Capital Account (《關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) issued and implemented by the SAFE on 9 June 2016, as for foreign currency earnings in capital account subject to voluntary foreign exchange settlement (including the repatriation of foreign exchange capital, foreign loans and raised capital by overseas listing) the domestic institutions may undertake foreign exchange settlement in the banks according to their actual business needs. The tentative percentage of foreign exchange settlement for foreign currency earnings in capital account of domestic institutions is 100%, subject to adjustment of the SAFE in due time in accordance with international revenue and expenditure situations.

According to the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (Hui Fa [2017] No. 3) issued and implemented by the SAFE on 26 January 2017, the scope of settlement for domestic foreign exchange loans is further expanded, allowing settlement for domestic foreign exchange loans with export background under goods trading, allowing repatriation of funds under domestic guaranteed foreign loans for domestic utilisation, allowing settlement for domestic foreign exchange accounts of foreign institutions operating in the Free Trade Pilot Zones. Furthermore, the model of full-coverage RMB and foreign currency overseas lending management is adopted, where a domestic institution engages in overseas lending, the sum of its outstanding overseas lending in RMB and outstanding overseas lending in foreign currencies shall not exceed 30% of its owner's equity in the audited financial statements of the preceding year.

According to the Notice on Further Facilitating Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》匯發[2019]28號) (Hui Fa [2019] No. 28) issued by the SAFE on 23 October 2019, and amended and implemented on 4 December 2023, non-investment foreign-funded enterprises are allowed to make domestic equity investment with their capital funds in accordance with the law on the premise that the existing special administrative measures for foreign investment admission (Negative List) are not violated and the projects invested thereby in the PRC are true and legitimate.

According to the Circular on Optimizing Administration of Foreign Exchange to Support the Development of Foreign-related Business (Hui Fa [2020] No. 8) (《關於優化外匯管理支持涉外業務發展的通知》匯發[2020]8號)) issued and implemented by the SAFE on 10 April 2020, the reform of facilitating the payments of incomes under the capital accounts shall be promoted nationwide. Eligible enterprises are allowed to make domestic payments by using their capital, foreign credits and the income under capital accounts of overseas listing, without the need to provide the evidential materials concerning authenticity of such capital for banks in advance, provided that their utilised capital shall be authentic and in line with provisions, and conform to the prevailing administrative regulations on the use of income under capital accounts.

THE PRC LEGAL SYSTEM

The PRC legal system is based on Constitution of the People's Republic of China (《中華人民共和國憲法》, the "**Constitution**"), which was promulgated on 20 September 1954 and subsequently amended and implemented on 17 January 1975, 5 March 1978, 4 December, 1982, 12 April 1988, 29 March 1993, 15 March 1999, 14 March 2004 and 11 March 2018. The PRC legal system is made up of written laws, administrative regulations, local regulations, autonomous regulations, separate regulations, rules and regulations of State Council departments, rules and regulations of local governments, laws of special administrative regions and international treaties of which the PRC government is a signatory and other regulatory document. Court judgments do not constitute legally binding precedents, although they are used for the purposes of judicial reference.

The National People's Congress (the "**NPC**") and its Standing Committee are empowered to exercise the legislative power of the State in accordance with the Constitution and the Legislation Law of the People's Republic of China (《中華人民共和國立法法》, the "**Legislation Law**"), which was promulgated on 15 March 2000, amended on 15 March 2015 and 13 March 2023 and came into effect on 15 March 2023. The NPC has the power to formulate and amend basic laws governing state authorities, civil, criminal and other matters. The Standing Committee of the NPC formulates and amends laws other than those required to be enacted by the NPC and to supplement and amend parts of the laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of state administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of the provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual needs of their respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations. The people's congresses of cities divided into districts and their respective standing committees may formulate local regulations on aspects such as urban and rural construction and management, ecological civilization construction, historical cultural protection and grassroots governance based on the specific circumstances and actual needs of such cities, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. If the law provides otherwise on the matters concerning formulation of local regulations by cities divided into districts, those provisions shall prevail. Such local regulations of cities divided into districts 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. The standing committees of the people's congresses of the provinces or autonomous regions examine the legality of local regulations submitted for approval, and such approval should be granted within four months if they are not in conflict with the Constitution, laws, administrative regulations and local regulations of such provinces or autonomous regions. Where, during the examination for approval of local regulations of cities divided into districts by the standing committees of the people's congresses of the provinces or autonomous regions, conflicts are identified with the rules and regulations of the people's governments of the provinces or autonomous regions concerned, a handling decision should be made by the standing committees of the people's congresses of provinces or autonomous regions to resolve the issue. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the ethnic groups in the areas concerned. The autonomous regulations and separate regulations of an autonomous region shall come into force after being reported to and approved by the Standing Committee of the NPC. The autonomous regulations and separate regulations of an autonomous prefecture or an autonomous county shall come into force after being reported to and approved by the standing committee of the people's congress of the province, autonomous region, or municipality directly under the Central Government.

The ministries and commissions of the State Council, the People's Bank of China, National Audit Office and the subordinate institutions with administrative functions directly under the State Council, as well as agencies provided for by law, may formulate departmental rules within the permitted powers of their respective departments based on the laws and administrative regulations, and the decisions and orders of the State Council. The people's governments of the provinces, autonomous regions, municipalities and cities or autonomous prefectures divided into districts may formulate rules and regulations based on the laws, administrative regulations and local regulations of such provinces, autonomous regions and municipalities.

According to the Constitution and the Legislation Law, the power to interpret laws is vested in the Standing Committee of the NPC. Pursuant to the Resolution of the Standing Committee of the NPC Providing an Improved Interpretation of the Law (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) implemented on 10 June 1981, the Supreme People's Court has the power to give interpretation on issues related to the application of laws and decrees in a court trial, and issues related to the application of laws and decrees in a prosecution process of a procuratorate should be interpreted by the Supreme People's Procuratorate. If there is any disagreement in principle between Supreme People's Court's interpretations & Supreme People's Procuratorate's interpretations, such issues shall be reported to the Standing Committee of the NPC for interpretation or judgement. The other issues related to the application of laws and decrees other than the abovementioned should be interpreted by the State Council and the competent authorities. In cases where the limits of locally enacted rules and regulations need to be further defined or additional stipulations need to be made, the standing committees of the people's congresses of the provinces, autonomous regions, and municipalities directly under the central government which have formulated these rules and regulations shall provide the interpretations or make the stipulations. Interpretation of questions involving the specific application of local rules and regulations shall be provided by the competent departments under the people's governments of the provinces, autonomous regions, and municipalities directly under the central government.

THE PRC JUDICIAL SYSTEM

Under the Constitution and the Law of Organization of the People's Courts of the People's Republic of China (《中華人民共和國人民法院組織法》), which was promulgated on 21 September 1954, subsequently amended on 5 July 1979, 2 September 1983, 2 December 1986, 31 October 2006 and 26 October 2018 and implemented on 1 January 2019, 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 primary people's courts may set up certain people's tribunals based on the facts of the region, population and cases. A people's court may set up necessary professional tribunals according to the needs of the trial work. Intermediate People's Courts and primary people's courts with a small number of judges may or may not have a comprehensive trial court. The primary people's courts and intermediate people's courts are subject to supervision by people's courts at higher levels. The Supreme People's Court is the highest judicial authority in the PRC. It supervises the administration of justice by the people's courts at all levels and special people's courts.

Under the Civil Procedure Law of the People's Republic of China (《中華人民共和國民事訴訟法》), which was officially promulgated on 9 April 1991, amended on 28 October 2007, 31 August 2012, 27 June 2017, 24 December 2021 and 1 September 2023, and implemented on 1 January 2024, a people's court takes the rule of the second instance as the final rule. A party may appeal against the judgement or ruling of the first instance of a local people's court. The people's procuratorate may present a protest to the people's court at the next higher level in accordance with the procedures stipulated by the laws. In the absence of any appeal by the parties and any protest by the people's procuratorate within the stipulated period, the judgments or rulings of the people's court are final. Judgments or rulings of the second instance of the intermediate people's courts, the higher people's courts and the Supreme People's Court, and judgments or rulings of the first instance of the Supreme People's Court are final. However, if the Supreme People's Court finds some definite errors in a legally effective judgement, ruling or conciliation statement of the people's court at any level, or if the people's court at a higher level finds such errors in a legally effective judgement, ruling or conciliation statement of the people's court at a lower level, it has the authority to review the case itself or to direct the lower-level people's court to conduct a retrial. If the chief judge of all levels of people's courts finds some definite errors in a legally effective judgement, ruling or conciliation statement, and considers a retrial is preferred, such case shall be submitted to the court's judicial committee for discussion and decision.

The Civil Procedure Law of the People's Republic of China prescribes the conditions for instituting a civil action, the jurisdiction of the people's courts, the procedures for conducting a civil action, and the procedures for enforcement of a civil judgement or ruling. All parties to a civil action conducted within the PRC must abide by the PRC Civil Procedure Law. Generally, a civil case is under the jurisdiction of the court located in the defendant's place of domicile. The court of jurisdiction in respect of a civil action may also be chosen by explicit agreement among the parties to a contract or other property rights dispute, provided that the people's court having jurisdiction should be located at places substantially connected with the disputes, such as the plaintiff's or the defendant's place of domicile, the place where the contract is executed or signed or the place where the object of the action is located, provided that the provisions regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation is given the same litigation rights and obligations as a citizen, a legal person or other organisations of the PRC when initiating actions or defending against litigations at a PRC people's court. Should a foreign court limit the litigation rights of a citizen, a legal person or other organisations of the PRC, the PRC court may apply the same limitations to the citizens, enterprises and organisations of such foreign country. A foreign individual, a person without nationality, a foreign enterprise or a foreign organisation must engage a PRC lawyer in case he or it needs to engage a lawyer for the purpose of initiating actions or defending against litigations at a PRC people's court. All parties to a civil action shall perform the legally effective judgments and rulings. If any party to a civil action refuses to abide by a judgement or ruling made by a people's court or an award made by an arbitration tribunal in the PRC, the other party may apply to the people's court for the enforcement of the relevant judgement, ruling or award within two years. If a party fails to satisfy within the stipulated period a judgement which the court has granted an enforcement approval, the court may, upon the application of the other party, mandatorily enforce the judgement on the party.

Where a party applies for enforcement of a legally effective judgement or ruling made by a people's court, and the opposite party or his property is not within the territory of the PRC, the applicant may directly apply to a foreign court with jurisdiction for recognition and enforcement of the judgement or ruling. A foreign judgement or ruling made by a foreign court may also be recognised and enforced by the people's court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, international treaties with the relevant foreign country, which provided for such recognition and enforcement, or if the judgement or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court considers that the recognition or enforcement of such judgement or ruling would violate the basic legal principles of the PRC, its sovereignty or national security, or against the social and public interests.

THE PRC SECURITIES LAWS AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offering 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 Securities Law of the People's Republic of China (《中華人民共和國證券法》, the "**PRC Securities Law**") was promulgated on 29 December 1998 and took effect on 1 July 1999 and was revised on 28 August 2004, 27 October 2005, 29 June 2013, 31 August 2014 and 28 December 2019, respectively, and came into effect on 1 March 2020. The PRC Securities Law is divided into 14 chapters and 226 articles, regulating, among other things, the issue and trading of securities, the **[REDACTED]** of securities, and takeovers of listed companies.

Article 224 of the PRC Securities Law provides that domestic enterprises which, directly or indirectly, issue securities or list and trade their securities outside the PRC shall comply with the relevant regulations of the State Council. Currently, the issue and trading of foreign issued securities (including shares) by a domestic enterprise are principally governed by the regulations and rules promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARD

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "**PRC Arbitration Law**") was promulgated on 31 August 1994, which became effective on 1 September 1995 and was amended on 27 August 2009 and 1 September 2017, respectively, and implemented on 1 January 2018. It is applicable to, among other matters, economic disputes involving foreign parties where all parties have entered into a written agreement to resolve disputes by arbitration before an arbitration committee constituted in accordance with the PRC Arbitration Law. The PRC Arbitration Law provides that an arbitration committee may, before the promulgation of arbitration regulations by the PRC Arbitration Association, formulate interim arbitration rules in accordance with the PRC Arbitration Law and the PRC Civil Procedure Law. Where the parties have agreed to settle disputes by means of arbitration, a people's court will refuse to handle a legal proceeding initiated by one of the parties at such people's court, unless the arbitration agreement is invalid.

Under the PRC Arbitration Law and PRC Civil Procedure Law, an arbitral award shall be final and binding on the parties involved in the arbitration. If any party fails to comply with the arbitral award, the other party to the award may apply to a people's court for its enforcement. The people's court can issue a ruling prohibiting the enforcement of an arbitral award made by an arbitration commission after verification by collegial bench formed by the people's court if there is any procedural irregularity (including but not limited to irregularity in the composition of the arbitration tribunal or arbitration proceedings, the jurisdiction of the arbitration commission, or the making of an award on matters beyond the scope of the arbitration agreement).

Any party seeking to enforce an award of a foreign affairs arbitral commission of the PRC against a party who or whose property is not located within the PRC shall apply to a foreign court with jurisdiction over the case for recognition and enforcement of the award. Likewise, an arbitral award made by a foreign arbitral body may be recognised and enforced by a PRC court in accordance with the principle of reciprocity or any international treaties concluded or acceded to by the PRC.

The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (《承認及執行外國仲裁裁決公約》, the "**New York Convention**") adopted on 10 June 1958 pursuant to a resolution passed by the Standing Committee of the NPC on 2 December 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognised and enforced by other parties thereto subject to their rights to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of that state. At the time of the PRC's accession to the Convention, the Standing Committee of the NPC declared that (i) the PRC will only apply the Convention to the recognition and enforcement of arbitral awards made in the territories of other parties based on the principle of reciprocity; and (ii) the New York Convention will only be applied to disputes deemed under PRC laws to be arising from contractual or non-contractual mercantile legal relations.

An arrangement for mutual enforcement of arbitral awards between Hong Kong and the Supreme People's Court of China was reached. The Supreme People's Court of China issued the Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region (《關於內地與香港特別行政區相互執行仲裁裁決的安排》) on 18 June 1999, which came into effect on 1 February 2000. The arrangement reflects the spirit of the New York Convention. Under the arrangement, the awards by the Mainland arbitral bodies in accordance with the PRC Arbitration Law may be enforced in Hong Kong, and the awards by the Hong Kong arbitral bodies according to the Arbitration Ordinance of Hong Kong SAR may also be enforced in the Mainland China. If the Mainland court finds that the enforcement of awards made by the Hong Kong arbitral bodies in the Mainland will be against public interests of the Mainland, or the court of Hong Kong SAR decides that the enforcement of the arbitral awards in Hong Kong SAR will be against public policies of Hong Kong SAR, the awards may not be enforced. The Supreme People's Court of China issued the Supplementary Arrangements on the Mutual Enforcement of Arbitral Awards between the Mainland and the

Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區相互執行仲裁裁決的補充安排》) (the "**Supplementary Arrangements**") on 9 November 2020. According to the Supplementary Arrangements, before or after the acceptance of an application for enforcement of an arbitration award, the relevant court may, upon application and in accordance with the law of the place where the arbitration award is enforced, adopt preservation or enforcement measures.

JUDICIAL JUDGMENT AND ITS ENFORCEMENT

According to the Arrangement on 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 "**Arrangement**") promulgated by the Supreme People's Court on 3 July 2008 and implemented on 1 August 2008, in the case of final judgement, defined with payment amount and enforcement power, made between the court of Mainland 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. "Written jurisdiction agreement" 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 any dispute with particular legal relation occurred or likely to occur by the party concerned. Therefore, the party concerned may apply to the People's Court of China or the court of the Hong Kong Special Administrative Region to recognise and enforce the final judgement made in China or Hong Kong that meets the conditions of the aforementioned regulations. On 18 January 2019, a further arrangement was reached between Hong Kong Special Administrative Region and the Supreme People's Court, Arrangements for Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Cases between Courts of the Mainland and Hong Kong Special Administrative Region (《最高人民法院關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》)) (the "**New Arrangement**"), which became effective and replace the Arrangement on 29 January 2024, privileged that "Written Agreement on Jurisdiction" reached under the Arrangement before 29 January 2024 will still apply. This New Arrangement further stipulates the scope and content of judgments applicable to the reciprocal recognition and enforcement and corresponding procedures and methods for applying, the circumstances concerning review, non-recognition and enforcement upon the jurisdiction of the court of first instance and the means of remedy. Non-monetary judgments and judgments on some intellectual property cases are included in the reciprocal recognition and enforcement of judgments in accordance with this New Arrangement.

THE PRC COMPANY LAW, THE TRIAL ADMINISTRATIVE MEASURES AND THE GUIDELINES

The Company Law of the People's Republic of China (《中華人民共和國公司法》) (the "**PRC Company Law**") was promulgated by the 5th meeting of the SCNPC on 29 December 1993 and came into effect on 1 July 1994. It was amended on 25 December 1999, 28 August 2004, 27 October 2005, 28 December 2013, 26 October 2018, and 29 December 2023, respectively, which will become effective from 1 July 2024. The latest revised PRC Company Law was implemented on 1 July 2024.

The Trial Administrative Measures of the Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "Trial Administrative Measures") which were promulgated by the CSRC on 17 February 2023 and came into effect on 31 March 2023, were applicable to the overseas offering and Listing of PRC domestic companies' securities.

The Guidelines for Articles of Association of Listed Companies (《上市公司章程指引》) the "**Guidelines**") were promulgated by the CSRC on 16 March 2006, latest revised on 15 December 2023 and came into effect on the same date, providing the guidelines for the Articles of Association. As such, the contents provided in the Guidelines are set out in the Articles of Association of the Company, the summary of which is set out in the section entitled "Appendix V — Summary of Our Articles of Association" in this document.

Set out below is a summary of the major provisions of the PRC Company Law, the Trial Administrative Measures and the Guidelines applicable to the Company.

GENERAL

A joint stock limited company refers to an enterprise legal person incorporated in China under the PRC Company Law with independent legal person properties and entitlements to such legal person properties and with its capital divided into shares. The liability of the company for its own debts is limited to all the properties it owns and the liability of its shareholders for the company is limited to the extent of the shares they subscribe for.

INCORPORATION

A joint stock limited company may be established by promotion or subscription. A joint stock limited company shall have a minimum of one but no more than 200 people as its promoters, and over half of the promoters must be resident within the PRC. The registered capital of a joint stock limited company is the total share capital in issue registered with the company's registration authorities. No share offering shall be made before the shares subscribed for by the promoters are fully paid up. If laws, administrative regulations and State Council decisions provide otherwise on the minimum registered capital of a joint stock limited company, such provisions shall prevail. For a joint stock limited company incorporated by promotion, the promoters shall subscribe to the full number of shares to be issued at the time of establishment of the company as stipulated in the articles of association. For a joint stock limited company incorporated by subscription, the shares subscribed for by the promoters shall not be less than 35% of the total number of shares to be issued at the time of establishment of the company as stipulated in the company's articles of association, unless otherwise provided in any law or administrative regulations.

For a joint stock limited company incorporated by way of promotion, promoters shall pay the full amount of the subscribed shares before the establishment of the company. If the promoters make capital contributions in currency, they shall deposit the full amount of their capital contributions into the company's bank account. Procedures relating to the transfer of titles to non-monetary assets shall be duly completed in accordance with laws if such assets are to be contributed as capital. If any promoter fails to pay the share capital according to the subscribed shares, or if the actual value of the non-monetary property used as capital contribution is significantly lower than the subscribed shares, other promoters and the promoter shall bear joint and several liability within the scope of insufficient capital contribution.

The promoters of a joint stock limited company incorporated by subscription shall convene the company's establishment meeting within 30 days from the date of full payment of the shares to be issued at the time of establishment. The convening and voting procedures for the establishment meeting of a joint stock limited company incorporated by promotion shall be stipulated in the articles of association or the agreement of the promoters.

The board of directors shall authorise representatives to apply for establishment registration with the company registration authority within 30 days after the conclusion of the company's establishment meeting.

SHARE CAPITAL

Shareholders may make a capital contribution in currencies, or non-monetary assets such as in kind or intellectual property rights or land use rights or equity interests or debentures which can be appraised with monetary value and transferred lawfully, except for assets which are prohibited from being contributed as capital by the laws or administrative regulations. If a capital contribution is made in non-monetary assets, a valuation and verification of the fair value of the assets contributed must be carried out.

The issuance of shares shall be conducted in a fair and equitable manner. The same class of shares must carry equal rights. For shares issued at the same time and within the same class, he conditions and price per share must be the same. The offering price of par value of the shares may be equal to or greater than the nominal value of the share, but may not be less than the nominal value.

PRC domestic companies that seek for overseas offering and listing shall file with the CSRC. The targets of overseas offering and listing of PRC domestic companies shall be foreign investors, unless they comply with the provisions of the Trial Administrative Measures or the State has stipulated otherwise.

INCREASE IN SHARE CAPITAL

Under the PRC Company Law, where a company is issuing new shares, resolutions shall be passed at shareholder's general meeting in accordance with the articles of association in respect of the class and amount of the new shares, the issue price of the new shares, the commencement and end dates for the issue of the new shares and the class and amount of the new shares proposed to be issued to existing shareholders, in the case of issuing non-par value shares, the amount of proceeds from the new share issuance to be included in the registered capital. Where an increase in registered capital of the joint stock limited company is made by means of issue of new shares, the shareholders do not have any pre-emptive right for the subscription of new shares unless the Articles of Association provides otherwise or the shareholders' general meeting resolves that the shareholders shall have pre-emptive right.

REDUCTION OF SHARE CAPITAL

When a company reduces its registered capital, it shall prepare a statement of financial position and a property list. The company shall inform its creditors within 10 days, from the date of resolution on reduction in registered capital passed at a shareholders' general meeting, and publish an announcement in the newspaper or the national enterprise credit information publicity system within 30 days after the resolution approving the reduction of registered capital 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.

A company reducing its registered capital shall decrease shareholders' contributions or shares on a pro rata basis, except as otherwise stipulated by law, agreed upon by all shareholders in the case of a limited liability company, or stipulated in the articles of association in the case of a joint stock limited company.

After a company covers losses as provided in the second paragraph of Article 214 of the PRC Company Law, if there are still losses, the company may reduce its registered capital to make up for the losses. In the case of reducing the registered capital to make up for losses, the company shall not distribute profits to shareholders or exempt shareholders from the obligation to pay contributions or share capital.

In the case of a reduction in registered capital pursuant to the preceding paragraph, the provisions of the second paragraph of the Article 224 (i.e., notification to creditors and notice to creditors by an announcement) shall not apply, but a public announcement shall be made through a newspaper or the national enterprise credit information publicity system within 30 days of adopting the resolution on the reduction in registered capital by the shareholders' general meeting.

In the case of reducing the registered capital by the company to make up for losses, after the reduction of registered capital, profits shall not be distributed until the aggregate amount of statutory reserve and discretionary reserve reaches 50% of the company's registered capital.

In cases where a reduction in a company's registered capital violates the provisions of the PRC Company Law, shareholders shall return the funds received, and any decrease in shareholders' contributions shall be reinstated; if any losses are caused thereby to the company, shareholders, as well as any directors, supervisors, and senior officers responsible for the violation, shall be liable for compensation.

REPURCHASE OF SHARES

A company shall not purchase its own shares except under any of the following circumstances:

(1) Reducing the registered capital of the company;

(2) Merging with another company that holds its shares;

(3) Using shares for employee stock ownership plan or equity incentives;

(4) A shareholder requesting the company to purchase the shares held by him since he objects to a resolution of the shareholders' general meeting on the combination or division of the company;

(5) Using shares for converting convertible corporate bonds issued by the company;

(6) It is necessary for a listed company to protect the corporate value and the rights and interests of shareholders.

A company purchasing its own shares under any of the circumstances set forth in items (1) and (2) of the preceding paragraph shall be subject to a resolution of the shareholders' general meeting; and a company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) of the preceding paragraph may, pursuant to the articles of association or the authorization of the shareholders' general meeting, be subject to a resolution of a meeting of the board of directors at which more than two-thirds of directors are present.

After purchasing its own shares pursuant to the provisions of the first paragraph of this article, a company shall, under the circumstance set forth in item (1), cancel them within 10 days after the purchase; while under the circumstance set forth in either item (2) or (4), transfer or cancel them within six months; and while under the circumstance set forth in item (3), (5) or (6), aggregately hold not more than 10% of the total shares that have been issued by the company, and transfer or cancel them within three years.

A listed company purchasing its own shares shall perform the obligation of information disclosure. A listed company purchasing its own shares under any of the circumstances set forth in items (3), (5) and (6) shall carry out trading in a public and centralised manner.

TRANSFER OF SHARES

Shares held by shareholders may be transferred to other shareholders, or to persons other than shareholders; where there are restrictions on share transfers in the company's articles of association, the transfer shall be effected in accordance with the provisions of the articles of association. Under the PRC Company Law, a shareholder should effect a transfer of his shares on a stock exchange established in accordance with laws or by any other means as required by the State Council. Transfer of shares may be conducted after the shareholders endorse the back of the share certificates or in any other manner specified by the laws or administrative regulations. Following the transfer, the company shall enter the names and domiciles of the transferees into its share register. No changes shall be made to the share register during a period of 20 days prior to convening a shareholders' general meeting or 5 days prior to the record date for the purpose of determining entitlements to dividend distributions, unless otherwise stipulated by laws, administrative regulations or the securities regulatory authorities of the State Council on the registration of changes in the share register of listed companies.

Under the PRC Company Law, shares of the company issued prior to the public issuance of shares may not be transferred within one year of the date of the company's listed on a stock exchange. Where any laws, administrative regulations, or the securities regulatory authority under the State Council have other provisions regarding the transfer of shares of a listed company by the shareholders or actual controllers of such company, those provisions shall prevail. Directors, supervisors and the senior management of a company shall declare to the company their shareholdings in it and any changes in such shareholdings. During their terms of office, they may transfer no more than 25% of the total number of shares they hold in the company every year. They shall not transfer the shares they hold within one year of the date of the company's **[REDACTED]** on a stock exchange, nor within six months after they leave their positions in the company. The articles of association may set out other restrictive provisions in respect of the transfer of shares in the company held by its directors, supervisors and the senior management. If shares are pledged within a restricted period for transfer specified by laws or administrative regulations, the pledgee shall not exercise the pledge during the restricted period for transfer.

SHAREHOLDERS

Under the PRC Company Law and the Guidelines, the rights of holders of ordinary shares of a joint stock limited company include the right:

(1) to receive dividends and profit distributions in any other form in proportion to their shareholdings;

(2) to lawfully require, convene, preside over or attend shareholders' general meetings either in person or by proxy and exercise the corresponding voting right;

(3) to supervise, present suggestions on or make inquiries about the operations of the Company;

(4) to transfer, gift or pledge their shares in accordance with the laws, administrative regulations, departmental rules, normative documents and the listing rules of the stock exchange in the place where the stocks of the company are listed, and the articles of association;

(5) to inspect and copy, or appoint intermediary institutions such as accounting firms or law firms to inspect and copy the company's and its wholly-owned subsidiary's articles of association, share register, minutes of shareholder's meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports according to the provisions of the articles of association; shareholders individually or jointly holding more than three percent of the shares of the Company for more than 180 days in succession (where the articles of association provide for a lower percentage of shareholding, such provisions shall prevail) may request to inspect the accounting books and accounting vouchers of the company;

(6) the right to bring an action in the people's court to rescind resolutions passed by shareholder's meetings and board of directors where laws, administrative regulations or the articles of association is violated by the above resolutions except in cases where there are only minor defects in the procedure for convening the meeting or the voting method used in the meeting, which had no material impact on the resolution;

(7) in the event of the termination or liquidation of the company, to participate in the distribution of the remaining property of the company in proportion to the shares held by them;

(8) to require the company to buy their shares in the event of their objection to resolutions of the shareholders' general meeting concerning merger or division of the company; and

(9) any other shareholders' rights provided for in laws, administrative regulations, other regulatory documents and the articles of association.

The obligations of shareholders include the obligation to abide by laws, administrative regulations and the articles of association, to pay the subscription monies in respect of the shares subscribed for and in accordance with the method of making capital contributions, to be liable for the company to the extent of the amount of his or her subscribed shares and any other shareholder obligation specified in the articles of association.

SHAREHOLDERS' GENERAL MEETINGS

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law. The shareholders' general meeting may exercise its powers:

(1) to elect and remove the directors and supervisors and to decide on the matters relating to the remuneration of directors and supervisors;

(2) to review and approve the reports of the board of directors;

(3) to review and approve the reports of the board of supervisors;

(4) to review and approve the company's profit distribution proposals and loss recovery proposals;

(5) to decide on any increase or reduction of the company's registered capital;

(6) to decide on the issue of corporate bonds;

(7) to decide on merger, division, dissolution and liquidation of the company or change of its corporate form;

(8) to amend the articles of association;

(9) to exercise any other authority stipulated in the articles of association.

A shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within two months of the occurrence of any of the following:

(1) the number of directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the articles of association;

(2) the outstanding losses of the company amounted to one-third of the total share capital;

(3) shareholders individually or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;

(4) the board deems necessary;

(5) the board of supervisors proposes to hold;

(6) any other circumstances as provided for in the articles of association.

A shareholders' general meeting 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 is not performing his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or is not performing his duties, a director nominated by half or more of the directors shall preside over the meeting. Where the board of directors is incapable of performing or is not performing its duties to convene the shareholders' general meeting, the board of supervisors shall convene and preside over shareholders' general meeting in a timely manner. If the board of supervisors fails to convene and preside over shareholders' general meeting, shareholders individually or in aggregate holding 10% or more of the company's shares for 90 days or more consecutively may unilaterally convene and preside over shareholders' general meeting. If a shareholder individually holding or shareholders collectively holding 10% or more of the company's shares, requests the convening of an extraordinary general meeting, the board of directors or the board of supervisors shall, within 10 days from the date of receiving the request, decide whether to convene the extraordinary general meeting and provide a written response to the shareholder(s).

In accordance with the PRC Company Law, a notice of the shareholders' general meeting stating the date and venue of the meeting and the matters to be considered at the meeting shall be given to all shareholders 20 days before the meeting. A notice of extraordinary general meeting shall be given to all shareholders 15 days prior to the meeting. A single shareholder who holds, or several shareholders who jointly hold, one percent or more of the shares of the company may submit an interim proposal in writing to the board of directors ten days before the shareholders' general meeting is held. An interim proposal shall have a clear topic and specific resolutions. The board of directors shall notify other shareholders within two days upon receipt of the proposal, and submit the said interim proposal to the shareholders' general meeting for deliberation except for any proposal that violates laws, administrative regulations, or the articles of association, or any proposal that falls outside the purview of the shareholders' general meeting. The company shall not increase the shareholding percentage for shareholders proposing interim proposals. In the case of public offering of shares by a company, notice shall be given by way of an announcement. The shareholders' general meeting shall not make any resolution in respect of any matter not set out in the notice.

Under the PRC Company Law, shareholders present at a shareholders' general meeting have one vote for each share they hold, except for class shareholders. The company's shares held by the company are not entitled to any voting rights.

An accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to the number of votes equivalent to the number of directors or supervisors to be elected at the shareholders' general meeting, and shareholders may consolidate their votes for one or more directors or supervisors when casting a vote.

Under the PRC Company Law, resolutions of the shareholders' general meeting must be passed by more than half of the voting rights held by shareholders present at the meeting, with the exception of matters relating to merger, division or dissolution of the company, increase or reduction of registered share capital, change of corporate form or amendments to the articles of association, which in each case must be passed by at least two-thirds of the voting rights held by the shareholders present at the meeting. Where the PRC Company Law and the articles of association provide that the transfer or acquisition of significant assets or the provision of external guarantees by the company and the other matters must be approved by way of resolution of the shareholders' general meeting, the directors shall convene a shareholders' general meeting promptly to vote on such matters by shareholders' general meeting.

Minutes shall be prepared in respect of matters considered at the shareholders' general meeting and the chairperson and directors attending the meeting shall endorse such minutes by signature. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

BOARD

A company shall have a board of directors, which shall consist of 3 or more members and may include employee representatives among them. In the case of a company with three hundred or more employees, except when a board of supervisors has been established including a number of employee representatives among its members as required by law, the company's board of directors shall include employee representatives among its members. An employee representative on the board of directors shall be elected by the company's employees through the employee representative assembly, employee assembly, or other forms of democratic elections. A joint stock limited company with a smaller scale or fewer shareholders may appoint one director without establishing a board of directors to exercise the functions and powers prescribed for the board of directors by the PRC Company Law. This director may serve concurrently as the company manager. The term of a director shall be stipulated in the articles of association, provided that no term of office shall last for more than three years. A director may be re-elected upon expiration of their term of office. A director shall continue to perform his/her duties as a director in accordance with the laws, administrative regulations and the 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/her term of office or if the resignation of directors results in the number of directors being less than the quorum. Resignation of a director shall be notified to the company in writing, and the resignation shall become effective on the date the company receives the notice, except in the circumstances as mentioned above, where the director shall continue to perform duties.

Under the PRC Company Law, the board of directors may exercise its powers:

(1) to convene shareholders' general meetings and report on its work to the shareholders' general meetings;

(2) to implement the resolutions passed at the shareholders' general meetings;

(3) to decide on the company's operational plans and investment proposals;

(4) to formulate the company's profit distribution proposals and loss recovery proposals;

(5) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;

(6) to formulate proposals for the merger, division or dissolution of the company or change of corporate form;

(7) to decide on the setup of the company's internal management organs;

(8) to appoint or dismiss the company's manager and decide on his/her remuneration and, based on the manager's recommendation, to appoint or dismiss any deputy general manager and financial officer of the company and to decide on their remunerations;

(9) to formulate the company's basic management system;

(10) to exercise any other authority stipulated in the articles of association or the shareholders' general meetings.

Any restrictions on the functions and powers of the board of directors in the articles of association shall not be enforceable against bona fide third parties.

Meetings of the board of directors shall be convened at least twice each year. Notices of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of the voting rights, more than one-third of the directors or the board of supervisors. The chairman shall convene the meeting within 10 days of receiving such proposal, and preside over the meeting. The board of directors may otherwise determine the means and the period of notice for convening an interim board meeting. Meetings of the board of directors shall be held only if more than half 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 a resolution to be approved by the board of directors. The board of directors shall prepare meeting minutes in respect of decisions on matters discussed and the directors attending the meeting shall sign to endorse such minutes. Directors shall attend board meetings in person. If a director is unable to attend for any reason, he/she may appoint another director to attend the meeting on his/her behalf by a written power of attorney specifying the scope of authorization.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association or resolutions of the shareholders' general meeting, 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 shall be relieved from that liability.

Under the PRC Company Law, the following person may not serve as a director in a company: (i) a person who is unable or has limited ability to undertake any civil liabilities; (ii) a person who has been convicted of an offence of corruption, bribery, embezzlement, misappropriation of property or destruction of the socialist market economic 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; or a person who has been granted probation have not exceeded two years from the date of expiration of the probation period; (iii) 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; (iv) 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 or has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the company or enterprise was revoked of its business license and ordered to close; (v) a person who is listed as dishonest persons subject to enforcement by the people's court due to his/her large amount of debts that has not been repaid upon maturity.

Where a company elects or appoints a director to which any of the above circumstances applies, such election or appointment shall be null and void. A director to which any of the above circumstances applies during his/her term of office shall be released of his/her duties by the company.

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman shall be elected with approval of more than half of all the directors.

The chairman shall convene and preside over board meetings and review the implementation of board resolutions. The vice chairman shall assist the chairman to perform his/her duties. Where the chairman is incapable of performing or is not performing his/her duties, the duties shall be performed by the vice chairman. Where the vice chairman is incapable of performing or is not performing his/her duties, a director nominated by more than half of the directors shall perform his/her duties.

BOARD OF SUPERVISORS

A company shall have a board of supervisors composed of not less than three members. A joint stock limited company may, as stipulated in its articles of association, establish an audit committee within the board of directors composed of directors to exercise the functions and powers prescribed for the board of supervisors by the PRC Company Law, without establishing a board of supervisors or supervisor. A joint stock limited company with a smaller scale or fewer shareholders may appoint one supervisor without establishing a board of supervisors to exercise the functions and powers prescribed for the board of supervisors by the PRC Company Law. The board of supervisors shall consist of representatives of the shareholders and an appropriate proportion of representatives of the company's staff, of which the proportion of representatives of the company's staff shall not be less than one-third, and the actual proportion shall be determined in the articles of association. Representatives of the company's staff at the board of supervisors shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. Directors and senior management shall 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 shall be elected by more than half of the supervisors. The chairman of the board of supervisors shall convene and preside over board of supervisors meetings. Where the chairman of the board of supervisors is incapable of performing or is not performing his/her duties, the vice chairman of the board of supervisors shall convene and preside over board of supervisors meetings. Where the vice chairman of the board of supervisors is incapable of performing or is not performing his/her duties, a supervisor recommended by more than half of the supervisors shall convene and preside over board of supervisors meetings.

Each term of office of a supervisor is three years and he/she may serve consecutive terms if reelected. A supervisor shall continue to perform his/her duties as a supervisor in accordance with the laws, administrative regulations and the articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his/her term of office or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors may exercise its powers:

(1) to review the company's financial position;

(2) 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, administrative regulations, the articles of association or resolutions of the shareholders' general meetings;

(3) when the acts of a director or senior officers are detrimental to the company's interests, to require the director and senior management to correct these acts;

(4) to propose the convening of extraordinary general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meetings under the PRC Company Law;

(5) to submit proposals to the shareholders' general meetings;

(6) to bring actions against directors and senior officers pursuant to Article 189 of the PRC Company Law;

(7) to exercise any other authority stipulated in the articles of association.

Supervisors may be present at board meetings and make inquiries or proposals in respect of the resolutions of the board of directors. The board of supervisors may investigate any irregularities identified in the operation of the company and, when necessary, may engage an accounting firm to assist its work at the cost of the company.

MANAGER AND SENIOR MANAGEMENT

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and exercise functions and powers as specified in the articles of association or as authorised by the board of directors. The manager shall attend board meetings.

According to the PRC Company Law, senior management refers to the manager, deputy manager, financial officer, secretary to the board of a listed company and other personnel as stipulated in the articles of association.

DUTIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Directors, supervisors and senior management are required to comply with laws, administrative regulations and the articles of association.

According to the PRC Company Law, directors, supervisors, and senior officers owe a duty of loyalty to the company and shall take measures to avoid conflicts of interest between their personal interests and the interests of the company, and shall not use their authority to seek improper benefits.

Directors, supervisors, and senior officers owe a duty of diligence to the company, and in the execution of their duties, shall exercise the usual and reasonable care that a manager should have for the maximum benefit of the company.

Directors, supervisors and senior management are prohibited from:

(1) embezzling the Company's property or misappropriating the Company's funds;

(2) depositing company funds into accounts under their own names or the names of other individuals to deposit;

(3) using his authority to engage in bribery or accept other illegal income;

(4) accept and possess commissions paid by a third party for transactions conducted with the company;

(5) unauthorised divulgence of confidential information of the company;

(6) other acts in violation of their duty of loyalty to the company.

Directors, supervisors, and senior officers, whether directly or indirectly, entering into a contract or engaging in a transaction with the company, shall report matters related to the contract execution or transaction to the board of directors or the shareholders' general meeting and obtain approval in accordance with the company's articles of association through resolutions of the board of directors or the shareholders' general meeting.

The provisions above shall also apply to the close relatives of directors, supervisors, or senior officers, enterprises directly or indirectly controlled by directors, supervisors, or senior officers or their close relatives, and parties having other related-party relationships with directors, supervisors, or senior officers who enter into contracts or engage in transactions with the company.

Directors, supervisors, and senior officers shall not use their positions to seek any business opportunity available to the company for themselves or others, except in any of the following circumstances:

(1) Where the activity is reported to the board of directors or the shareholders' general meeting and approved in accordance with the company's articles of association through resolutions of the board of directors or the shareholders' general meeting; or

(2) Where the company cannot exploit the business opportunity according to any laws, administrative regulations, or the company's articles of association.

Directors, supervisors, and senior officers shall not operate businesses, either self-owned or owned by others, similar to those of the company they serve, without reporting to the board of directors or the shareholders' general meeting and obtaining approval in accordance with the company's articles of association through resolutions of the board of directors or the shareholders' general meeting.

Income generated by directors, supervisors or senior officers in violation of aforementioned shall be returned to the company.

A director, supervisor or senior officer who contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company shall be liable to the company for compensation.

Where a director, supervisor or senior officer is required to attend a shareholders' general meeting, such director, supervisor or senior officer shall attend the meeting and answer the inquiries from shareholders.

Where a director or senior officer contravenes law, administrative regulation or articles of association in the performance of his/her duties resulting in any loss to the company, shareholder(s) holding individually or in aggregate no less than 1% of the company's shares consecutively for at least 180 days may request in writing that the board of supervisors institute litigation at a people's court on its behalf. Where the supervisor violates the laws or administrative regulations or the articles of association in the discharge of his/her duties resulting in any loss to the company, such shareholder(s) may request in writing that the board of directors institute litigation at a people's court on its behalf. If the board of supervisors or the board of directors refuses to institute litigation after receiving this written request from the shareholder(s), or fails to institute litigation within 30 days of the date of receiving the request, or in case of emergency where failure to institute litigation immediately will result in irrecoverable damage to the company's interests, such shareholder(s) shall have the power to institute litigation directly at a people's court in its own name for the company's benefit. For other parties who infringe the lawful interests of the company resulting in loss to the company, such shareholder(s) may institute litigation at a people's court in accordance with the procedure described above. Where a director or senior officer contravenes any laws, administrative regulations or the articles of association in infringement of shareholders' interests, a shareholder may also institute litigation at a people's court. In cases where any director, supervisor, or senior officer of a wholly-owned subsidiary of the company contravenes law, administrative regulation or the articles of association in the performance of his/her duties resulting in any loss to the subsidiary of company, or the lawful rights and interests of the wholly-owned subsidiary of the company are infringed by any other person, resulting in any losses, any shareholder individually or shareholders collectively holding 1% or more of the shares for 180 or more consecutive days, may, pursuant to the above-mentioned provisions, make a written request to the board of supervisors or the board of directors of the wholly-owned subsidiary to initiate legal action in the people's court, or directly initiate legal action in their own name in the people's court.

FINANCE AND ACCOUNTING

A company shall establish its own financial and accounting systems according to the laws, administrative regulations and the regulations of the competent financial departments of the State Council. At the end of each financial year, a company shall prepare a financial report which shall be audited by an accounting firm in accordance with the laws. The financial and accounting reports shall be prepared in accordance with the laws, administrative regulations and the regulations of the financial departments of the State Council.

The company's financial reports shall be made available for shareholders' inspection at the company 20 days before the convening of an annual general meeting. A joint stock limited company that makes public stock offerings shall publish its financial reports.

When distributing each year's profits after taxation, the company shall set aside 10% of its profits after taxation for the company's statutory common reserve fund until the fund has reached 50% or more of the company's registered capital. When the company's statutory common reserve fund is not sufficient to make up for the company's losses for the previous years, the current year's profits shall first be used to make good the losses before any allocation is set aside for the statutory common reserve fund. After the company has made allocations to the statutory common reserve fund from its profits after taxation, it may, upon passing a resolution at a shareholders' general meeting, make further allocations from its profits after taxation to the discretionary common reserve fund. After the company has made good its losses and made allocations to its discretionary common reserve fund, the remaining profits after taxation shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise provided by the articles of association.

The company shall not be entitled to any distribution of profits in respect of shares held by it.

Where the Company distributes the profits to shareholders in breach of the provisions of the PRC Company Law, the shareholders shall return to the Company such profits distributed in violation of the provisions. The shareholders and the responsible directors, supervisors and senior officers shall be liable for compensation if the Company suffers losses therefrom.

The premium over the nominal value of the shares of the company earned from the issue of share, the amount of capital obtained from the issuance of non-par value shares that is not included in the registered capital, and other items as required by the financial department of the State Council to be treated as the capital reserve fund shall be accounted for as the capital reserve fund. The common reserve fund of a company shall be applied to make good the company's losses, expand its business operations or increase its capital. When using a company's reserves to cover its losses, any discretionary reserve and statutory reserve balances shall first be used to cover such losses; if there is still a shortfall, the capital reserve may be used in accordance with regulations. Upon the transfer of the statutory common reserve fund into capital, the balance of the fund shall not be less than 25% of the registered capital of the company before such transfer.

The company shall have no accounting books other than the statutory books. The company's assets shall not be deposited in any account opened under the name of an individual.

APPOINTMENT AND RETIREMENT OF AUDITORS

Pursuant to the PRC Company Law, the engagement or dismissal of an accounting firm responsible for the company's auditing shall be determined by a shareholders' general meeting, the board of directors or the board of supervisors in accordance with the articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting, the board of directors or the board of supervisors conduct a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidence, accounting books, financial and accounting reports and other accounting information to the engaged accounting firm without any refusal or withholding or falsification of information.

PROFIT DISTRIBUTION

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve fund is provided.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to the PRC Company Law, the resolution of a shareholders' general meeting regarding any amendment to a company's articles of association requires affirmative votes by at least two-thirds of the votes held by shareholders attending the meeting.

DISSOLUTION AND LIQUIDATION

Under the PRC Company Law, a company shall be dissolved for any of the following reasons:

(1) the term of its operation set out in the articles of association has expired or other events of dissolution specified in the articles of association have occurred;

(2) the shareholders' general meeting has resolved to dissolve the company;

(3) the company is dissolved by reason of its merger or division;

(4) the business license of the company is suspended or the company is ordered to close down or to be revoked in accordance with the laws;

(5) the company is dissolved by a people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all shareholders of the company, on the grounds that the operation and management of the company has suffered serious difficulties that cannot be resolved through other means, rendering ongoing existence of the company a cause for significant losses to the shareholders.

In the event of paragraph (1) or (2) above, the company may carry on its existence by amending its articles of association or upon a resolution of the shareholders' meeting under the condition that the company has not distributed the assets to its shareholders. The amendments to the articles of association in accordance with the provisions described above shall require the approval of more than two-thirds of voting rights of shareholders attending a shareholders' meeting.

Where the company is dissolved under the circumstances set forth in paragraph (1), (2), (4), or (5) above, it should be liquidated, and the director is the obligor of the company's liquidation, a liquidation committee shall be established and the liquidation process shall commence within 15 days of the date on which the dissolution matter occurs. The liquidation committee shall be composed of directors, unless otherwise stipulated in the company's articles of association or appointed by a resolution of the shareholders' general meeting. If the liquidators fail to fulfill their liquidation obligations in a timely manner, resulting in losses to the company or its creditors, they shall be liable for compensation.

If a liquidation committee is not established within the prescribed period or fails to proceed with liquidation after forming a liquidation committee, any stakeholders may file an application with a people's court to appoint relevant personnel to form a liquidation committee to administer the liquidation. The people's court should accept such application and form a liquidation committee to conduct liquidation in a timely manner.

If a company is dissolved due to the reason that its business license is revoked, it is ordered to close down or be dissolved, the authority or company registration authority making the decision on the revocation of the business license or ordering the shutdown or dissolution may apply to the people's court to designate relevant individuals to form a liquidation committee for the company's liquidation.

The liquidation committee may exercise following powers during the liquidation:

(1) to sort out the company's assets and to prepare a statement of financial position and an inventory of assets, respectively;

(2) to notify creditors by notice or public notices;

(3) to deal with any outstanding business related to the liquidation;

(4) to pay outstanding tax together with any tax arising during the liquidation process;

(5) to settle claims and liabilities;

(6) to handle the company's remaining assets after its debts have been paid off;

(7) to represent the company in any civil procedures.

The liquidation committee shall notify the company's creditors within 10 days of its establishment, and publish an announcement in newspapers or the national enterprise credit information publicity system within 60 days.

A creditor shall lodge his claim with the liquidation committee within 30 days of receipt of the notification or within 45 days of the date of the announcement if he has not received any notification. A creditor shall report all matters relevant to his claimed creditor's rights and furnish relevant evidence. The liquidation committee shall register such creditor's rights. The liquidation committee shall not make any settlement to creditors during the period of the claim.

Upon disposal of the company's property and preparation of the required statement of financial position and inventory of assets, the liquidation committee shall draw up a liquidation plan and submit this plan to a shareholders' general meeting or a people's court for endorsement. The remaining part of the company's assets, after payment of liquidation expenses, employee wages, social insurance expenses and statutory compensation, outstanding taxes and the company's debts, shall be distributed to shareholders in proportion to shares held by them. The company shall continue to exist during the liquidation period, although it cannot conduct operating activities that are not related to the liquidation. The company's property shall not be distributed to shareholders before repayments are made in accordance with the requirements described above.

Upon liquidation of the company's property and preparation of the required statement of financial position and inventory of assets, if the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to a people's court for a bankruptcy liquidation in accordance with the laws. After the people's court accepts the application for bankruptcy, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon completion of the liquidation, the liquidation committee shall prepare a liquidation report and submit it to the shareholders' general meeting or a people's court for confirmation of its completion. Following such confirmation, the report shall be submitted to the company registration authority to cancel the company's registration. Members of the liquidation committee shall fulfill liquidation responsibilities with a duty of loyalty and diligence. Any member of the liquidation committee who neglects their liquidation responsibilities and causes losses to the company shall be liable for compensation; if losses are caused to the company or any creditor due to intent or gross negligence, such member shall be liable for compensation.

Liquidation of a company declared bankrupt according to law shall be processed in accordance with the laws on corporate bankruptcy.

OVERSEAS LISTING

Pursuant to the Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three PRC business days after such application is submitted.

MERGER AND DIVISION

A merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or the national enterprise credit information publicity system within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or the national enterprise credit information publicity system within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

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. When a company merges with another company in which it holds 90% or more of the shares, the company being merged is not required to submit the merger to a resolution of the shareholders' general meeting, but it shall notify the other shareholders, and the other shareholders shall have the right to request the company to repurchase their equity or shares at a reasonable price.

If the payment for a merger to be made by a company does not exceed 10% of its net assets, a resolution of the shareholders' general meeting is not required for the merger, except as otherwise stipulated in the company's articles of association. In cases where a merger is not subject to a resolution of the shareholders' general meeting according to above, it shall be subject to a resolution of the board of directors.

Pursuant to the PRC Company Law, a merger agreement shall be signed by merging companies and the involved companies shall prepare respective statements of financial position and inventory of assets. The companies shall within 10 days of the date of passing the resolution approving the merger notify their respective creditors and publicly announce the merger in newspapers or the national enterprise credit information publicity system within 30 days. A creditor may, within 30 days of receipt of the notification, or within 45 days of the date of the announcement if he has not received the notification, request the company to settle any outstanding debts or provide relevant guarantees. In case of a merger, the credits and debts of the merging parties shall be assumed by the surviving or the new company.

In case of a division, the company's assets shall be divided and a statement of financial position and an inventory of assets shall be prepared. When a resolution regarding the company's division is approved, the company should notify all its creditors within 10 days of the date of passing such resolution and publicly announce the division in newspapers or the national enterprise credit information publicity system within 30 days. Unless an agreement in writing is reached with creditors before the company's division in respect of the settlement of debts, the liabilities of the company which have accrued prior to the division shall be jointly borne by the divided companies.

LAWS AND REGULATIONS THAT MAY BE RELATED TO OUR BUSINESS IN HONG KONG

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

Every person (a company or individual) carrying on a business in Hong Kong is required by the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) to register with the Inland Revenue Department (the "**IRD**") and obtain a business registration certificate within one month of its commencement of the business. Business registration is a process based on application and does not involve government approval. Once the stated criteria are met, a business registration certificate will be granted. Business registration serves to notify the IRD of the establishment of a business in Hong Kong and therefore, designed to facilitate the IRD to collect tax from businesses in Hong Kong.

Any person who fails to apply for business registration or display a valid business registration certificate at the place of business shall be guilty of an offence, and shall be liable to a fine of HK$5,000 and to imprisonment for one year.

Laws and Regulations Relating to Taxation in Hong Kong

The Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (the "**IRO**") is an ordinance for the purposes of imposing taxes on property, earnings, and profit in Hong Kong. The IRO provides, among others, that persons, which include corporations, partnerships, trustees, and bodies of persons, carrying on any trade, profession or business in Hong Kong are chargeable to tax on all profit (excluding profit arising from the sale of capital assets) arising in or derived from Hong Kong from such trade, profession, or business.

The Inland Revenue (Amendment) (No. 3) Ordinance 2018 was enacted on 29 March 2018 (the "**IRO Amendment Bill**"), which introduces the two-tiered profit tax rates regime. Under the two-tiered profit tax rates regime, the first HK$2 million of profit of the qualifying group entity will be taxed at 8.25%, and profit above HK$2 million will be taxed at 16.5%. The profit of group entity not qualifying for the two-tiered profit tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the year of assessment 2018/19, the Hong Kong profit tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profit and at 16.5% on the estimated assessable profit above HK$2 million for the qualifying group entity.

In relation to (i) any tax computation containing incorrect information (the "**Incorrect Information**"); and (ii) the filing of tax return containing the Incorrect Information, a person may be subject to the prosecutions under section 80(2) or 82(1) of the IRO:

- any person who without reasonable excuse files an incorrect return commits an offence under section 80(2) of the IRO and is liable on conviction to a fine at level 3 and a further fine of treble the amount of tax which has been undercharged as a result of the incorrect return, statement or information, or would have been so undercharged if the return, statement or information had been accepted as correct.

- any person who wilfully with intent to evade or to assist any other person to evade tax omits from a return any sum which should be included commits an offence under section 82(1) of the IRO is liable:

  – on summary conviction to a fine at level 3, a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 6 months; and

  – on indictment to a fine at level 5 (i.e. HK$50,000), a further fine of treble the amount of tax which has been undercharged in consequence of the offence or which would have been undercharged if the offence has not been detected and imprisonment for 3 years.

COPYRIGHT ORDINANCE (Chapter 528 of the Laws of Hong Kong)

The Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) regulates recognised categories of work including literary, dramatic, musical and artistic works without registration, which could include advertising materials of businesses in Hong Kong. The Copyright Ordinance restricts certain acts such as copying and/or issuing or making available copies to the public of a copyright work without the authorisation from the copyright owner which, if done, constitutes "primary infringement" of copyright which does not require knowledge of infringement.

Under the Copyright Ordinance, a person, which includes a company, may incur civil liability for "secondary infringement" if that person, amongst others, possesses, sells, distributes or deals with a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work for the purposes of or in the course of any trade or business without the consent of the copyright owner. However, the person will only be liable if, at the time he committed the act, he knew or had reason to believe that he was dealing with infringing copies of the work.

This Appendix sets out summaries of the main clauses of our Articles of Association adopted on 29 November 2024 which shall become effective as at the date on which the Company's H shares are **[REDACTED]** on the Stock Exchange. As the main purpose of this Appendix is to provide an overview of the Articles of Association, it may not necessarily contain all information that is important for prospective **[REDACTED]**.

DIRECTORS AND BOARD OF DIRECTORS

Power to allocate and issue Shares

The Articles of Association does not contain clauses that authorise the Board of Directors to allocate or issue shares. The Board of Directors shall prepare suggestions for share allotment or issue, which are subject to approval by the Shareholders at the general Shareholders' meeting ("**General Meeting**") in the form of a special resolution. Any such allotment or issue shall be in accordance with the procedures stipulated in appropriate laws, administrative regulations and supervision rules of shares listed region.

Power to dispose assets of our Company or any subsidiary

The Board of Directors shall determine the authority of external investment, acquisition and sale of assets, asset mortgage, external guarantee matters, entrusted financial management, connected transactions, external donations, and establish strict review and decision-making procedures. Major investment projects shall be reviewed by relevant experts and professionals and reported to the General Meeting for approval.

Guarantees of Loans to Directors, Supervisors or other management personnel

The external guarantee matters of the Company shall be submitted to the Board of Directors or the General Meeting for deliberation.

The following acts of external guarantee of the Company shall be submitted to the General Meeting for deliberation and approval after being reviewed and approved by the Board of Directors:

(1) any single guarantee for an amount more than 10% of the Company's net assets audited in the latest period;

(2) any guarantee to be provided after the total amount of external guarantees provided by the Company or the subsidiaries it controls has exceeded 50% of the Company's net assets as audited in the latest period;

(3) any guarantee to be provided for a party whose ratio of liabilities to assets exceeds 70%;

(4) any provision of guarantee with the accumulated guaranteed amount over a period of 12 consecutive months exceeding 30% of the Company' s audited total assets for the latest period;

(5) other guarantees as required by the CSRC, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are **[REDACTED]** or the Articles of Association.

If the Company provides guarantee for a wholly-owned subsidiary, or provides guarantee for a holding subsidiary and other shareholders of the holding subsidiary provide an equivalent guarantee in proportion to the interests enjoyed by them, which is not detrimental to the interests of the Company, it may be exempted from the provisions of items (I) to items (III) in paragraph 1 of this Article.

If the Company provides guarantee for related (connected) parties, it should have reasonable business logic after the consideration and approval of Board of Directors, and submit it to the General Meeting for consideration.

If the Company provides guarantee for the Shareholder, the actual controller and their related (connected) parties, they shall submit it to the General Meeting for consideration. If the Company provides guarantee for the controlling shareholder, the actual controller and their related (connected) parties, they shall provide counter-guarantee.

Provision of financial assistance The Company shall not provide financial assistance such as funds to its related (connected) parties including directors, supervisors, senior management, controlling shareholders, actual controllers and their controlling companies. The external financial assistance provided by the Company shall be considered and approved by General Meeting if it falls under any of the following circumstances: (I) the latest asset-liability ratio of the target of financial assistance exceeds 70%; (II) the amount of a single financial assistance or the aggregated amount of financial assistance provided in 12 consecutive months exceed 10% of the Company's latest audited net assets; (III) other circumstances as required by the CSRC, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are **[REDACTED]** or the Articles of Association.

Remuneration

The remuneration of the members of the Board of Directors and the Supervisory Committee shall be adopted by the General Meeting by ordinary resolution.

Appointment, resignation and dismissal

The Board of Directors is composed of seven directors, including three independent non-executive directors. The independent non-executive directors shall make up at least 1/3 of the Board members in no matter what situation. The directors of the Company are elected by the General Meeting.

The Board of Directors has one chairman. The chairman of the Board of Directors shall be elected by more than half of all Directors. The Directors shall be elected or replaced by the General Meeting, and may be removed by the General Meeting through an ordinary resolution before the expiration of their term of office.

The chairman of the Board and other Directors serve three-year terms, and the director can be re-elected and reappointed at the end of the term. The general manager or other senior managers may concurrently serve as directors. However, the total number of directors concurrently serving as the general manager or other senior managers shall not exceed half of the total number of directors of the Company.

None of the following persons shall serve as our Director, Supervisor or senior management:

(1) a person who has no civil capacity or has limited civil capacity;

(2) a person who has been sentenced to a term of imprisonment for embezzlement, bribery, conversion of property, misappropriation of property, or sabotaging the socialist economic order; or has been deprived of his/her political rights as a result of a criminal conviction and five years have not elapsed since the date on which execution of the sentence was completed, or who has been sentenced to probation and 2 years have not elapsed since the date of expiration of the probation period;

(3) a person who has served as a director, the factory chief, or the manager of an insolvent and liquidated company or enterprise and is held personally liable for such bankruptcy, and three years have not elapsed since the date when the bankruptcy and liquidation of the company or enterprise are completed;

(4) a person who has served as the legal representative of a company or enterprise whose business license was revoked or which is ordered to close down due to any violation of law, and is held personally liable for the revocation, and three years have not elapsed since the date when the revocation or closure occurs;

(5) a person who has a relatively large sum of debt, which was not paid at maturity, resulting in such person being listed and enforced by the People's Court as a dishonest person;

(6) a person who has been banned from entering the securities market by the CSRC and whose term has not expired;

(7) other contents stipulated by laws, administrative regulations, departmental rules and Hong Kong Stock Exchange.

The election, appointment or employment of the Directors, Supervisors or other senior management shall be invalid if such election, appointment or employment is against the Articles of Association. If the Directors, Supervisors or senior management falls into the situations provided in the above-mentioned situations during their term of office, they would be dismissed by our Company.

Issuance of bonds

The Board of Directors shall be entitled to develop proposals for our Company to issue bonds and to list its shares, and that such bond issues must be approved by the General Meetings.

Duties

The directors shall abide by laws, administrative regulations, security regulatory rules for the place where the Company's shares are listed and the Articles of Association, and shall have the following loyal duties to the Company:

(1) shall not abuse their authority by accepting bribes or other illegal income, and shall not encroach on the Company's property;

(2) shall not misappropriate company funds;

(3) shall not deposit Company's funds or assets into accounts held in their own names or in the name of any other individual;

(4) shall not conclude any contract or engage in any transaction with the Company either in violation of the Articles of Association or without the approval of the General Meeting;

(5) shall not use the advantages provided by their own positions to pursue business opportunities that properly belong to the Company to engage in the same business as the Company either for their own account or for the account of any other person without the approval of the General Meeting;

(6) shall not accept commissions paid by others for transactions conducted with the Company as their own;

(7) shall not disclose confidential Company's information without authorization;

(8) shall not abuse their connected relationships to damage the Company's interests;

(9) other fiduciary obligations stipulated in laws, administrative regulations, departmental rules, security regulatory rules for the place where the Company's shares are listed and the Articles of Association.

The income obtained by the director in violation of above article shall belong to the Company. If losses are caused to the Company because of such violation, such director shall be liable for compensation.

Directors shall abide by laws, administrative regulations, security regulatory rules for the place where the Company's shares are listed and the Articles of Association, and have the following diligent obligations to the Company:

(1) shall prudently, earnestly and diligently exercise the powers the Company grants to them to ensure that the Company conducts its commercial activities in a manner that complies with the requirements of state laws, administrative regulations and state economic policies, and that the Company's commercial activities do not go beyond the scope of the business activities stipulated in the Company's business license;

(2) shall treat all shareholders fairly;

(3) shall maintain a timely awareness of the operation and management of the Company;

(4) shall sign written statements confirming the regular reports of the Company (subject to requirements of the Hong Kong Stock Exchange), and ensure that the information disclosed by the Company is true, accurate and complete;

(5) shall provide accurate information and materials to the Supervisory Committee and shall not obstruct the Supervisory Committee or individual supervisors from performing its or their duties;

(6) other obligations of diligence stipulated in the laws, administrative regulations, departmental rules, security regulatory rules for the place where the Company's shares are listed and Articles of Association.

Upon effective resignation or expiration of his/her term of office, a Director shall complete his/her hand-over procedures with the Board. The fiduciary duties of such Director towards the Company and Shareholders shall not be necessarily released upon the expiration of his/her tenure of office. His/Her fiduciary obligation shall survive within three years after effective resignation or expiration of his/her tenure of office.

Without the provisions of the Articles of Association or the lawful authorization of the Board of Directors, no director shall act in his own name on behalf of the Company or the Board of Directors. When a director acts in his/her own name, the director shall declare his/her position and identity in advance if the third-party reasonably believes that the director is acting on behalf of the Company or the Board of Directors.

Where any director or senior officer, in the course of his company duties, violates any law, administrative regulations or the Articles of Association and causes the Company to suffer a loss, shareholders individually or jointly holding more than 1% of the Company's Shares for more than 180 successive days may make a written request to the Supervisory Committee to bring a lawsuit in the people's court; where the Supervisory Committee, in the course of its company duties, violates any law, administrative regulations or the Articles of Association and causes the Company to suffer a loss, the aforementioned shareholders may make a written request to the Board of Directors to bring a lawsuit in the people's court.

Where the Supervisory Committee or the Board of Directors refuses to bring a lawsuit after receiving a written request from the shareholders prescribed in the preceding paragraph or fails to bring a lawsuit within 30 days of receiving such a request, or where the situation is so urgent that failure to bring a lawsuit will lead to irreparable damage to the interests of the Company, the shareholders prescribed in the preceding paragraph may bring a lawsuit directly in their own names for the benefit of the Company.

In the event of any other person infringes upon the legitimate rights and interests of our Company and causes losses thereto, the shareholder(s) specified in this Articles of Association may file an action with the competent court pursuant to the provisions of the preceding two paragraphs.

In the event of a Director or senior management person violates laws, administrative regulations or our Company's Articles of Association, thereby damaging the interests of the Shareholder(s), the Shareholder(s) may file an action with the competent court.

MODIFICATION OF THE ARTICLES OF ASSOCIATION

Our Company may amend the Articles of Association based on the provisions of the laws, administrative regulations and Articles of Association.

Where the amendments to the Articles of Association passed by the General Meetings need the examination and approval of the competent authorities, these amendments shall be submitted hereto for approval. Where the amendment of the Articles of Association involves registration, it shall be necessary to carry out the lawfully prescribed procedures for registration change.

SPECIAL RESOLUTIONS NEEDED TO BE ADOPTED BY ABSOLUTE MAJORITY VOTE

The resolutions of the General Meeting shall be divided into ordinary resolutions and special resolutions.

An ordinary resolution may be adopted by a simple majority of the votes held by the shareholders (including proxies of Shareholders) attending the General Meeting.

A special resolution can be adopted by a two-thirds majority of the votes held by the shareholders (including proxies of Shareholders) attending the General Meeting.

VOTING RIGHTS

Shareholders (including proxy) shall exercise their voting rights according to the number of voting Shares they represent, and each share shall have one vote.

Shareholders attending the General Meeting shall express one of the following opinions on the proposal submitted for voting: affirmative, negative or abstention. For voters whose voting slips are left blank, incorrectly completed, illegible or without vote casting, he/she shall be deemed to have waived his voting rights, and the votes in respect of the number of shares held by him/her shall be counted as "abstain".

RULES ON GENERAL MEETINGS

The General Meetings are divided into annual general meetings and extraordinary general meetings. The annual general meeting shall be convened once a year and be held within six months of the end of the previous fiscal year.

ACCOUNTING AND AUDITS

Financial and accounting policies

Our Company shall develop its financial accounting policies pursuant to laws, administrative regulations and rules developed by the competent department.

The Company shall issue a consolidated annual financial audit report for the previous year within in four months of the end of the previous fiscal year, and interim report within the two months of the end of the six months before the previous fiscal year.

The Company shall not establish other accounting books except for the statutory accounting books. The funds of the Company shall not be deposited in any account opened in the name of any individual.

Appointment and dismissal of Accountants

The Company employs an accounting firm that complies with relevant national regulations to conduct accounting statement audit, net asset verification and other related consulting services. The employment period is one year, and can be renewed.

The employment of accounting firms by the Company must be decided by the General Meeting, and the Board shall not appoint an accounting firm before the decision of the General Meeting.

The Company shall guarantee to provide the accounting firm it employs with true and complete accounting vouchers, accounting books, financial and accounting reports and other accounting materials, and shall not refuse, conceal or make false statements.

The Company shall notify the accounting firm 30 days in advance when dismissing or no longer renewing the accounting firm. The accounting firm shall be allowed to state its opinions when the General Meeting votes on dismissing the accounting firm. If the accounting firm proposes to resign, it shall explain to the General Meeting whether the Company has any improper situation.

NOTICE AND AGENDA OF GENERAL SHAREHOLDERS' MEETINGS

The General Meeting is the authorised organ of our Company

Under any of the following circumstances, the Company shall convene an extraordinary General Meeting within two months:

(1) where the number of directors falls below the number prescribed in the Company Law or below two thirds of the number prescribed in the Articles of Association;

(2) where the Company's unfunded losses reach one third of total Share capital paid-in;

(3) where shareholders who individually or jointly hold no less than 10% of the shares with voting rights (excluding treasury shares), request in written form;

(4) where the Board of Directors deems it necessary;

(5) where the Supervisory Committee proposes such a meeting;

(6) where the number of independent non-executive Directors is less than the quorum;

(7) in any other circumstances prescribed by laws, administrative regulations, departmental rules, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are **[REDACTED]** or the Articles of Association.

If the Board of Directors agree to convene an extraordinary General Meeting, the notice of convening extraordinary General Meeting shall be issued within 5 days after the Board of Directors makes a resolution. If the Board of Directors made a rejection or does not respond within 10 days after receiving the proposal, Shareholders who separately or jointly hold 10% or more of the shares may request the Board of Directors in writing to convene an extraordinary General Meeting.

If the General Meeting is convened, the Board of Directors, the Supervisory Committee and shareholders who separately or jointly hold more than 1% of the shares of our Company may submit a proposal before the meeting.

The convener shall notify shareholders by announcement 21 days before the annual general meeting, and the extraordinary general meeting shall notify shareholders by announcement 15 days before the meeting. In calculating the advance notice period, the Company shall not include the day of the meeting.

The notice of a General Meeting includes the following:

(1) the time, place and duration of the meeting;

(2) matters and proposals submitted to the meeting to review;

(3) explain in obvious words that all shareholders have the right to attend the general meeting of shareholders and may appoint a proxy in writing to attend the meeting and participate in the vote, and the shareholder proxy need not be a shareholder of the company;

(4) share registration date of the shareholders entitled to attend the general meeting;

(5) name and telephone number of the permanent contact person for conference affairs；

(6) the voting time and procedure via internet or through other means (if any);

(7) other circumstances stipulated under the laws, regulations, regulatory legal documents, the Hong Kong Listing Rules, and other securities regulatory rules of the place where the Company's shares are **[REDACTED]**.

The notice of the General Meeting and the supplementary notice shall fully and completely disclose all the specific contents of all proposals, as well as all the materials or explanations required to enable the shareholders to make a reasonable judgement on the matters to be discussed.

The resolution of the General Meeting includes ordinary resolution and special resolution. The following matters shall be approved by the General Meeting through ordinary resolutions:

(1) electing and replacing directors and supervisors who are not employee representatives;

(2) deciding on the remuneration of such directors and supervisors;

(3) considering and approving the work report of the Board of Directors and the Supervisory Committee;

(4) considering and approving the plans of profit distribution and loss make-up schemes of the Company

(5) annual report of the Company;

(6) other matters other than those approved by special resolution stipulated in the laws, administrative regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are **[REDACTED]** or the Articles of Association.

The following matters shall be approved by special resolution at the General Meeting:

(1) the increase or reduction of the registered capital;

(2) the division, mergers, dissolutions, liquidation, voluntary winding-up or change in corporate form of the Company;

(3) the amendment to the Articles of Association;

(4) the purchase or sell of material assets by the Company within a year or the guarantee amount exceeds 30% of the latest audited total assets of the Company;

(5) equity incentive plan;

(6) other matters stipulated by laws, administrative regulations, the Hong Kong Listing Rules, securities regulatory rules of the place where the Company's shares are **[REDACTED]**, and the Articles of Association, as well as other matters that the general meeting determines by ordinary resolution will have a significant impact on the Company and need to be passed by special resolution.

If the convening procedure or voting formula of the General Meeting or meeting of the Board of Directors violates any of laws, administrative regulations or the Articles of Association, or resolution of which violates the Articles of Association, any shareholder is entitled to ask the court to overturn within 60 days after the resolution was made unless the defects in the procedures to convene the shareholders' General Meeting or the meeting of the Board of Directors or the voting methods are minor and have not caused any substantial impacts on the resolutions.

Any shareholder who is not notified to attend the shareholders' General Meeting may, within sixty days from the date when they knew or should have known that the resolution of the shareholders' General Meeting had been made, request the People's Court to revoke it, in which case, if the right of revocation is not exercised within one year from the date when the resolution was made, the right to revoke shall be extinguished.

SHARE TRANSFERS

The shares issued before the public issuance of shares by our Company shall not be transferred within one year of the date on which the stocks of our Company are listed and traded on a securities exchange.

The Directors, Supervisors, and senior management of our Company shall declare, to our Company, information on their holdings of the shares of our Company and the changes thereto. The shares transferrable by them during each year of their term of office as determined when they took office shall not exceed 25 percent of their total holdings of the Shares of our Company. The Shares that they hold in our Company shall not be transferred within one year of the date on which the stocks of our Company are **[REDACTED]** and **[REDACTED]**. The aforesaid persons shall not transfer their Shares of our Company within half a year from the date of their resignation.

Where any Director, Supervisor or senior manager of the Company who holds more than 5% of the Company Shares sells company's stock he holds within 6 months of the relevant purchase, or purchases any stock he has sold within 6 months of the relevant sale, the proceeds generated therefrom shall be incorporated into the proceeds of the Company, and the Board of Directors of the Company shall reclaim the proceeds. However, the following circumstances shall be excluded where a securities company holds more than 5% of the shares due to its purchase of any remaining Shares under best efforts offerings or where the provisions of the CSRC are apply.

Shares or other securities with the nature of equity held by Directors, Supervisors, senior executives and individual shareholders as mentioned in the preceding paragraph include shares or other securities with the nature of equity held by their spouses, parents or children, or held by them by using other people's accounts. If the Board of Directors of the Company fails to comply with the above paragraph of this Article, the shareholders are entitled to request the Board of Directors to do so within 30 days. If the Board of Directors of the Company fails to comply within the aforesaid period, the shareholders are entitled to initiate litigation directly in the People's Court in their own names for the interest of the Company. And if the Board of Directors fails to implement the provisions set forth in this Article, the responsible Directors shall bear joint and several liability in accordance with law.

RIGHTS OF OUR COMPANY TO PURCHASE OUR OUTSTANDING ISSUED SHARES

The Company shall not acquire its Shares. However, exceptions are made in any of the following cases:

(1) to reduce the registered capital of the Company;

(2) to merge with other companies that hold shares in the Company;

(3) to use the shares for employee shareholding schemes or as share incentives;

(4) to acquire the shares of shareholders (upon their request) who vote against any resolution adopted at any general meetings on the merger or division of the Company;

(5) to use the shares to satisfy the conversion of those corporate bonds convertible into shares issued by the Company;

(6) to safeguard corporate value and shareholders' equity as the Company deems necessary;

(7) other circumstances to acquire the shares of the Company as required by the laws, administrative regulations, departmental rules, regulatory legal documents, the Hong Kong Listing Rules, and other securities regulatory rules of the place where the Company's shares are listed.

The Company may purchase its own Shares through public centralised trading, or through other means recognised by the laws, administrative regulations, or the CSRC.

POWER FOR ANY SUBSIDIARY OF OUR COMPANY TO OWN SHARES IN ITS PARENT

There are no provisions in the Articles of Association relating to ownership by subsidiary of our Company of Shares in its parent.

DIVIDEND AND OTHER DISTRIBUTION METHODS

The Company attaches importance to the reasonable return on investment to shareholders, and the profit distribution should follow the principle of paying attention to the reasonable return on investment to shareholders and benefiting the long-term development of the Company. The Company's profit distribution policy should maintain continuity and stability, and comply with the relevant provisions of laws and regulations. The Company may distribute dividends in the form of cash, shares or a combination of cash and shares.

SHAREHOLDER PROXIES

Shareholders can attend the General Meeting in person or entrust a proxy to attend and vote on their behalf.

Any proxy statement issued by a shareholder who authorises a proxy to attend the General Meeting on his behalf shall include the following details:

(1) the name of the proxy;

(2) whether the proxy is authorised to vote;

(3) respective instructions on affirmative, negative or abstention voting on each item for consideration listed in the General Meeting agenda;

(4) the issuance date and valid period of the proxy statement;

(5) the signature (or seal) of the shareholder.

Where a shareholder authorises another person to sign a proxy statement for voting, the power of attorney for signing authority or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall be lodged at the Company's domicile or any other place stipulated in the meeting notice. Where the shareholder is a legal person, its legal representative or any person authorised by a resolution of the Board of Directors or other decision-making body shall attend the General Meeting as its proxy.

If a member is a recognised clearing house (or its agent) as such term is defined in the relevant regulations from time to time in Hong Kong, it may authorise one or more persons as it thinks fit to act as its representative at any general meeting. Provided, however, that if more than one person is so authorised, the powers of attorney shall set forth the number and class number of shares in respect of which each such person has so authorised. A person so authorised may attend (without production of share certificate by notarial authority and/or further evidence of due authority) and exercise all rights (including the right to speak and vote) on behalf of a recognised clearing house (or its alternate) as if that person were an individual shareholder of the Company.

REVIEW THE REGISTER OF SHAREHOLDERS AND OTHER RIGHTS OF SHAREHOLDERS

The Company establishes the register of shareholders according to the certificate provided by the securities registration authority. The register of Shareholders is sufficient evidence to prove that the shareholders hold the Company's Shares unless there is evidence to the contrary. Shareholders enjoy rights and assume obligations according to the types of shares they hold. Shareholders holding the same kind of Shares shall enjoy the same rights and undertake the same obligations.

RESTRICTIONS ON RIGHTS OF CONTROLLING SHAREHOLDERS

The controlling shareholders and actual controllers of the Company shall not use their connected relationship to damage the legitimate interests of the Company and other shareholders. Controlling shareholders and actual controllers who violate relevant laws, regulations and Articles of Association and cause losses to the Company and other shareholders shall be liable for compensation.

Controlling shareholders and ultimate controllers of the Company shall have a duty of good faith to the Company and other shareholders. Controlling shareholders shall exercise their investors' rights in strict accordance with the law and shall not damage the lawful interests of the Company or of public shareholders in any way such as via the distribution of profits, an asset reorganisation, external investments, the use of Company's funds or the provision of a loan guarantee, nor shall they abuse their controlling positions to damage the interests of the Company or of public shareholders.

PROCEDURES FOR LIQUIDATION

The Company shall be dissolved in accordance with the law under any of the following circumstances:

(1) the term of business operation expires or other circumstances as stipulated by the Articles of Association;

(2) the general meeting resolves to dissolve the Company;

(3) dissolution is necessary as a result of the merger or division of the Company;

(4) the Company's business license is revoked or it is ordered to close down or it is deregistered according to laws;

(5) serious difficulties arise in the operation and management of the Company and its continued existence would cause material loss to the interests of the shareholders and such difficulties cannot be resolved through other means, in which case shareholders holding at least 10% of all shareholders' voting rights of the Company may petition a People's Court to dissolve the Company.

Where the Company is to be dissolved pursuant to Items (1), (2), (4) or (5) of above paragraph of this Article, a liquidation committee shall be established within 15 days from the date when the event of dissolution occurs. The liquidation committee shall be composed of Directors or members determined by the General Meeting. Where the Company fails to form a liquidation committee to liquidate the Company within the prescribed period of time, its stakeholders may petition the people's court to appoint the relevant persons to establish a liquidation committee and liquidate the Company. The liquidation committee members shall be liable for compensation if they fail to fulfill their obligations of liquidation that causes losses to the Company or the creditors.

Within 10 days of the establishment of the liquidation committee, the creditors shall be notified, and an announcement shall be published within 60 days. Creditors shall file their claims with the liquidation committee within 30 days of receiving the notice, or within 45 days of publication of the first notice if any such creditor does not receive the notice.

In filing their claims, creditors shall provide all relevant details relating thereto and provide supporting materials. The liquidation committee shall make records of such claims. The liquidation committee shall not pay out on any creditors' claims while such claims are still being filed.

After identifying the Company's assets and preparing the balance sheet and schedule of assets, the liquidation committee shall prepare a liquidation plan, which shall be submitted to the General Meeting or the people's court for ratification. After paying all liquidation expenses, staff wages and labour insurance expenses, outstanding taxes, and Company's debts, the remaining assets shall be distributed to the shareholders in proportion to their respective shareholdings.

During the liquidation, our Company shall continue to exist, but shall not carry out business activities irrelevant to the liquidation. The property of our Company shall not be distributed to any shareholder before full payments have been made out of the property according to the aforesaid provision.

Where the liquidation committee, after identifying the Company's assets and preparing the balance sheet and schedule of assets, discovers that the Company does not have sufficient assets to repay the Company's debts in full, the liquidation committee shall file a bankruptcy petition with the people's court in accordance with the law.

After the people's court accepts the application for bankruptcy, the liquidation committee shall hand over the liquidation matters to the bankruptcy administrator designated by the people's court.

Upon closure of liquidation of our Company, the liquidation committee shall prepare a liquidation report, which shall be submitted to our General Meeting or the people's court for confirmation. The liquidation committee shall, from the date of the confirmation of the liquidation report by the General Meeting or the people's court, submit it to the company registration authority to apply for cancellation of the Company's registration and announce the termination of the Company.

OTHER IMPORTANT PROVISIONS FOR OUR COMPANY OR THE SHAREHOLDERS

General Provisions

Our Company is a permanently existing joint stock limited company.

All the assets of the company are divided into shares of equal value. The shareholders are responsible for the Company to the extent of their subscribed Shares, and the Company is responsible for the Company's debts with all its assets.

The Articles of Association shall, from the date on which they take effect, be the legally binding document that regulates the organisation and activities of the Company and the relationship of rights and obligations as between the Company and the shareholders and among the shareholders, and shall be legally binding on the Company, the shareholders, the Directors, the Supervisors and senior officers. Based on the Articles of Association, any shareholder may bring a lawsuit against another shareholder, a Director, a Supervisor, a manager or any other senior officer. Any shareholder may bring a lawsuit against the Company, and the Company may bring a lawsuit against any shareholder, Director, Supervisor, manager or any other senior management.

Share and Transfer

In light of the Company's operational and developmental needs, the Company may increase its capital in accordance with the laws and regulations and subject to a resolution of the general meeting, by any of the following methods:

(1) a public offering of shares;

(2) a private placement of shares;

(3) allotment of bonus shares to existing shareholders;

(4) conversion of reserve funds to share capital;

(5) other methods permitted by laws, administrative regulations and the CSRC, etc.

The Company may reduce its registered capital. Any reduction of the Company's registered capital shall be subject to the procedures prescribed in the Company Law and other relevant regulations, as well as the Articles of Association.

Shareholders

Shareholders are entitled to rights and assumes obligations pursuant to the classification and ratio of their shares. Shareholders holding the same classified shares have the same rights and assume the same obligations.

Shareholders of the Company shall enjoy the following rights:

(1) the right to dividends and other distributions in proportion to the number of shares held;

(2) the right to apply for, convene, preside, attend or appoint proxies to attend general meetings and to exercise the corresponding right to speak and vote;

(3) the right to supervise, present proposals or raise enquiries in respect of the Company's business operations;

(4) the right to transfer, give as a gift or pledge the shares it holds in accordance with laws, administrative regulations and the Articles of Association;

(5) the right to inspect and reproduce the Articles of Association, Register of Shareholders, minutes of general meetings, resolutions of the Board of Directors, resolutions of the Supervisory Committee and financial accounting reports;

(6) in the event of the termination or liquidation of the Company, the right to participate in the distribution of the remaining property of the Company in proportion to the number of shares held;

(7) shareholders who object to resolutions of merger or division made by the shareholders' general meeting shall request the Company to acquire the shares held;

(8) other rights provided for by laws, administrative regulations, departmental rules or the Articles of Association.

Where any Shareholder demands to read or reproduce the relevant information of the preceding article or obtain any of the aforesaid materials, he shall submit to the Company written documents proving the class(es) and number of shares he holds. The Company shall provide the relevant information or materials in accordance with the Shareholder's demand after verifying the Shareholder's identity.

Shareholders of the Company shall have the following obligations:

(1) to abide by laws, administrative regulations, the Hong Kong Listing Rules, other securities regulatory rules of the place where the Company's shares are **[REDACTED]**, and the Articles of Association;

(2) to pay the share capital based on the shares subscribed for by them and the method of acquiring such shares;

(3) not to return shares unless prescribed otherwise in laws, regulations, the Hong Kong Listing Rules and other securities regulatory rules of the place where the Company's shares are **[REDACTED]**;

(4) not to abuse shareholders' rights to infringe upon the interests of the Company or other shareholders; not to abuse the Company's status as an independent legal entity or the limited liability of shareholders to harm the interests of the Company's creditors;

(5) to assume other obligations required by laws, administrative regulations and the Articles of Association.

Any shareholder who abuses shareholders' rights and causes the Company or other shareholders to suffer a loss shall be liable for making compensation in accordance with the law; Any shareholder who abuses the status of the Company as an independent legal entity or the limited liability of shareholders to evade debts and severely harm the interests of the Company's creditors shall assume joint and several liability for the Company's debts;

The Board of Directors

The Board of Directors shall exercise the following functions and powers:

(1) to convene general meetings and report to the general meetings;

(2) to implement resolutions of the general meetings;

(3) to decide on the Company's business plans and investment plans;

(4) to formulate the Company's profit distribution plans and plans on making up losses;

(5) to formulate proposals for the increase or reduction of the Company's registered capital, the issuance of bonds or other securities of the Company and **[REDACTED]** of shares of the Company;

(6) to formulate plans for the Company's major acquisition, repurchase the Shares of the Company, or merger, division, dissolution or change of corporate form of the Company;

(7) to decide on matters such as investments, purchase and sale of assets, pledge of assets, external guarantee, entrustment of financial management and connected transactions of the Company within the scope of authorization by the general meeting;

(8) to decide on establishment of internal management organs of the Company;

(9) to decide on the appointment or dismissal of the Company's general manager. According to the nomination of the general manager, decide to appoint or dismiss the Company's deputy general manager, financial officer and other senior management, and decide on matters of their remuneration, rewards and punishments;

(10) to formulate the basic management system of the Company;

(11) to formulate proposals to amend the Articles of Association;

(12) to manage the Company's information disclosures;

(13) to propose to the general meeting the appointment or replacement of the accounting firm that provides audit service to the Company;

(14) to listen to the work report of the general manager of the Company and to inspect the work of the general manager of the Company;

(15) other functions and powers provided for in laws, administrative regulations, department regulations and the Articles of Association.

Independent Non-executive Director

The board of directors of the Company has three independent non-executive directors.

Secretary of the Board of Directors

The Company shall appoint a secretary of the Board of Directors, who shall be responsible for preparing for General Meetings and meetings of the Board of Directors, the retention of documents, the management of Shareholder materials, etc.

Supervisory Committee

Our Company shall set up a Supervisory Committee.

The Supervisory Committee consists of three Supervisors. The chairman of the Supervisory Committee shall be elected by majority of all Supervisors.

The Supervisory Committee shall be composed of shareholder representatives and an appropriate proportion of company employee representatives. The number of employee representatives shall be no less than one third of all Supervisors. Employee representatives on the Supervisory Committee shall be democratically elected by employees through the employee representative congress, the employee congress, or any other means.

The Supervisory Committee shall exercise the following functions and powers:

(1) to review the Company's periodical reports prepared by the Board of Directors and issue written opinions;

(2) to examine the Company's financial matters;

(3) to supervise the performance by the directors and senior management of their duties to the Company and propose the dismissal of the directors and senior management who violates laws, administrative regulations, the Articles of Association or the resolutions of the general meeting;

(4) to demand rectification from the directors and senior management when the acts of such persons are harmful to the Company's interests;

(5) to propose the convening of extraordinary general meetings; to convene and preside the general meetings in the event that the Board of Directors fails to perform its duties to convene and preside the general meetings in accordance with the Company Law;

(6) to submit proposals to the general meetings;

(7) to file lawsuits against directors and senior management on behalf of the Company in accordance with the Company Law;

(8) in case of any queries or any abnormal matters during the business operation of the Company, to investigate, and if necessary, to engage professionals such as accounting firms or law firms to assist its work with expenses being borne by the Company;

(9) any other power granted by laws, administrative regulations, departmental rules, the Articles of Association and other internal rules of the Company.

General Manager

Our Company has one general manager, appointed or dismissed by the Board of Directors.

The general manager shall be accountable to the Board of Directors and exercise the following functions and powers:

(1) to be in charge of the production, operation and management of the Company, to organise the implementation of the resolutions of the Board of Directors, and to report his/her works to the Board of Directors;

(2) to organise the implementation of the Company's annual business plans and investment plans;

(3) to draft plans for the establishment of the Company's internal management department;

(4) to draft the Company's fundamental management policies;

(5) to formulate the specific regulations of the Company;

(6) to propose to the Board of Directors appointment or dismissal of deputy general manager, chief financial officer or the other senior managers of the Company;

(7) to decide on the appointment or dismissal of responsible management personnel other than those required to be appointed or dismissed by the Board of Directors;

(8) such other functions and powers conferred by the Articles of Association or the Board of Directors.

Reserves

In distributing its current-year after-tax profits, the Company shall allocate 10% of its profit to its statutory reserve fund. Allocations to the Company's statutory reserve fund may cease to be made once the cumulative amount of statutory reserve funds therein exceeds 50% of the Company's registered capital.

Where the statutory reserve fund is not sufficient to cover any loss made by the Company in the previous year, the current year's profit shall be used to cover such loss before any allocation is made to the statutory reserve fund pursuant to the preceding paragraph.

After an allocation to the statutory reserve fund has been made from the after-tax profit of the Company, and subject to the adoption of a resolution by the General Meeting, an allocation may be made to the discretionary reserve fund.

After the Company has covered its losses and made allocations to the reserve funds, any remaining profit shall be distributed to the shareholders in proportion to their respective shareholdings unless otherwise stipulated in the Articles of Association.

Where the General Meeting, in violation of the preceding paragraph, distributes profits to the shareholders before covering Company's losses and making an allocation to the Company statutory reserve fund, the profits so distributed must be returned to the Company. If the Company incurs losses as a result, the shareholders and the responsible Directors, Supervisors and senior management shall be liable for compensation.

Profits shall not be distributed to Shares held by the Company itself.

Company reserve funds shall be used to cover Company's losses, expand production and operations, or converted to increase the Company's capital. Where the reserve funds of the Company is used for making up losses, the discretionary reserve fund and statutory reserve fund shall be used first. If such losses still cannot be made up after discretionary reserve fund and statutory reserve fund are used up, the capital reserve fund can be used.

After converting statutory reserve funds into capital, the amount remaining in the statutory reserve fund shall be no less than 25% of the Company's registered capital before such conversion.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Establishment of Our Company

Our Company was established in the PRC as a limited liability company on 15 July 2013. On 1 February 2016, our Company was converted to a joint stock company with limited liability under the PRC Company Law.

We have established a principal place of business in Hong Kong at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 22 November 2024. Ms. Sze Suet Ling, our joint company secretary, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong. Her address for acceptance of service of process is the same as our place of business in Hong Kong.

As our Company was established in the PRC, our corporate structure and Articles of Association are subject to relevant laws and regulations of the PRC. A summary of the relevant PRC laws and principal regulatory provisions, and a summary of the Articles of Association are set out in Appendix IV and Appendix V, respectively.

2. Changes in the Registered Capital of Our Company

As at the date of the establishment of our Company, our registered capital was RMB3 million, which was fully paid on 20 January 2014. On 1 February 2016, our Company was converted to a joint stock company with limited liability. Upon completion of such conversion, the share capital of our Company was RMB33,000,000 divided into 33,000,000 Shares with a nominal value of RMB1.0 each. On 11 July 2023, the registered capital of our Company increased by RMB7,645,000 from RMB40,580,000 to RMB48,225,000, which was contributed by Jinyingu Investment.

Assuming the **[REDACTED]** is not exercised, upon completion of the **[REDACTED]**, and the conversion of Domestic Shares into H Shares, our **[REDACTED]** share capital will increase to **[REDACTED]**, made up of **[REDACTED]** H Shares. For more details, please refer to the section headed "Share Capital" in this document.

Save as disclosed above and in the section headed "History and Development" in this document, there has been no alteration in the share capital of our Company within two years immediately preceding the date of this document.

3. Changes in the Share Capital of Our Subsidiaries

The names and the share capital of our subsidiaries are set out in the Accountants' Report, the text of which is set out in Appendix I to this document. Save for the subsidiaries mentioned thereunder and in the section headed "History and Development – Our Group Companies and Their Corporate Development – Our Subsidiaries" in this document, our Company has no other subsidiaries.

Save as disclosed above and in the section headed "History and Development – Our Group Companies and Their Corporate Development – Our Subsidiaries" in this document, there are no other alteration in registered capital of our subsidiaries within the two years immediately preceding the date of this document.

4. Resolutions of the Shareholders of our Company

Pursuant to the resolutions passed at a duly convened general meeting of our Shareholders on 29 November 2024, the following resolutions, among other things, were duly passed:

(a) our H Shares to be **[REDACTED]** on the Stock Exchange be approved;

(b) the number of H Shares to be **[REDACTED]** shall be up to **[REDACTED]** H Shares, and the grant of the **[REDACTED]** in respect of no more than **[REDACTED]**% of the number of H Shares to be **[REDACTED]** pursuant to the **[REDACTED]**;

(c) subject to the completion of the **[REDACTED]**, the Articles of Association be approved and adopted, which shall become effective on the **[REDACTED]**, and the Board has been authorised to amend the Articles of Association in accordance with any comments from the Stock Exchange and the relevant PRC regulatory authorities and for the purpose of its filing with the relevant regulatory authorities; and

(d) authorising our Board and its authorised persons to handle all relevant matters relating to, among other things, the implementation of issuance of H Shares, the conversion of Domestic Shares to H Shares and the **[REDACTED]**.

5. Corporate reorganisation

Our Company has not gone through any corporate reorganisation for the purpose of the **[REDACTED]**. For more details on the history and development of our Company, see the section headed the "History and Development" in this document.

6. Restrictions on Share Repurchases

See "Appendix IV – Summary of Principal PRC and Hong Kong Laws and Regulatory Provisions" and "Appendix V – Summary of Our Articles of Association" for further details.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this document and are or may be material:

(a) the subscription agreement dated 18 April 2023, entered into between Jinyingu Investment and our Company, pursuant to which Jinyingu Investment agreed to subscribe for not more than 7,645,000 Shares at a consideration of not more than RMB122,472,900;

(b) the Indemnity Undertaking; and

(c) the **[REDACTED]**.

2. Our Material Intellectual Property Rights

As at the Latest Practicable Date, we have registered the registration of the following intellectual property rights which are material in relation to our business.

(a) Trademarks

As at the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
1	西普 XIPU	14	Our Company	PRC	5867826	2029.11.06
2	HIPINE 西普尼金表	14	Our Company	PRC	33983590	2029.07.13
3	GOLDBEAR	35	Our Company	PRC	37446876	2030.07.20
4	HIPINE 西普尼金表	35	Our Company	PRC	33963963	2030.11.13
5	GOLDBEAR	14	Our Company	PRC	56397157	2031.12.20
6	GOLDBEAR	35	Our Company	PRC	56400627	2032.03.27
7	魔力Q弹	14	Our Company	PRC	64844262	2032.11.27
8	西普尼婚庆吉时	14	Our Company	PRC	72794998	2033.12.27
9	HIPINE	9	Our Company	PRC	73503223	2034.05.06
10	HIPINE	14	Our Company	PRC	73515997	2034.03.06
11	HIPINE	35	Our Company	PRC	73508744	2034.05.13
12	西普尼	9	Our Company	PRC	73514190	2034.05.06
13	西普尼	9	Our Company	PRC	73511238	2034.03.06
14	西普尼	35	Our Company	PRC	73501437	2034.03.06
15	HIPINE 西普尼金表	14	Our Company	PRC	73502940	2034.03.06
16	HIPINE 西普尼金表	35	Our Company	PRC	73511322	2034.05.13

No.	Trademark	Class	Registered Owner	Place of Registration	Registration Number	Expiry Date
17	HIPINE 西普尼金表	9	Our Company	PRC	73520598	2034.05.06
18	西普尼	14	Our Company	PRC	74466296	2034.04.13
19	GOLDBEAR	14	Our Company	PRC	75895277	2034.06.06
20	GOLDBEAR	35	Our Company	PRC	75875962	2034.06.06
21	金熊	35	Our Company	PRC	75881253	2034.08.20
22	GOLDBEAR	9	Our Company	PRC	75885744	2034.08.20
23	西普尼吉时	35	Our Company	PRC	72786956	2035.02.20
24	西普尼智能	14	Our Company	PRC	80700180	2035.03.06
25	ИIPINE	14	Our Company	Hong Kong	305123592	2029.11.26
26	GOLDBEAR	14	Our Company	Hong Kong	305123600	2029.11.26
27	ИIPINE	14	Our Company	Taiwan	02071690	2030.07.15
28	ИIPINE	14	Our Company	Dubai	405099	2033.08.30
29	ИIPINE	9,14,35	Our Company	Switzerland	739715	2029.11.26
30	GOLDBEAR	9,14,35	Our Company	Switzerland	746243	2029.11.26
31	ИIPINE	9,14,35	Our Company	Germany	302019115354	2029.11.26
32	GOLDBEAR	9,14,35	Our Company	Germany	202019115355	2029.11.26

(b) Patents

As at the Latest Practicable Date, we have registered the following patents which are material in relation to our business:

No.	Patent Name	Registered Owner	Patent Type	Place of Registration	Registration Number	Registration Date
1	A type of 24K gold watch case and its preparation method, including a watch comprised of the 24K gold case (一種足金錶殼及其製作方法和包括該足金錶殼的錶)	Our Company	Invention	PRC	2016102612849	2016.04.25
2	A type of hard 24K gold and its preparation method (一種硬質足金及其製備方法)	Our Company	Invention	PRC	2015107726945	2015.11.12
3	A weight control method for a gold case/ring cut for a precious metal watch (貴金屬腕錶金殼/圈切削金重控制方法)	Our Company	Invention	PRC	2021101459452	2021.02.02
4	An accessory integrated with functionalities of a bracelet, watch, and bangle (一種手鏈、手錶、與手鐲結合的新型飾品)	Our Company	Invention	PRC	2022108136926	2022.07.11
5	A hollow assembly fixture for watch bands (錶帶空心裝配夾具)	Our Company	Invention	PRC	2022109937781	2022.08.18
6	A type of watch case structure and a watch (一種手錶錶殼結構及手錶)	Our Company	Utility Model	PRC	2014208304320	2014.12.23
7	A smart bracelet with stabilizing connectors (具有穩定連接件的智能手環)	Our Company	Utility Model	PRC	2016210882084	2016.09.28

No.	Patent Name	Registered Owner	Patent Type	Place of Registration	Registration Number	Registration Date
8	A car key watch with a super strong signal (一種具有超強信號的車鑰匙手錶)	Our Company	Utility Model	PRC	2018203009425	2018.03.05
9	A 24-hour clock (一種24時顯示的鐘錶)	Our Company	Utility Model	PRC	2020230159732	2020.12.14
10	A shaftless mending chain structure (一種無軸拓補鏈結構)	Our Company	Utility Model	PRC	2021202038282	2021.01.25
11	A removable chain based on a connecting shaft (基於連接軸的易拆裝扣鏈)	Our Company	Utility Model	PRC	2021201952680	2021.01.25
12	A three-ball with bent hollow chain structure (一種三珠帶折彎空心鏈體結構)	Our Company	Utility Model	PRC	2021208184992	2021.04.20
13	A flexible connection structure and bracelet (一種彈性連接結構及手鐲)	Our Company	Utility Model	PRC	2021229065832	2021.11.24
14	A universal diamond-setting structure (萬能鑲鑽結構)	Our Company	Utility Model	PRC	2022220783305	2022.08.08
15	A gold watch band without connectors (一種無連接件的黃金錶帶)	Our Company	Utility Model	PRC	2022217904145	2022.07.11
16	A diamond-set square structure and a watch (鑲方鑽結構及手錶)	Our Company	Utility Model	PRC	2023222534354	2023.08.18

No.	Patent Name	Registered Owner	Patent Type	Place of Registration	Registration Number	Registration Date
17	Wax blank molds for hollow band grain of gold watches and their wax blank production method (空心黃金錶帶帶粒蠟坯模具及相應的蠟坯製作方法)	Our Company, Fujian Xipu	Invention	PRC	2022103751007	2022.04.11
18	Inflatable wax blank molds for hollow band grain of gold watches and their wax blank production method (內充型空心黃金錶帶帶粒蠟坯模具及相應的蠟坯製作方法)	Our Company, Fujian Xipu	Invention	PRC	2022103768027	2022.04.11
19	A new wax injection device for producing hallow band grain for gold watches (用於生產空心黃金錶帶帶粒的新型注蠟工藝裝置)	Our Company, Fujian Xipu	Utility Model	PRC	2022208278180	2022.04.11
20	An overmolded wax blank molds for hollow band grain for gold watch (一種外包型空心黃金錶帶帶粒蠟坯模具)	Our Company, Fujian Xipu	Utility Model	PRC	2022208282148	2022.04.11
21	A watch with switchable wearing modes (可切換佩戴模式的手錶)	Our Company	Utility Model	PRC	2024200567923	2024.01.08
22	A nano-coating device (一種納米塗層鍍膜裝置)	Our Company	Invention	PRC	2024112095311	2024.08.30

(c) Copyrights

As at the Latest Practicable Date, we have registered the following copyrights which are material in relation to our business:

(i) Software (軟件)

No.	Copyright	Owner	Registration Number	Completion Date	Place of Registration
1.	Watch Mechanism Precision Machining Control System V1.0 (手錶機件精密加工控制系統V1.0)	Our Company	2015SR249363	2015.09.24	PRC
2.	Automatic Programming System for Watch CNC Grinding V1.0 (手錶加工數控磨削自動編程系統V1.0)	Our Company	2015SR249357	2015.10.12	PRC
3.	Smartwatch Heart Rate and Blood Pressure Measurement Software V1.0 (智能手錶心率血壓測量軟件V1.0)	Our Company	2015SR249351	2015.07.23	PRC
4.	Metal Watch Band Gear Grinding Servo Drive System V1.0 (金屬錶帶磨齒伺服驅動系統V1.0)	Our Company	2015SR248299	2015.10.14	PRC
5.	Smartwatch Activity Data Recording Software V1.0 (智能手錶運動數據記錄軟件V1.0)	Our Company	2015SR248291	2015.07.22	PRC

No.	Copyright	Owner	Registration Number	Completion Date	Place of Registration
6.	Online Inspection and Maintenance System for Watch Part Processing V1.0 (手錶零件加工在線自檢與維護系統V1.0)	Our Company	2015SR248280	2015.08.19	PRC
7.	CNC Specialized Machine Control System for Watches V1.0 (手錶加工數控專機控制系統V1.0)	Our Company	2015SR248232	2015.08.12	PRC
8.	Hi Ring Smart Wearable Health System V1.0 (康好智能穿戴健康系統V1.0)	Our Company	2024SR0735767	2024.03.25	PRC

(ii) Works (作品)

No.	Copyright	Owner	Registration Number	Completion Date	Place of Registration
1.	Vigorous Tiger (虎虎生威)	Our Company	Guo Zuo Deng Zi –2022–F–10022241	2022.01.28	PRC
2.	Goldbear Lady (Goldbear 淑女熊)	Our Company	Guo Zuo Deng Zi –2018–F–01335121	2018.06.19	PRC
3.	Goldbear Gold Watch (金熊金表)	Our Company	Guo Zuo Deng Zi –2019–F–00789286	2019.05.24	PRC
4.	Goldbear (金熊)	Our Company	Guo Zuo Deng Zi –2017–F–00405027	2017.12.25	PRC

No.	Copyright	Owner	Registration Number	Completion Date	Place of Registration
5.	Zen (禪)	Our Company	Guo Zuo Deng Zi –2020–F–00023644	2020.12.21	PRC
6.	Hipine Symbols Creativity (西普尼符號創意)	Our Company	Guo Zuo Deng Zi –2023–F–00210809	2023.9.22	PRC
7.	Hipine Graphics Creativity – *Wings of Time* (西普尼圖形創意 –《時間之翼》)	Our Company	Guo Zuo Deng Zi –2023–F–00210810	2023.9.22	PRC
8.	Hipine Graphics Creativity – *Pegasus of Time* (西普尼圖形創意 –《時間飛馬》)	Our Company	Guo Zuo Deng Zi –2023–F–00210808	2023.9.22	PRC

(d) Domain Names

As at the Latest Practicable Date, we have registered the following domain names which are material in relation to our business:

No.	Domain name	Registrant	Registration Date	Expiry Date
1.	szcjdy.com	Our Company	2019.05.13	2028.05.13
2.	hipine.com	Our Company	2009.07.07	2025.07.07

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, SUPERVISORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests of our Directors, Supervisors and Chief Executive of Our Company

Immediately following completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), the interests and/or short positions (as applicable) of our Directors, Supervisors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and any interests and/or short positions (as applicable) in shares, underlying Shares or debentures of any of our Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the H Shares are **[REDACTED]** on the Stock Exchange, will be as follows:

		Immediately following completion of the [REDACTED] (without taking into account any Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED])	
Name of Director, Supervisor or Chief Executive	**Nature of Interest**	**Number of Shares**	**Approximate Percentage of Shareholding Interest**
Mr. Li YZ	Beneficial interest and interest held jointly with others	**[REDACTED]**	**[REDACTED]**%
Mr. Hu	Beneficial interest and interest held jointly with others	**[REDACTED]**	**[REDACTED]**%
Mr. Li Shuo	Beneficial interest and interest held jointly with others	**[REDACTED]**	**[REDACTED]**%

		Immediately following completion of the [REDACTED] (without taking into account any Shares which may be [REDACTED] pursuant to the exercise of the [REDACTED])	
Name of Director, Supervisor or Chief Executive	**Nature of Interest**	**Number of Shares**	**Approximate Percentage of Shareholding Interest**
Mr. Li YJ	Interest in controlled corporation and beneficial interest	**[REDACTED]**	**[REDACTED]**%

Notes:

1. All interests stated are long positions.

2. The calculation is based on the total number of **[REDACTED]** Shares in **[REDACTED]** immediately following the completion of the **[REDACTED]** and without taking into account any Shares which may be **[REDACTED]** pursuant to the exercise of the **[REDACTED]**.

3. Pursuant to the Concert Party Agreements, Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM have agreed to act in concert at shareholders' meetings of our Company. See "History and Development – Concert Party Agreements" for further details. By virtue of the SFO, Mr. Li YZ, Mr. Hu, Mr. Li Shuo, Mr. Li LM are deemed to be interested in Shares that other parties under the acting in concert arrangement is interested in.

4. As at the Latest Practicable Date, being the general partner of Qianhai Zunshang, Mr. Li YJ could exercise all the voting rights of Qianhai Zunshang in our Company.

(b) Interests of the Substantial Shareholders

For more details on the persons who will, immediately following the completion of the **[REDACTED]** without taking into account any Shares which may be **[REDACTED]** pursuant to the exercise of the **[REDACTED]**, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will directly and/or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company or of any member of our Group, please refer to the section headed "Substantial Shareholders" in this document.

2. Directors' and Supervisors' Service Contracts and Letters of Appointment

We have entered into a service contract or letter of appointment with each of our Directors and Supervisors 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. The principal particulars of these service contracts and letters of appointment include (i) the term of service; and (ii) are subject to termination in accordance with their respective term. The service contracts or letters of appointment may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

Our independent non-executive Directors have been appointed for a term of three years. Our Company intends to pay a director's fee of HK$150,000 per annum to each of the independent non-executive Directors. Save for the director's fee, none of our independent non-executive Directors is expected to receive any other remuneration for holding his/her office as an independent non-executive Director.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contracts as a director or supervisor with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Remuneration of Directors and Supervisors

Save as disclosed in the section headed "Directors, Supervisors and Senior Management" and note 12 to the Accountants' Report in Appendix I, none of our Directors or Supervisors received other remuneration or benefits in kind from our Company during the Track Record Period.

4. Directors' and Supervisors' Competing Interests

Save as disclosed in section headed "Directors, Supervisors and Senior Management" in this document, none of our Directors or Supervisors is interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

5. Disclaimers

(a) save as disclosed in this Appendix and the section headed "Substantial Shareholders" in this document, none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken 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 in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are **[REDACTED]** on the Stock Exchange;

(b) save as disclosed in this Appendix and the section headed "Substantial Shareholders" in this document, so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(c) save as disclosed in this document, none of our Directors or any of the experts listed in "D. Other Information – 5. Qualification of Experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) save in connection with the **[REDACTED]** and as disclosed in this Appendix and the section headed "Business – Our Customers" in this document, none of our Directors nor any of the persons listed in "D. Other Information – 5. Qualification of Experts" below is materially interested in any contract or arrangement with our Group subsisting at the date of this document which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;

(e) save in connection with **[REDACTED]**, none of the experts listed in "D. Other Information – 5. Qualification of Experts" below has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;

(f) none of our Directors has entered or has proposed to enter into any service agreements with our Company or any member of our Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) save as disclosed in the sections headed "Business – Our Customers" and "Business – Our Suppliers" in this document, none of our Directors, their respective associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Group.

2. Litigation

As at the Latest Practicable Date, save as disclosed in "Business – Legal Proceedings", no member of our Group was 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 our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an **[REDACTED]** on behalf of our Company to the **[REDACTED]** for the **[REDACTED]** of, and permission to **[REDACTED]**, the Shares in **[REDACTED]** and to be **[REDACTED]** as mentioned in this document (including any Shares which may be **[REDACTED]** and **[REDACTED]** pursuant to the exercise of the **[REDACTED]**).

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor will receive an aggregate fee of HK$**[REDACTED]** for acting as the sponsor for the **[REDACTED]**.

4. 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 31 December 2024 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts (as defined under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance) who have given opinions or advice which are contained in this document:

Name	Qualification
Ping An of China Capital (Hong Kong) Company Limited	Licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity
Deloitte Touche Tohmatsu	Certified Public Accountants and Registered Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
Grandway Law Offices	Legal advisers as to PRC Law
China Insights Consultancy	Industry consultant

6. Consents of Experts

Each of the experts as referred to in "D. Other Information – 5. Qualification of Experts" in this Appendix has given and has not withdrawn their respective written consents to the issue of this document with the inclusion of their opinion, reports, letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which they respectively appear.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Mr. Hu Shaohua was the sole Shareholder of our Company and he was a promoter of the Company. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this document.

8. Preliminary Expenses

As at the Latest Practicable Date, our Company did not incur any material preliminary expenses.

9. Taxation of Holders of H Shares

The sale, purchase and transfer of H Shares are subject to Hong Kong stamp duty if such sale, purchase and transfer are affected on the **[REDACTED]** of members of our Company, including in circumstances where **[REDACTED]** are effected on the Stock Exchange. The current rate of Hong Kong stamp duty for such sale, purchase and transfer is 0.2% of the consideration or, if higher, the fair value of the H Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of H Shares.

10. Indemnity Undertaking

Pursuant to the indemnity undertaking given by our Controlling Shareholders in favour of our Company (and its subsidiaries), the Controlling Shareholders have provided the following undertakings to the Company and its subsidiaries:

1. If, as required or determined by the competent authorities, the Company and its subsidiaries are required to bear any fines or suffer any losses due to failure to pay social insurance contribution for employees in full during the operating activities during the reporting period, the Controlling Shareholders will fully compensate the Company and its subsidiaries for the expenses incurred or losses suffered as a result, and the Company and its subsidiaries are not required to pay any consideration.

2. If, as required or decided by the competent authorities, the Company and its subsidiaries are required to bear any fines or suffer any losses due to failure to pay housing provident fund for employees or failure to pay housing provident fund for employees in full during the operating activities during the reporting period, the Controlling Shareholders will fully compensate the Company and its subsidiaries for the expenses incurred or losses suffered as a result, and the Company and its subsidiaries are not required to pay any consideration.

11. [REDACTED] for [REDACTED]

The Sole Sponsor has made an **[REDACTED]** on behalf of our Company to the **[REDACTED]** for the **[REDACTED]** of, and permission to **[REDACTED]**, the H Shares. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

12. Binding Effect

This document shall have the effect, if an application is made in pursuant of this document, 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 insofar as applicable.

13. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the laws of Hong Kong).

This document is written in the English language and contains a Chinese translation for information purpose only. Should there be any discrepancy between the English language of this document and the Chinese translation, the English language version of this document shall prevail.

14. Miscellaneous

(a) Save as disclosed in this document,

(i) within the two years immediately preceding the date of this document, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this document, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(iv) within the two years immediately preceding the date of this document, no **[REDACTED]** has been paid or payable (except **[REDACTED]** to **[REDACTED]**) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;

(v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(vi) there is no arrangement under which future dividends are waived or agreed to be waived.

(b) Our Directors confirm that:

(i) since 31 December 2024 (being the date on which the latest audited consolidated financial statements of our Group were made up), there has been no material adverse change in our financial or trading position or prospects;

(ii) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document; and

(iii) our Company has no outstanding convertible debt securities or debentures.

(c) Our Company currently does not intend to apply for the status of a foreign investment joint stock limited company.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) copies of each of the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VI; and

(b) the written consents referred to in "Statutory and General Information – D. Other Information – 6. Consents of Experts" in Appendix VI.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **www.hipine.com** up to and including the date which is 14 days from the date of this document:

(a) the Articles of Association;

(b) the accountants' report from Deloitte Touche Tohmatsu, the text of which is set forth in Appendix I;

(c) the report on the unaudited **[REDACTED]** financial information from Deloitte Touche Tohmatsu, the text of which is set forth in Appendix II;

(d) the audited consolidated financial statements of our Company for the financial years ended 31 December 2022, 2023 and 2024;

(e) the PRC legal opinion issued by Grandway Law Offices, our PRC Legal Adviser in respect of certain aspects of our Group;

(f) the China Insights Consultancy Report;

(g) the PRC Company Law, the PRC Securities Law and the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies, together with their unofficial English translations;

(h) the material contracts referred to in "Statutory and General Information – B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix VI;

(i) the written consents referred to in "Statutory and General Information – D. Other Information – 6. Consents of Experts" in Appendix VI; and

(j) service contracts and letters of appointment referred to in "Statutory and General Information – C. Further Information about Our Directors, Supervisors and Substantial Shareholders – 2. Directors' and Supervisors' Service Contracts and Letters of Appointment" in Appendix VI.